

Agnico Eagle Mines Limited

First Quarter Results 2019 Conference Call

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PRESENTATION

Operator

Good morning. My name is Corinna (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle First Quarter Results 2019 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 *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the # key. Thank you.

Mr. Sean Boyd, you may begin your conference.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Operator, and good morning, everyone, and welcome to our first quarter 2019 conference call. We're going to be going through some forward-looking statements today, so please be forewarned.

Just to sort of step back and look at 2019. As we've said, we expect record production at 1.75 million ounces, at cash costs in the midpoint of the range of 645 and all-in sustaining costs at the midpoint of the range of 900.

After the first quarter, we're tracking extremely well towards that target and will be revisiting those numbers in our second quarter update in late July as we move through the commissioning of both Meliadine and Amaruq.

So the other thing that I think we've been focused on this year is just simply the execution of those two projects because what that does in the second half of the year, it drives a significant bump in production, in earnings per share, and also in cash flow per share.

From a quarterly perspective, we produced almost 400,000 ounces, of which about 18,000 ounces came from Meliadine in the pre-commercial stage. We poured our first bar at Meliadine in the third quarter of—in the third week of February.

Our cash costs in the quarter were very good. We'll talk about some of the components of that at 623, all-in sustaining cost at 836.

At Meliadine, as we mentioned, we're very close to commercial production. We'll expect commercial production in May. At Amaruq, we would expect commercial production in the third quarter of this year. So everything's tracking well. Both projects are ahead of the original schedule, and we would expect both projects to come in slightly below the total budget for both projects, which was US\$1.23 billion.

We also had some exploration results in our press release. We continue to get good results at Amaruq in the underground. We've got some interesting new results at Santa Gertrudis, a new—what looks like a higher grade structure in an area of past mining, a small pit. And at Kirkland Lake at Upper Beaver, we're extending the mineralization there.

So these are three projects that we've talked about providing an update as we move through the balance of this year, and the update will continue to obviously be exploration, but also will give you a project update on potential development scenarios for those projects as we move through the balance of this year.

Looking at the specific properties and the contribution to production of almost 400,000 ounces. If we look at the Abitibi and look at LaRonde, Goldex, and Canadian Malartic, we produced a combined—a little over 200,000 ounces. The weighted average cash costs of those mines for the quarter was \$544 an

ounce. So we're getting good performance and good cash generation coming out of our operations in the Abitibi.

Also had good production at Kittila, almost 50,000 ounces. We continue to produce good quantities of gold at Meadowbank, as we continue to mine in Portage. So that's extended a little bit longer than we had expected, and we talked about the 18,000 ounces, roughly, coming out of Meliadine in pre-commercial production.

In Mexico, our combined cash costs for those operations below \$600. So those mines continue to generate good cash flow.

So if you think about roughly 400,000 ounces of production in the quarter, that's roughly what we've been averaging per quarter for the last several years, plus or minus. But as we move into the second half of this year and into 2020, when we expect to produce 2 million ounces and then go beyond 2 million ounces post 2020, we'll have quarters of 500,000 ounces plus, which is really the inflection point that we've been talking about in terms of both earnings per share and cash flow per share.

Just going to the earnings and cash flow for the quarter, normalized was \$0.14, so good quarter from an earnings perspective. Operating cash flow is \$0.63, but as we said, as we go into the second half, we would expect to see improvements in both of those financial metrics.

The balance sheet, we closed the quarter with about 200 million in cash, a good position as we move forward, given the financial flexibility that we'll have moving into the second half as we ramp up production.

We'll talk a little bit about the assets. Talking about LaRonde, produced 77,000 ounces in the first quarter. We would expect to see higher grades in the second half of this year. That's just simply due

to mining sequence in the mine. We'll have about a 10-day maintenance shutdown in May of this year. We'll be offsetting some of that with material from the LZ5 zone net (phon) storage for that.

LZ5 continues to generate good cash, but I think the importance of that particular operation is the testing of the automated equipment. So good cash flow, a good return on investment there, but also allowing us to test our automated mining equipment and communication system.

Canadian Malartic, over 80,000 ounces. Work on the Barnat Extension is going according to plan. We would expect to begin production in late 2019 on Barnat, so no change to that schedule.

And we have a very active exploration program ongoing at Canadian Malartic, focused largely on underground opportunities and zones there. But it's still early there, still a lot more work to do. Nothing's been approved in terms of additional capital to move forward there, but all we can really say at this point is there's active exploration going on there.

And we continue to add to our land package there. We continue to fill in the blanks and open spaces on that belt and in partnership, just picked up the Rand Malartic property, which is immediately to the east of the Canadian Malartic ground, and there is potential for the zones to continue onto that ground.

At Goldex, a record production since the restart at 2000—restart in 2013. Seeing some high grade coming out of the South Zone, which is not unexpected. That is a higher grade area, although small. We'll see continued tonnage coming out of the South Zone for the balance of this year.

The Akasaba project is still on hold. It's a quality project, but in terms of capital allocation, it's one that we've just put on hold for the moment. And we would expect at some point to give it the go-ahead, given that it meets our investment hurdle rate, and we can leverage off of the existing skills that we have at Goldex.

At Meadowbank, 44,000 ounces. So as we said, we're winding down at the deposits in and around the Meadowbank processing facilities. But I think it's important just to stop and reflect on how effective the transition's been in Nunavut from the Meadowbank deposits to the Amaruq satellite deposit.

If we roll it back two or three years ago, there was an expectation that we would possibly be faced with a 12- to 18-month gap in production and, at the time, all we could say was just allow our people to work through the issues and the opportunities and come up with a plan that narrowed that production gap and also allowed for a seamless transition from the Meadowbank deposits to the new Amaruq deposits.

And they've done an exceptional job because that's had a very positive impact on the workforce because there was no negative impact of having people without a job for a period of time. So very good work from that team, and we're now—we've been transitioning both people and equipment to the Amaruq facility, and we've also completed all the mill upgrade work at Meadowbank for the Amaruq material.

So Amaruq's well advanced in terms of dewatering and mining and the truck fleet. We're still working on permits for the Whale Tail and the D zone expansion. We would expect to get those in late 2020. There's nothing special about those permits compared to the permits we've already been issued to start Whale Tail, so we don't see any issue with that.

And I think it will be—we're still very much focused on the underground opportunity at Amaruq and how we can potentially bring that into production at the same time as we're mining the pits because that could have a significant impact on the production profile for two or three years, where they're potentially operating at the same time. So we'll have an update as we move through the balance of this year on our thoughts around the Amaruq underground opportunity.

At Meliadine, we've talked about it. It's going well in terms of commissioning. We poured our first bar, as we said, in the third quarter of February. We're getting good recoveries. We're ramping up the mining rate. There's no showstoppers there. We're confident on our guidance this year. We continue to get good exploration results there, demonstrating that the deposit continues at depth with good grades and decent thicknesses.

So I think, also looking at that decision back in early 2017 to invest \$900 million, that was the right decision. Timing was right. We had slowed the project down in 2016, and we got better prepared, and as a result, that project is ahead of schedule, as we said, and below budget. So a good decision and I think that decision—how positive that is, is really reflected in the fact that although the economic study was done on 14 years of mine life, we have an extensive resource, and we see with the latest drilling that deposit's likely going to continue to grow.

At Kittila, we talked about a solid production quarter at 49,000 ounces. We will have a scheduled shutdown to reline the autoclave in this quarter. And so that's done every four to five years, so that was in our plan, so it doesn't impact our guidance at all. And we continue to push forward on the mill expansion and the shaft projects.

In the southern business, as we said at the start, very good performance from a cost-per-ounce standpoint and from a cash-generating standpoint. So they continue to operate effectively, generate good, solid cash flow while they work on satellite deposits such as Sinter and Cubiro and Reyna de Plata, effectively just leveraging off of infrastructure and skills in the region to maximize our investment there.

Creston Mascota, also a good cost performance and good production in the quarter.

And at La India, we continued a focus on expanding the heap leach and the ore stacking, which is going well. And we're drilling the El Realito satellite zone, which we would expect to extend the mine life at La India.

From an exploration standpoint, before I open it up for questions, I just wanted to highlight Santa Gertrudis. We bought that in December for—December of 2017, and we've got some nice high-grade intersections on an area that had some past small open-pit mining on it. Interesting opportunity because we feel if we extend the drill holes—some of the earlier drill holes did not extend enough to capture what we see as a potential new zone.

So already almost 1 million ounces, so we would expect that to continue to grow and that's the type of tailor-made project for our skill set in Mexico—right region, Sonora. We know how to operate there. We operate there with La India. So as we said earlier, we'll be providing an update on that project as we move through this year.

So, Operator, I'd like to open the line for questions.

Q&A

Operator

Thank you. At this time, I would like to remind everyone, in order to ask a question, please press *, then the number 1 on your telephone keypad.

Your first question comes from the line of Fahad Tariq with Credit Suisse. Please go ahead.

Fahad Tariq — Credit Suisse

From Meliadine, you mentioned that the mill throughput for the second quarter will be 3,000 tonnes per day. Curious, what was the average in April so far? And you mentioned that the plant has gone

up to 3,700 on several occasions. Is that the right way to think about, maybe, the potential run rate, or close to that, for the second half of the year? Thanks.

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

Yeah. I think we're targeting about 3,250 for the rest of the year, roughly. And the plant has been averaging close to the 3,000 tonnes per day, and it has operated at the higher throughput that you quoted.

Fahad Tariq

Okay. Great. And then just switching gears for a second, more on capital allocation. As the free cash flow profile gets better in the second half of the year and certainly 2020, how do you think about higher dividend? Debt repayment coming to you in 2020? And maybe keeping dry powder for potential asset acquisitions from the other large M&A divestitures? Maybe some colour on the way you're thinking about that strategy?

Sean Boyd

Yeah. I think it's a balance. It'll clearly be—given the track record of paying a dividend for 36 years, we'll certainly be looking to increase the dividend. The dividend, in fact, in total dollars, has gone up in each of the last five years. So that was done during a period when gold was relatively flat at 1,200, and we were in the biggest capital program in our history, so that's—we've clearly indicated that that's important.

And as we also said, we're working on some key projects, in terms of development opportunities in Kirkland Lake, at Upper Beaver, Santa Gertrudis, the Amaruq underground. So certainly, there'll be capital at some point allocated there, and that capital will be allocated at a time when we start to wind down the capital in Finland with the shaft and mill expansion. So I think those are timed fairly well.

Debt repayment is also a focus. We have a maturity next year, so certainly we'd like to improve our financial flexibility.

So we're looking at all those three options and, as we said, we're in that sweet spot in terms of capital coming down dramatically from the average of the last two years, when production's rising significantly in the second half of the year, so a good position to be in.

Fahad Tariq

Great. Thank you.

Operator

Your next question is from Stephen Walker with RBC Capital Markets. Please go ahead.

Stephen Walker — RBC Capital Markets

Thank you, Operator. Good morning. Yvon, just a follow-up question on Meliadine. When we were there last fall and had a look at the plant, given the excess capacity that's been built into the back end of that plant, there was talk at the time that with a modest investment, you could get the plant up to 4,500, maybe 5,000 tonnes a day plus. Where are you—where are you in the planning process as far as the further optimization? And do you have a sense of the capital number that might be required to get it up to these higher levels?

Yvon Sylvestre

Well, at this stage we're entering our next life-of-mine planning phase, and before we complete our commercial production decision—that specific tonnage number, we'd like to be in a position to be testing. So we will probably test the total capacity of the plant in the next two weeks. And we will evaluate, as we continue to ramp up the underground mine and potentially advance on the small pits, try to see what's the best scenario. Advance the expansion with the pits as originally planned? Or simply invest in

just a stripping and accelerated development underground, to maximize the current capacity of the plant? So these are scenarios we're going to be evaluating over the next few months.

Stephen Walker

Just a follow-up on Meliadine as well. In the testing that you're doing so far, with respect to the grinding and residency time in that part of the plant, and then the leaching times and the recoveries that you're seeing, is there anything in the metallurgy or the grain size that is different from the original test, that suggests that recoveries could be improved? Or there could be challenges with respect to recoveries or throughputs?

Yvon Sylvestre

No. Not at this stage—the front end and the back end of the plant have actually responded very strongly—no surprise in that area. We've had some—we've had to adjust on the cyanidation circuit, introduce lead nitrate in the circuit. But so far, recoveries are on plan, and there's no concerns about grinds or other elements at this stage.

Stephen Walker

Great. And if I might, on the Whale Tail ore that you're getting into now, Yvon, is there anything visible in the metallurgy that wasn't picked up in the drilling? Is there anything in the way of additional minerals, or ore types or grain size that wasn't picked up in the original test work?

And then secondly, presumably you're going to start batching that through the Meadowbank plant. When will that occur? And if has occurred already, how has the batch recoveries been? Or how is the reactivity of that ore through that plant at this stage?

Yvon Sylvestre

Well, we've commissioned the—we're in the process of commissioning the gravimetric addition to the Meadowbank plant, so that's ongoing now. And it's exclusively on Meadowbank ore, and recovery's actually gone up. We will probably processing some Whale Tail ore quite later in '22 because we're sort of progressing with the ramp-up there.

And as far as the questions on mineralogy, no surprise at this stage. I think the only area that we've been pleasantly surprised is that the block model on surface has responded quite well and the grade—the impacted grades have been a little bit better in some areas, so that's the encouraging—that's the encouraging part.

Stephen Walker

Great. Thank you very much, Yvon.

Operator

Your next question is from the line of John Tumazos with John Tumazos Very Independent Research. Please go ahead.

John Tumazos — Very Independent Research

Thank you. Congratulations on all the progress in Nunavut.

Sean Boyd

Thank you.

John Tumazos

A lot of the other companies are selling things, and I was kind of wondering how you might react. If you're looking at a—considering acquiring a property, what rate of return would you require? Or second, would you simply not evaluate the things because why distract yourself from your good projects to look at someone else's losers?

Sean Boyd

I guess it—

John Tumazos

Or how much should they pay you to look at them? I don't know.

Sean Boyd

Yeah. That's a good question. I think that we've—let's have a laugh for a minute. So we see the press release, Newmont Goldcorp, and several of us are in the office quite early, before 6:30, and we had people running around saying you know, there could be some things coming out of here. And I think the message was everybody's just got to relax, have a cup of coffee, and calm down.

We've been doing this for a long, long time, and there's no bargains out there. We've never been a company that sort of bought things as fixer-uppers because that doesn't really pay, and it's hard to get a return.

The things we tend to pay attention to are those things that we've assessed have geological potential. So we've built this company on assessing geological opportunity and then proving that theory very patiently through consistent drilling and mine building.

So that's the framework that we sort of use to determine whether we spend any time on things. So we do have a group that looks at things, but I would say the things we're looking at are more sort of smallish development opportunities in regions in belts, rather than buying production to say we're a bigger producer.

And if you look at the M&A dance that's gone on for the last sort of six months or so, or nine months, and even going back to 2014 with Barrick and Newmont, if you look at the top-five market cap companies, and we were sort of sitting at number four, with Goldcorp falling to number five, Newcrest at

three, and then Barrick and Newmont, every one of those other four companies had talked to each other in some form or another.

At Agnico, we typically just minded our own business and focused on sort of executing in Nunavut, bringing these projects online, because we could see the inflection point coming and EPS and cash flow per share. And our audience is very much a generalist investor audience, and we spend a lot of time focused on that market, and that market sort of wants discipline.

So the—been sort of going on here. I'm getting ready for the AGM. It's at 11 o'clock this morning, so I'm sort of getting pumped up. But I think that the answer is we're going to continue to sort of be disciplined and move forward in a way that drives cash flow per share for our shareholders.

John Tumazos

Thank you.

Operator

Your next question is from the line of Mike Parkin with National Bank Financial. Please go ahead.

Mike Parkin — National Bank Financial

Guys, just a quick question. With the Kittila Q2 shutdown that you mentioned there earlier on the call, how many weeks would that roughly be? And should we expect—what should we kind of expect for sustaining CapEx for that quarter?

Yvon Sylvestre

Well, the shutdown is presently scheduled for 60 days. As far as the CapEx on the quarter, we'll have to get back to you on that number. I don't have that number specifically at this stage.

Mike Parkin

Okay. No. I appreciate that. Congrats on the quarter and all the best with Nunavut. Thanks.

Sean Boyd

Thanks

Operator

Your next question is with Anita Soni with CIBC. Please go ahead.

Anita Soni — CIBC Capital Markets

Good morning. My question, a little bit more on some of the grades. Let's start with Goldex. It outperformed on grade this quarter versus your guidance, I think substantially. I think it was 1.77 versus about 1.57. Do you expect that to sort average out over the course of the year? Or is that just a bonus for Q1 and move on with the rest of them at 1.57?

Yvon Sylvestre

I think as they continue to accelerate and get maturity on the Rail-Veyor system, on the score that we've had a larger proportion of ore from Deep 1 sectors, which have contributed to a portion of that. We're also mining about a stope per month from the higher grade South Zone. So all of these factors are sort of contributing. The South Zone's tendency will continue for the rest of the year. But I think we should continue to see pretty regular grade profile for the next little while at Goldex.

Anita Soni

Okay. That sounds great. And then on Malartic, a similar question. I think the guidance was about 1.16, and you started at 1.18. And as I recall, as you get down to the bottom of the pit, the grades continue to get better. Is that, again, something that we should expect better grades than what was probably anticipated at the beginning of the year?

Yvon Sylvestre

Well, quarter over quarter, we'll have slight variance, but the grades in certain areas tend to go up. But at this stage, it will meet—it will meet the guidance for the end of the year. And as we get into Barnat, late in '19 and early 2020, it will be additional grade improvements.

Anita Soni

Additional grade improvements. But does it start out higher grade? I thought because you were sort of higher up in the pit, it's going to start out a little bit lower and then progress as you go down.

Yvon Sylvestre

Sorry. I didn't hear the question, Anita.

Anita Soni

Sorry. With the Barnat start-up, is that immediately higher grade than what your—than what the average is for the year? Or what you would see at the bottom of the pit at Canadian Malartic? Or does it start off with a slightly lower grade?

Yvon Sylvestre

Well, it will start probably at average grade and build up to what the graded Barnat as. I think the average grade there is about 1.2, so.

Anita Soni

All right. And then the last question is with regards to LaRonde. On the by-products, it seems like some of the recoveries for lead and zinc, I think in particular, maybe even copper—or sorry, not copper—and silver were, I guess, a lot better than expected. Is that something that you expect to continue? Or was that just something you're not willing to predict at this point?

Yvon Sylvestre

Well, we've had quite a bit of variability on some of our base metal streaks, as some of our—some of our zinc is cyclical, depending on the mining sequence. Copper has been quite steady. But overall, the performance and the cyanidation circuit have been pretty strong, both on the gold and silver side. So I think what you see now should be close to what you should see going forward, but it's highly grade-dependent.

Anita Soni

Okay. All right. Thank you very much.

Operator

Your next question is with Carey MacRury with Canaccord Genuity. Please go ahead.

Carey MacRury — Canaccord Genuity

Hi. Good morning. Just a question on Upper Canada, Upper Beaver. You've talked about evaluating different scenarios there. I'm just wondering if you can provide a little more colour on what specifically you're looking at there, at this stage?

Guy Gosselin — Vice-President, Exploration, Agnico Eagle Mines Limited

Well, actually, we're mostly focusing on upgrading our resources model, re-fine-tuning the resources for year-end, I think, some more. And just—and in the meantime, as you mentioned, we're looking at what could be done at both of Upper Beaver and Upper Canada. And recently, we've been paying attention to the near-surface portion of Upper Beaver where we see, potentially, an opportunity to enhance scenario at Upper Beaver.

And we'll get a better grasp about potential scenarios as 2019 goes by, and we should be in a better position by year-end to provide more colour on that.

Carey MacRury

Okay. Thank you.

Operator

Your next question is with Ralph Profiti with Eight Capital. Please go ahead.

Ralph Profiti — Eight Capital

Thanks, Operator. Thanks for taking my question. I don't want to jump the gun again on Kirkland, but you're seeing these deeper intercepts down to 400 metres and in these recent drill holes, and you're seeing mineralization down even further. Can I assume that the work that you're doing includes both open pit and underground options?

And then what's the plan for the copper at Kirkland? Is it significant enough that you'd potentially even want to monetize that as a credit?

Guy Gosselin

Well, to answer maybe the first part of your question, we were, at first, obviously investigating how much we can grow that resources, and we know that it's always nice to have confidence that we can continue to grow. So we've been testing both the Deep extension that has been successful, demonstrating that keeps on going for another 400 metres at depth.

But in the meantime, we know that closer to surface, through our ramp potentially, that we could fast-track the near-surface portion of the deposit. But while at that point in time for Upper Beaver, it is very unlikely that we'll do anything from an open pit. And for Upper Canada, we don't know enough about it yet to figure out what is the best development scenario for Upper Canada.

Ralph Profiti

Right. Got it. Got it. Okay. And maybe just a follow-up. I'd like to just talk a little bit about opportunities to control costs in Nunavut. Can you talk maybe a little bit about the lessons that you've

learned? And as you potentially try to manage costs there, are there opportunities in the area of, say, power or logistics that you're going to continue to look at? Where are there opportunities?

Yvon Sylvestre

Well, I think on the power side, there's several ideas that are underway to look at adding cleaner energy and wind turbines.

Ralph Profiti

Mm-hmm.

Yvon Sylvestre

The rest is—I think we—lot of discussions with the government on infrastructure that would be quite helpful down the road in trying to reduce the overall logistic reality of dealing in Nunavut.

Ralph Profiti

Mm-hmm.

Yvon Sylvestre

But at this stage, we'll be more focused over the next year-and-a-half on trying to get the plant up to—plants and the mine up to speed, but also focus more on productivity to keep the cost structure down. I think that's—that'll be our—

Ralph Profiti

Got it. Yeah.

Yvon Sylvestre

—mostly our focus.

Ralph Profiti

Yup. Yup. Got it. Okay. Thanks for that. Very helpful.

Operator

Your next question is with Steve Butler with GMP Securities. Please go ahead.

Steve Butler — GMP Securities

Thank you, Operator. Guys, just coming back to Amaruq where you had this slightly grades reported in the Whale Tail open pit initial ores. I guess, obviously, it's still very early days, so. But maybe you can make a—give us a general comment on how slightly higher grade it is, percentagewise, if you can share that? And if you're considering any changes to your top-cut factor? Or is this—obviously, it's still early days.

Yvon Sylvestre

Yeah. Yeah. Since it's in the early days, Steve, I'll get back to you on that part in Q3, Q4.

Steve Butler

Okay. And then the ore sorting—you talked about ore sorting at Pinos Altos and the Sinter. And obviously, again, it's still preliminary stages there, but can you comment on what you're seeing in the Sinter results? And where do you see ore sorting going next, in terms of pilot studies at the other assets?

Jean Robitaille — Senior Vice-President, Technical Services, Agnico Eagle Mines Limited

Hi, Steve. Jean speaking.

Steve Butler

Hi, Jean.

Jean Robitaille

We have a process presently, and this is a pilot plant. And we have—it's following—the results that we are obtaining is exactly in line with what we were expecting. But it's really early stage. So

eventually, throughout the organization, or on the other side, we have some plans, and we have to do the demonstration at Pinos Altos first. But it's encouraging up to now, but it's really early stage.

Steve Butler

Okay. Okay. A bit ahead on the questioning there on two fronts. Thanks, guys.

Operator

And your last question comes from Tanya Jakusconek with Scotiabank. Please go ahead.

Tanya Jakusconek — Scotia Capital

... everybody, and congratulations on the good quarter.

Sean Boyd

Thank you.

Tanya Jakusconek

A lot of my questions have been answered. I just wanted to come back to Yvon and maybe Dave Smith on the Amaruq and Meliadine.

Just on commercial production, let's start with Amaruq. Yvon, how are you going to define that? It appears that you're already going to be putting some ore and have been putting ore through the Meadowbank mill. So could we potentially have production in Q2? I know Sean mentioned production and commercial production in Q3. So I'm just kind of wondering, the definition of commercial? And whether we have ore pre-commercial production in Q2?

Yvon Sylvestre

Definition of commercial production, that'd be the mine—

Tanya Jakusconek

Sorry. I can't hear you.

Yvon Sylvestre

I'm sorry. The microphone was closed.

Tanya Jakusconek

Okay.

Yvon Sylvestre

The definition of commercial production in this case will mainly be on profitability, and the commissioning of the plant will already be done on the Meadowbank ore. So I think once we've processed about 30 days of Amaruq ore, we'll probably be in a position to declare commercial production there.

Tanya Jakusconek

So far, again, you were breaking up. Is it like 30 days?

Yvon Sylvestre

Yeah. Roughly.

Tanya Jakusconek

Is that what I heard?

Yvon Sylvestre

Yeah.

Tanya Jakusconek

Okay. Because I think your pre-commercial production guidance for Amaruq was 40,000 ounces, and I think that implies about one-and-a-half to two months. Is that about correct?

Yvon Sylvestre

Correct. Yeah. But we might be processing some ore in June as well. So we'll—in Q2. So we'll—

Tanya Jakusconek

Okay.

Yvon Sylvestre

—we'll tread that reality going forward.

Tanya Jakusconek

Okay. Okay. So that one might be a bit conservative then. And just on the Meliadine, I think there was 60,000 of pre-commercial production there. If you look like you're going commercial in May, that would imply more 30,000 to 40,000 ounces of pre-commercial. Is that about right?

Yvon Sylvestre

It could be. Yeah. But I think, at this stage, we'll probably be targeting a little bit higher than that, and you'll find out over the next several weeks, I guess.

Tanya Jakusconek

Yeah. Well, it's all good news though. Okay. Thank you so much.

Sean Boyd

Yeah. Just as a follow-up on that, Tanya, ultimately, if it—is it 60,000 credited on Meliadine or 40,000 credited on Amaruq? It's too early to say. They're certainly getting closer on Meliadine. So that impacts where we land in terms of capital on the projects.

But I think we're comfortable enough to say if we're early, and we don't have the credits of 60,000 against Meliadine and 40,000 against Amaruq because we've come to the commercial production earlier, we should still be in a position where the total end in Nunavut collectively for both projects is slightly under budget. So we're just working through a lot of those parameters as we commission both operations.

Tanya Jakusconek

Yeah. No, absolutely. And also, you would be closer to actually having free cash flow.

Sean Boyd

Yeah.

Tanya Jakusconeck

Okay. Thank you so much.

Sean Boyd

Thank you.

Operator

Again, if you would like to ask a question, please press *, 1 on your telephone keypad at this time.

We have no further audio questions at this time. I now turn the call back over to you, Mr. Boyd.

Sean Boyd

Thank you, Operator. And thanks, everyone, for the good questions and hope to see some of you at our annual meeting this morning at 11 o'clock. Thanks again.

Operator

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