FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Fourth Quarter Results 2018 Conference Call

Event Date/Time: February 15, 2019 — 11:00 a.m. E.T.

Length: 41 minutes

CORPORATE PARTICIPANTS

Sean Boyd
Agnico Eagle Mines Limited — Chief Executive Officer

Yvon Sylvestre
Agnico Eagle Mines Limited — Senior Vice-President, Operations, Canada & Europe

CONFERENCE CALL PARTICIPANTS

Fahad Tariq
Credit Suisse — Analyst

Mike Parkin
National Bank — Analyst

John Tumazos
Very Independent Research, LLC — Analyst

Steven Butler
GMP Securities — Analyst

Anita Soni
CIBC — Analyst

Carey MacRury
Canaccord Genuity — Analyst

PRESENTATION

Operator

Good morning. My name is Chris, and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Fourth Quarter Results 2018 Conference Call.

All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, followed by the number 1 on your telephone keypad. If you'd like to withdraw your question, please press the # key. Thank you.

Mr. Sean Boyd, Chief Executive Officer of Agnico Eagle Mines, you may begin the conference.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Limited

Good morning, everyone, and thank you for joining us this morning for our Q4 2018 update. Before we get into the presentation, in the slide deck is a couple of slides on forward-looking statements. So please take note of those.

As we step back and look at the strategy, I think for us, it's just a natural progression as we move from a transition year in 2018 into 2019, and the goals are still the same: to go forward in a measured pace, manage our risks, and create a business that generates above-average returns and does it on a sustainable and self-funding basis.

As we said, as we look at 2019, we're completing the expansion in Nunavut, with Meliadine starting in Q2 and Amaruq starting in Q3. That sets us up for a record production in 2019, 2 million ounces in 2020, with the potential to go beyond 2 million ounces as we move beyond 2020. The nice thing about our positioning is we invested heavily over the last two years, largely in the Nunavut platform. Our CapEx is going to decline significantly in 2019, coming down from roughly $1.1 billion in 2018, down to about $660 million in 2019.

As we move beyond 2019 into 2020 and 2021, we would expect to have a capital spending range of between 500 million and 700 million, including sustaining of about 300 million, and that's largely dependent on the gold price, but also dependent on our project approvals of the internal projects that we have in the pipeline. So there's still analysis and work to still do before we get to the point where we're in a position to make a positive decision on several of those projects, and we'll talk about them in the presentation.

From a risk point of view, we've built the business by managing political risk. So we're focused on going into jurisdictions that we can see ourselves operating for multi decades. That really hasn't changed. The pipeline, as we said, has a lot of opportunities in it to add additional value. And so while we've been focused on building the Nunavut platform, and while we're focused on delivering the two big projects this year, we continue to work on advancing several of those internal projects through a combination of additional exploration and also advancing several studies.

One of the things we rely heavily on is we really built the Company on going into situations early, drilling, and then building as we're heavily reliant on our in-house technical skills and experience. And I think what we continue to prove, over and over, about our build-our-own-mines approach—works very well for us. So we're going to continue to focus on that.

So this is really, from a strategic point of view, all about staying disciplined, sticking to a strategy that's worked well for us for years, moving at a measured pace, and striking the right balance between investing in our project pipeline, paying down the debt as it comes due, and also increasing the dividend. So we'll talk a little bit about the building blocks that make up that strategy.

Turning to the fourth quarter and the full year results, another strong quarter in Q4, good production, 411,000 ounces at cash costs of 608, so exceeded our expectations. That put us in a position for the full year to produce 1.63 million ounces, again, exceeding guidance at very good cost.

As we've said many times before, 2018 was the transition year as we transitioned away from the deposits in the vicinity of the Meadowbank processing facility into new production platforms. In Nunavut, that would see our production grow. But for a transition year, it was actually excellent because if you look at the actual production decline from 2017 to 2018, it was only 5 percent.

So we were—several years ago, when we were looking at this transition, there was a potential for a sizable gap in production. And our team has done an exceptional job, and I'll talk about that in a minute on how we've got a nice, smooth transition between Meadowbank and Amaruq.

As we said, we've increased our guidance for 2019. We expect to produce 1.75 million ounces of gold, which is a record for Agnico Eagle. And we're doing that with unit costs in 2019 stable, but with slightly declining unit costs beyond 2019, as we ramp up production further.

This is largely driven, this growth, off of the expanded platform in Nunavut. As we said, Meliadine we expect to start production in Q2 of this year. We're commissioning the plant as we speak, and we would expect to be pouring gold this month. And again, we'll get into some of these details, where also have done a good job moving our Amaruq deposit forward.

Based on the fact that CapEx is coming down significantly, we're in a position as production ramps up materially in the second half of this year—we're in a comfortable position and a confident position in terms of being able to deliver that, to the point where we are increasing our dividend today.

And I think, if you look at that, that's really consistent with our long track record of paying a dividend for over 34 years, and also consistent with the last several years where, even though gold fell from $1,700, we did not eliminate our dividend. We did manage it lower, but this will be the third increase since the dividend bottomed at $0.32 a share. So we just take that as a sign of our confidence in the future of our business.

Exploration remains a key value driver for us. It's an important component of understanding the quality of the project pipeline, so we're actively drilling on a big part of our project pipeline. We continue to see good results at places like Meliadine, where we have encountered good grades outside of the known mineral reserve and resource outline.

And our experience, largely, has been that we tend to create more value from an exploration standpoint once we get the production base established. And we would certainly expect that to happen at Meliadine, given the size of the land package there that's largely unexplored.

At Amaruq, drilling continues to give us confidence in the underground opportunity there. In fact, we continue to grow the overall reserve and resource, which now totals over 6 million ounces.

We added about 500,000 ounces to the open pit reserve, which extends the mine life there. And so what we're doing now as we focus on executing is to continue to work on various options and studies on the underground opportunity that exists at Amaruq, with the potential to have an overlap with the open pit mine at some point in the future. And we'll have more details on that later this year.

In Mexico, at Santa Gertrudis, we have almost 1 million ounces now in resource outlined at that project. We continue to move that forward, and we'll have more news on that as we move through this year on what our plans are at that project.

Drilling has also not only given us some clarity on our projects, but also continued to allow us to post another year of reserve and resource growth. Our total ounces increased by 7 percent to 22 million ounces, and our grade increased by 8 percent to 2.7 grams per tonne. So a big part of the production growth over the next three years is really driven off of higher grades being delivered to the processing facilities, and that's what's allowing us to have a good cost forecast going forward on a unit-cost basis.

Just a little bit more detail on the operating results. As we said, better-than- expected Q4 production cost performance, really driven by strong results at LaRonde, Canadian Malartic and Pinos Altos.

Financial highlights. We did have a large headline loss due to impairments. And from the perspective of the assets involved in that, the largest charge was a $250 million impairment at Canadian Malartic, and that was really a reduction of the goodwill component that was on booked on the acquisition in 2014.

That goodwill does not get amortized under IFRS. So ultimately, over time, you have to reduce that goodwill. That does not reflect where we are on that asset. In fact, we see the potential to add additional ounces at Odyssey and East Malartic. But that work wasn't at the stage that we could put significant value on it at this point in time, when we look at the impairment test around goodwill.

At La India, we had a reduction in goodwill of $40 million, again, on the acquisition that was completed back in 2011. And at Barqueno, we had an impairment of 100 million. Now that's largely because that project does not reach our hurdle rate at this point. We haven't totally given up on it. We're continuing to drill it and look for ways that we can improve the situation. But it just made sense that we took an impairment on that project in 2018.

As far as our financial position, it remains strong, even after coming off a significant construction phase over the last two years, where we spent over $1 billion in capital in both 2017 and 2018. And as we said, our CapEx declines significantly in 2019, down by over $400 million from 2018, while the gold production growth, particularly in the second half, where we expect to be free cash flow positive.

Moving to the project pipeline. There is an opportunity, as we said, to go beyond 2 million ounces when we move beyond 2020. So we're focused now on analyzing those opportunities from both a rate-of-return perspective, but also from the perspective of the potential to positively impact our business as we move forward. Part of that work includes additional drilling and also includes updating studies.

I'm not going to go through the entire list, but I think LaRonde presents an interesting opportunity as we go deeper at that mine. You can see that we added 800,000 ounces of high-grade gold in the year, averaging 7.9 grams per tonne. And that's largely on the western side of the deeper part of LaRonde, where we've had some of the best drill holes we've had in the history of that deposit.

We also continue to drill the Zone 6 horizon, where we've had early indications of maybe a reappearance of a mass of sulfide lens. So there's a lot of drilling and study work ongoing at LaRonde, and as we go deeper, certainly the risks increase. That's why we're taking our time to lay out a solid plan to go below 3.1 kilometres. And as we do that, we want to know the full extent of the mineralization down there, and if there is a separate horizon in Zone 6. So we'll continue to drill that and provide updates as we move forward.

I would point out at Canadian Malartic, we will be moving forward on an underground ramp. We continue to grow the resource. We continue to do a study on that opportunity, so we would be in a position later this year to provide more clarity and colour on how that will progress. As we've said, it's too early to put a lot of economic parameters around it at this point, and we're still actively drilling that area.

Let's move on to the sort of longer-term projects beyond 2023. And a lot of them are the same, and some of them are, in fact, just going deeper. For example, at Canadian Malartic, the initial study will be done down to a depth of about 600 metres. We certainly see from drilling that there is mineralization below 600 metres, so it's a matter of doing more exploration work and then updating studies on looking at the economics, as we think about going deeper in an underground scenario at Canadian Malartic.

Kirkland Lake is a project that has over 5 million ounces of reserve and resource. We continue to drill it, and we also continue to study it. And that's an opportunity that we'll have more news on as we go forward and probably by the end of this year.

And at Amaruq, that's the one that has the most potential to have a significant impact on production, bringing in an underground simultaneously with an open pit at some point as we move forward. And we're actively studying those options, and we'll have more information on that before we close out this year.

I'll quickly go through the operations, and then we'll open it up for questions.

Starting with LaRonde and LZ5, good performance in the quarter. Really good operating margins continue to be generated at LaRonde. Looking at over the next three years, we expect the average with LaRonde and LZ5 pretty close to 400,000 ounces a year over the next three years, at good costs. As you can see in the quarter, LaRonde produced gold at under $500 cash cost. So they've done an exceptional job as they go deeper in that mine, and as they access better grades in the lower part of the deposit.

At Canadian Malartic, we talked about that. They've also done an exceptional job, if you look at record production from record tonnage from good grades. They've made good progress on the Barnat extension there. They should average, over the next three years, similar production levels to what they did in 2018. So good solid production, good cost performance.

And the key going forward for us is to understand the underground opportunity there and in order to do that, we need to do more drilling. And there're several horizons that we need to understand. There's a sizable resource there, so that's one that we have enough information on at this point to invest in an underground ramp to open it up and access it. But it still requires more drilling and more study to determine how we're going to deploy capital with our partner Yamana at that project.

Goldex is a steady producer. It has opportunities to go after a smaller, higher grade South Zone. It also has opportunities at the Akasaba West project, which we've put on hold. That's just part of an effort to work within a defined capital spend number. And although it meets our hurdle rate in terms of the potential impact of the business, it's still relatively small. So our capital of 660 million this year is focused on larger projects that have a bigger potential impact, but it will be a project that will come into production at some point in our future.

At Meadowbank, I made reference to the transition. Actually, this was an exceptional transition, and an exceptional plan that involved a lot of good thinking, but most importantly, a lot of teamwork. Because really what you had is you had, basically, a dozen drill holes in 2013, with the first drilling done in August of 2013, and literally six years later, you've got a mine starting up. So that's an exceptional job with the Meadowbank and the Amaruq teams.

And what the Meadowbank team did was also continue to squeeze out cash flow at Meadowbank. So you can see in 2019 we have additional production coming out of the Meadowbank deposit. So that was an exceptional job because it basically did not have any adverse effects on the workforce, which was important, which would have impacted the communities if there was a serious gap in production. So effectively, not an easy transition, but a relatively seamless transition, through a lot of good work and good thinking.

Amaruq, moving to that. As we said earlier in the presentation, when you look at the combined size of that from a reserve and resource perspective, over 6 million ounces, with 2.5 million ounces in reserve. And the mine plan, from the open-pit perspective, as we said, we added about 0.5 million ounces to gold reserves at open-pit depths.

Now we're evaluating the potential, as we said, to open up an underground opportunity there, but also to optimize the pit because if we're going to go underground—and that allows us to do less stripping in the pit and become much more efficient in the allocation of capital and the return on the pit. So we'll have more details on that as we move through 2019.

At Meliadine—we talked about it at the start—it's ahead of schedule. It's below budget. That largely drives the increase in the guidance for 2019. As we said, they're commissioning the plant as we speak. We expect to have gold poured at Meliadine before the end of this month.

Things are going well there, also, from a mining perspective. What's happening in the plant now, I'd say, we're delivering over 2,000 tonnes a day of what we would call mid-grade ore in the sort of 5-gram range. And as we go through the next few weeks, we'll be delivering into the mill what we would call higher grade material, above 7 grams.

So again, things have gone well, and that's why we have confidence in raising our guidance this year to 1.75 million ounces. And we continue to drill it, and we see intersections that suggest that the deposit at Tiriganiaq will continue to grow.

At Kittila, we're making good progress on the shaft and the mill expansion. In 2019, we're going to reline the autoclave, so we have about a 60-day shutdown. So even factoring that in, we're still showing record output overall in 2019 from a company-wide perspective. So it's a good year to do the autoclave relining, which happens every four to five years.

Moving to the southern businesses, we also mentioned Pinos Altos had a good year. It's a good cash flow generator, good solid production, very good cost performance. It's still a key cash flow generator to us. It's shifting gears, in a way, as it moves into the development of several satellite deposits to augment the underground operation. That's a way where we've been able to leverage off of exploration results, good mine-building skills, and existing infrastructure. So the team continues to look at ways where they can extract value from the investments we've made, not only in infrastructure but in people over the last several years.

At Creston Mascota, that's been a big success over the last several years. It's coming to an end there. So a thank you to that team for doing a good job over the last few years, generating a lot of cash flow for us with a modest investment.

And La India, although we did have an impairment of goodwill, it's not a function of the asset itself being impaired. In fact, it continues to produce good quantities of gold at good cost, generates good cash flow. And there are additional satellite opportunities that exist at La India to extend the mine life, and there's still a lot of solid drill targets that we're going to be exploring with a significant budget over the next little while.

So just before I open it up for questions, a quick summary. As we've said, from an operational standpoint, 2018 was a strong year as we once again exceeded our production forecast, and we did it at lower-than-expected, the unit costs. While we were doing that, we were growing reserves. We were improving the quality of those reserves as the grades increased. We successfully advanced our Nunavut project.

And as we said, that really sets us up nicely in 2019 to produce record amounts of gold at stable costs, with the ability to continue to grow production beyond 2019 as we get a full year of production from our Nunavut platform. And we would expect, based on the quality of that production, to be able to keep our costs under control and see a slight decline in unit costs and all-in sustaining costs.

What we expect this to do is to, obviously, drive increased cash flow, but more importantly, cash flow per share. And what that will allow us to do—will allow us to fund our project pipeline with internally generated funds. It'll allow us to reduce our debt as it comes due and increase our dividend.

So, Operator, on that, I'd be happy to open the line for questions.

Q&A

Operator

Certainly. At this time, I would like to remind everyone, in order to ask a question, press *, followed by the number 1 on your telephone keypad. Again, that's *, 1. I'll pause for just a moment to compile the Q&A roster.

Your first question comes from Fahad Tariq with Credit Suisse. Your line is open.

Fahad Tariq — Credit Suisse

Hi. Good morning.

Sean Boyd

Good morning.

Fahad Tariq

I know you touched on this a bit earlier. Can you clarify the reason for the $250 million goodwill impairment charge at Canadian Malartic? Were there indicators of impairment? And perhaps explain why the write-down is different from the 45 million that Yamana cited in their release? Thanks.

Sean Boyd

Well, going back to 2014, post the announcement of the acquisition, when the exchange ratios were set, the Agnico Eagle stock went up while our partner's stock went down. By the time the deal closed then, from an accounting standpoint, we were recording that transaction at a higher number than our partners were. So we had a larger goodwill number.

And as we said at the start, goodwill is not amortized. We've mined since 2014. So when you take the combination of a goodwill number that doesn't change since 2014, with the fact that we've mined the open pit since 2014, with a combination of having our Kirkland Lake assets now being wholly owned by Agnico, so we take the Kirkland Lake valuation out of the impairment calculation this year for the first time, that really suggested that we should take the goodwill down by $250 million.

Yamana's number, I think you said it was 45 million, so about a $200 million difference, which would largely, probably reflect the added amount that we were booking, going back to the time of the acquisition. And if you would—if we were sort of depreciating the goodwill or amortizing it, which we're not allowed to do under IFRS from 2014, we probably would have amortized it by 250 million. So it all sort of ties in.

Fahad Tariq

That's helpful. Just switching gears for a second, on the M&A front versus looking at your organic growth opportunities, how do you weigh the exploration potential on it versus what could be acquired? And what are—maybe high level, where are the—what's the kind of investment criteria that you're thinking about when you look at potential assets that are available? Is it focusing on the right jurisdiction? The technical ability to improve operations? Is it life of mine? Any colour or background—

Sean Boyd

It's all of that.

Fahad Tariq

—would be helpful.

Sean Boyd

It's all of that. And I think you just have to go back to our history and our track record, going back to 2005 with Kittila, 2006 with Pinos Altos, 2007 with Meadowbank, 2010 with Meliadine, 2011 with La India, even 2014 with Osisko. The thesis there was that there was going to be an underground opportunity, and we're seeing that potentially develop now through consistent exploration.

It's largely focused on trying to be early and taking advantage of, let's say, geological opportunity. When we go in with our own mine-building team and operators, doing due diligence, understanding the risks and what's needed to ultimately turn one of those opportunities into a meaningful part of our business, we're basically then taking on, sort of, geological risk. And each of those deposits has grown from the original acquisition.

So those are the types of things we're looking for. It's not easy. It's a lot more difficult now than it would have been, say 10 years ago, to find another Pinos Altos or to find another Kittila. So that's why we're fortunate to not be in a situation where we're forced to do something because we've got declining reserves or declining production or dramatically rising cash flows. We've got the ability to continue to grow the business out through 2024. And we're working on projects now that we own in the pipeline to see how they could impact beyond 2023, '24.

That's why we're focused on drilling those opportunities, to understand the upside of the existing pipeline so that we can compare and contrast those opportunities for things that may exist in the market. So we're going to approach the sort of project evaluation of external opportunities at our usual customary measured pace without feeling any pressure to do anything.

Fahad Tariq

Thank you.

Operator

Your next question is from Mike Parkin with National Bank. Your line is open.

Mike Parkin — National Bank

Thanks, guys. On Santa Gertrudis, could you give us a bit of a—a little more detail in terms of what your early thoughts are there? That's a pretty impressive maiden resource to come out with. Just like what's your exploration program involve in terms of—are you focusing more on defining the envelope larger? Or proving up the resource?

Yvon Sylvestre — Senior Vice-President, Operations, Canada & Europe, Agnico Eagle Mines Limited

We're doing both at the moment, making sure that all of the historical information is good, according to our standard, adding some infill drilling in the existing resources and conducting some exploration to grow the resources, while we are starting to put together some scoping and try to understand how we can advance it to the next step.

Mike Parkin

Okay. That's really it for me. Congrats on the great quarter.

Operator

Your next question is from John Tumazos with Independent Research. Your line is open.

John Tumazos — Very Independent Research, LLC

Thank you very much. I'm concerned about how quickly the underground zones at Malartic come into production. We sure don't want you to run out of open-pit ore and have trouble keeping the mill full. What's the soonest you think you could get to 10,000 tonnes a day there? And what are the hurdles in terms of documenting the inferred? Configuring the ramps? Permitting? Could you loan Yamana money if they don't have enough money to go as fast as you? How can we get the ball rolling?

Yvon Sylvestre

Well, I think at this stage there's a fairly important resource overall on the property. We're trying to find the short-term benefits to accompany the current pit life of mine, but also understanding scenarios around it, be the longer-term underground scenarios. At this stage, it has been scenarios analysis only. Like Sean has said earlier, we're in the early stage, and we'll probably provide a little bit more clarity on these aspects as we go into Q3.

Sean Boyd

But I think it's fair to acknowledge that we do expect the size of that resource to continue to grow, and there's additional horizons there that have some potential. We need to drill those to understand those. So it still needs a bit more work, and we need to sit down with our partner and four of the other companies that have a vested interest from a royalty perspective in that region, to lay out different thoughts on how we could proceed with the opportunity that exists underground.

John Tumazos

What are the pivot points? Let's just say the underground lasts decades and the open pit doesn't. Can the mill drop from 55,000 or 60,000 tonnes a day to 25,000 tonnes a day in an efficient way? What is the economic cutoff if you were underground only in the second decade? Is it a 10,000 or 25,000 tonne-a-day milling rate? Are 2 or 3 grams economic?

Yvon Sylvestre

Well, the ore body and the geology will sort of define the mining rate, for one. And whatever the mining rate will be, we'll be in a position to adapt the mill to that capacity. So as far as the cutoff grades are concerned, it all depends on the scenario and throughputs that are being selected. But close to say that we'll be in a position to have a fairly interesting cutoff grade to maximize the overall throughputs.

John Tumazos

Thank you and congratulations on all the good reserve resource and production progress.

Sean Boyd

Thank you.

Operator

Your next question is from Steven Butler with GMP Securities. Your line is open.

Steven Butler — GMP Securities

Thanks, Operator. Good morning, guys.

Sean Boyd

Morning.

Steven Butler

Sean, you have several projects in your pipeline beyond 2023. Are there one or two or three projects that you rank higher in that pipeline, that could see the light of day earlier than some of the others?

Sean Boyd

Well, I think the one that could have the most impact on production and cash generation would be Amaruq—

Steven Butler

Mm-hmm.

Sean Boyd

—given the high-grade nature of it, given the fact that an underground would also impact the economics of the pit because we combine some of their originally planned pit ore from an underground. So that's the analysis. We'll have more—we'll have it more complete as we move through this year.

The one that we're working on as well would be Kirkland Lake, just trying to understand that opportunity; Upper Beaver, good grades, copper credit; Upper Canada growing. What are the synergies with LaRonde? We need to understand that.

Steven Butler

Mm-hmm.

Sean Boyd

Can we come in with a modest amount of capital and move that forward? So we still need to understand that one. But those would be the ones that have, potentially, the most meaningful impact.

But I think the strategy now is to continue with a fairly active exploration program. We've had one for the last several years. We're going to continue to push that. We know that several of these deposits will continue to grow, and then we'll allocate capital based on sort of return but also on impact on the business as we look beyond 2023 and 2024.

Steven Butler

Okay. Thanks, Sean. And then last question; what depth are you guys mining at right now at LaRonde? I guess it's just at around 3 kilometres or maybe a bit lower. What's the experience, in terms of your dilution and temperatures, et cetera? And how deep does the reserve base reach?

Yvon Sylvestre

Well, the future reserve base that was put in the guidance is at 3.4 kilometres at this stage.

Steven Butler

Yeah.

Yvon Sylvestre

Presently, mostly mining around the 2.93-kilometre depth. We're developing just slightly below the 3.1 kilometre at this stage. So as far as the working conditions are concerned, the conditions in general are in good shape. We are focusing, as we want to develop the reserve at depth, on implementing ventilation and cooling in 2019 to pursue that development. But so far, I think that's about the extent of it at this stage.

Steven Butler

Okay. Okay. Thanks very much, guys.

Operator

Your next question is from Anita Soni with CIBC. Your line is open.

Anita Soni — CIBC

Good morning, Sean and team, and congratulations—

Sean Boyd

Morning.

Anita Soni

—on a very successful reserve resource addition. I think that's the best one we've seen so far. My question is with regards to East Malartic. I think you—I'm sorry if I missed it. I dropped off the call earlier—

Sean Boyd

Mm-hmm.

Anita Soni

—but could you talk a little bit about how that interlays with the development at Malartic and Barnat? And where do you see Odyssey in that as well?

Sean Boyd

Yeah. We just had an update a little bit earlier, and we're still in the assessment mode, as the Yvon just said a few minutes ago. And part of that is just really understanding how big it is, and that is also not just total ounces, but thickness and grade of the mineralization, which drives the underground mine, will drive throughput rates. As Yvon said, we could modify the plant to adjust to whatever the mining rate would be suggested by the thickness of the ore body. So those are things that we're still working through at this point, but we have enough now to invest in a ramp to access it.

The thinking now is that we're studying the structure above 600 metres. Ultimately, we know the mineralization goes below 600 metres. We believe it'll continue to grow. There's some potential for another horizon there, a mineral horizon, so that's the focus of drilling. But as we just said as well, we'll have to sit down as we work on that analysis with all the vested interests in the region—the royalty holders, our partner Yamana—and lay out different scenarios to come up with something that's optimal to justify future investment.

Anita Soni

And then just in terms of the capital budget, and as we think about sustaining capital at sort of 325 million and then development capital at 300 million—and then I think you were saying last night in the press release that two to—going up to 2.3 million ounces. Would that push to 2.3 million ounces be incorporated within that sort of ongoing development capital? Or would—and assuming—

Sean Boyd

Yeah.

Anita Soni

Yeah? Okay. And so that's—

Sean Boyd

Yeah, it is.

Anita Soni

—and those are mostly brownfield projects, and if you decide to go after something that is a little bit bigger, that would be—

Sean Boyd

Yeah. That's the existing pipeline—

Anita Soni

Okay.

Sean Boyd

—when we look at sort of our expanded life-of-mine plan which incorporates some resource into that plan over and above reserve.

Anita Soni

Yeah.

Sean Boyd

That's sort of the CapEx envelope we're looking at, to try to develop these opportunities at a measured pace. And we're trying to do that so that we can continue to move those projects forward, at the same time, improve financial flexibility and, hopefully, continue to increase the dividend.

Anita Soni

Okay. So it's a—

Sean Boyd

So that’s where we’re—that’s how it’s set up.

Anita Soni

So basically, the 600 million-ish number and sort of—and you’re going to climb to 2.3?

Sean Boyd

Yeah. We said 500 million to 700 million—

Anita Soni

Five hundred—

Sean Boyd

—and that’s gold price-dependent. So—

Anita Soni

Yeah.

Sean Boyd

—we think that’s a sufficient envelope to allow us to move the current pipeline forward, to get to that sort of 10 to 15 percent above the 2 million ounce number. And as we go through this year, we’ll have some more clarity on some of the key building blocks to allow us to get there.

Anita Soni

Okay. Thank you very much.

Operator

Your next question is from Carey MacRury with Canaccord Genuity. Your line is open.

Carey MacRury — Canaccord Genuity

Hi. Good morning. Just a question on Meliadine. Just wondering what the mining rate is there right now? And how soon do you expect it to get up to the full run rate?

Yvon Sylvestre

Yeah. We're still mostly in development. We're generating about 12,000 to 15,000 tonnes of the element in-ore per month. We will be mining, roughly, between two to three stopes over the next quarter or so, and then ramping up going forward. But we're going to be mining at a rate towards the target towards the end of the year and relying on the available stockpiles that are on surface to complement at this stage.

Carey MacRury

And what's the peak stockpile you're going to have there?

Yvon Sylvestre

Well, we've put the—at the end of January we have 180,000 tonnes of stockpile on surface.

Carey MacRury

And before you start the mill up, how big does that—do you expect that to get to?

Yvon Sylvestre

We expect to draw down on that as we move forward.

Carey MacRury

No, but it should grow between now and when the mill starts up?

Yvon Sylvestre

No, probably not. They will try to maintain it as much as we can, but we'll start drawing down from that number.

Carey MacRury

Okay. Okay. Thank you.

Operator

And again, to queue for a question, that is *, and then 1.

And this concludes the Q&A portion of the call. I'll now turn things back over to Sean.

Sean Boyd

Thank you, Operator, and thank you, everyone, for your attention and for joining the call. And as always, if there's additional follow-up questions, feel free to give us a call. Thanks, again.

Operator

This concludes today's conference call. You may now disconnect.