FINAL TRANSCRIPT

Agnico Eagle Mines Limited

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CORPORATE PARTICIPANTS

Sean Boyd
Agnico Eagle Mines Ltd. — Chief Executive Officer

Yvon Sylvestre
Agnico Eagle Mines Ltd. — Senior Vice President, Operations

CONFERENCE CALL PARTICIPANTS

Fahad Tariq
Credit Suisse — Analyst

Ralph Profiti
Eight Capital — Analyst

Greg Barnes
TD Securities — Analyst

Carey MacRury
Canaccord Genuity — Analyst

Tanya Jakusconek
Scotiabank — Analyst

PRESENTATION

Operator

Good morning. My name is Sharon and I will be your conference Operator today.

At this time, I would like to welcome everyone to the Agnico Eagle First Quarter Results 2020 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 star then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Thank you.

Mr. Sean Boyd, you may begin your conference.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Thank you Operator, and good morning everyone. Welcome, and thank you for joining our first quarter 2020 conference call.

This presentation does include forward-looking statements, so just want everybody to be forewarned.

Hopefully wherever you are—we're doing this remotely as well, so hopefully wherever you are, you're safe, you're doing well, and your family is doing well. Because we're doing this remotely, during the Q&A I'll direct the questions and hopefully that goes smoothly, because we've got our senior staff working from home, patched in online.

As I go through the presentation, I want to spend some time just on our thinking and mindset around the challenges around COVID-19 and how we've managed it, and really how we're thinking about the business and positioning the business as we move through the issues around COVID-19. I think as you know, we've been challenged more than most companies in the quarter, having seven of our eight operating mines reduced to minimum activities. We'll get into that, how we managed it, how we manage that without people, what it meant for our assets - we'll talk a little bit about that, but as we went through it, clearly the focus was the health and safety of our employees, the wellbeing of our employees, the comfort level of the families, so we've been able to manage through that very successfully. While we were doing that, and even on minimum activities, we were still able to position the assets and look after some issues that we had been managing through Q1, so that we could have a strong second half.

In terms of our actual response to the pandemic, as we've said many times before, it's a long term business, you have to think long term. Although the pandemic is devastating, there's a lot of loss associated with it, things will improve, so the question is manage through the pandemic and look beyond it. Our view is things will likely never get back to where they were. A lot of the protocols and measures that we've put in place will likely have to continue for many months into the future, and we'll talk a little bit about that. But, we think as an industry, the gold industry is better positioned than most in terms of managing and in terms of getting back to a situation closer to normal, where we can take advantage of a price deck for our product that is strong as it's been in seven or eight years, so that provides certain advantages and also dictates the strategy.

As we said, we've been very focused around hygiene, around screening, around physical distancing, and in terms of positioning, as I've said, the industry is in a much better position than most because our physical distancing challenges are of relatively short duration in things like cages, where we're in close quarters for a few minutes at a time. It's not like we have as an industry extended periods of time where we're right on top of each other, so we can actually manage the business a lot better than most industries. We'll talk a little bit about that as we get into the mines and how we've dealt with this on some of the mines.

We've also employed testing, which is another layer of protection. We've tested all of our Nunavut employees, we've tested all of our employees in Finland. We hope to expand that testing. We were involved in a pilot project in Nunavut - that's how we got access to the quick testing method. That testing method has now been approved by provincial and the federal governments. We're in a good position there. As we said, we're looking to expand that, hopefully bring to Val D'Or.

I think the other thing that stood out for us here is really on the ESG side. As we've said before, we found ourselves in a position where in a lot of the areas we operate, we're in a much better position than even the governments and the communities to provide critical services and to provide critical health for the communities. For example, in Mexico we actually have more healthcare capacity at our mines than many of the communities do. We have as many doctors as the communities do. We have more sophisticated medical equipment like ventilators. We have more ambulances, so we're in a position to help those communities. We did set up a separate facility for the government at the government's request. We opened up an old mining camp to provide, if needed in the community, an isolation centre.

On the social side of things, we've been doing things like that but also in Nunavut, we're providing food hampers on a regular basis to over 450 families in multiple communities. We're able to transport key supplies to those communities on our flights from the south. We've been investing in food banks, so all this is something we would do normally anyways as part of the way we think, but it's also, I think, focused governments and communities on the benefits of mining, as the governments and communities are looking for leadership, looking for assistance, and that actually builds the case for mining.

I think many of you know, we started a We Make Mining Work social media advocacy campaign last year, and this really hammers home that message, but I also think it's important as we move forward because all of us have no idea how this is going to play out. One of the things we saw was that different governments approach mining from a different perspective. Some called it essential, some called it non-essential. We are in regions where initially it was determined non-essential, but I think the governments realized, particularly in Quebec, that it was although initially determined non-essential, it was a high priority industry that not only was able to benefit the communities, but also was able to provide well-paying jobs, pay significant tax dollars towards the government.

I think one of our jobs here as we go forward is to ensure that we continue to make the case for mining, because we don't know if there's a second wave coming, we don't know how long this is going to go, and that's why we've been very careful with the restarts, is take leadership, demonstrate this works, demonstrate that we can protect our employees, demonstrate that we can make our employees' families comfortable, so that if there is a second wave or this thing continues for a while, we can continue to do what we do well in the communities and continue to operate our businesses, so we're very focused on those initiatives. We'll talk a little bit about that as we get into some of the specifics on the sites.

As far as the first quarter, the big impact was really nine days of shutdowns at our Quebec operations. Two of our Quebec mines were our best cash flow generators historically, so for nine days in the quarter, the back end of the quarter, two of our best cash generating mines were down, as was Goldex. It also impacted our operations in Nunavut, because one of the things we did do in Nunavut is to protect the communities in Nunavut, because that's a high risk—those communities are at high risk. They have a history of lung issues and poor health. They live in "close quarters" so we made a decision early on to isolate our operations from the communities and have our Nunavut workforce go home, and that continues to this day. We're still working on plans to bring them back. We're still working on plans to fill in while they're still at home, allowing us to continue to ramp up. That was a key strategy, but it also did impact our operations. I'll talk a little bit about that.

We've restarted in Quebec, we'll talk about that, and we're also ramping up in Nunavut, which is all about really positioning the business for the second half, where we expect to return to production levels and cost levels to those that we saw as we closed 2019, very strong in the fourth quarter of last year.

We're also focused on free cash flow generation. Our overall CAPEX numbers will come down from roughly 740 to 690, so that will certainly help in terms of generating free cash flow, and we still have a lot of confidence in our business and we have maintained our dividend, our quarterly dividend at USD $0.20 per share.

As far as an operational update, the focus is, number one priority, deal with COVID-19 and the impacts, look after our employees, try to manage a business where we were shutting down basically to minimum activity at seven of our eight mines, so we're dealing with thousands of employees and multiple communities - that wasn't easy. As we've said, in my 35 years this is the busiest seven or eight weeks I've ever had, I think just based on the complexity of all the things that are involved in managing through this, but we didn't lose sight of what we needed to do at the assets. The teams did an amazing job at managing things they needed to do at the asset level. Everybody knows that we had plans to upgrade infrastructure at the west mine at LaRonde. Whatever we had planned to do, we got done in the first quarter. In fact, before we had to suspend operations, we actually were in the west mine area developing. We've actually just taken the first production blast in the west mine area in the last 24 hours, so so far, so good as we continue to ramp up at LaRonde. We're also looking at ways that we can increase the mining rate at the neighbouring property at LaRonde, and we'll talk a little bit about that in the LaRonde section.

At Meliadine, the job, one of the main jobs was to fix the feeding system to the crushing plant. That was repaired in March. We had actually been running the plant at over 4,000 tons a day prior to having to reduce activities there, so we had good indications before we were impacted by COVID that things would work well with the repairs. Ultimately we are getting a new unit in, but the repairs have gone well. The mill is actually operating at 85 percent capacity from underground ore and stockpile as we continue to ramp up in the mine area, and we'll talk a little bit about that.

At Meadowbank, the focus was just getting caught up and catching up on equipment maintenance backlog, getting the lakebed material out of the open pit, creating more mining surfaces. We've been running at 50 percent in our mining rate due to reduced activities there. As we move into the second half, we expect to be back to normal levels in Nunavut at both of the sites.

We're really excited about exploration in the quarter. I think what we're seeing there is, we've mentioned this before, is there seems to be a lot of life left in these old mining camps, a lot more potential. We've been saying that in the past with respect to East Gouldie and we've been saying that with respect to what we're seeing on the old Bousquet property at LZ5, but we're now seeing it again interestingly enough at LaRonde. LaRonde is blessed with the thickest package of favourable rock in that whole sector when you go from going on the old Cambior Eye of Gold to Bousquet, which was Barrick, to LaRonde to the east, which is ours. We were blessed with the thickets package of rock, so we always had multiple lenses in that with various types of mineralization.

What we were seeing in the west zone, which we've talked about in the past, is a repeat of what we saw 25 years ago in terms of small north-south fractures that were filled with a lot of visible (inaudible) that were situated parallel to our drilling, so we never really picked them up and that's why we're seeing that upgrading in the west mine area. But, we've actually seen something else that we saw many, many years ago - we're actually seeing what looks like the reappearance of the 20 North zinc southlands, which is massive sulphide. We're seeing decent thicknesses, we're waiting assays but we're seeing massive sulphide over sort of true thicknesses of 8 to 10 metres, which suggests lots of zinc, lots of silver. Still need to do the assays, but it's situated in an area which makes sense. It's on the eastern side of the deposit that's still wide open, so we've got a program to continue the drilling off to the east. It wouldn't surprise us if we have the reappearance of that lens below three kilometers, which could make it interesting. Those lenses tend to have a lot of tons in them. So it's early, remains to be seen, but it shows you that there's a lot of life left in this camp.

At Canadian Malartic, we continue to drill East Gouldie. I think East Gouldie is important because just with Odyssey and East Malartic, it was never going to work. It was too low grade on its own, it just didn't make sense. East Gouldie, given the tonnage, given the uptick in grade, the better grades, gives us a chance now. It's still early. We continue to get good results. We're getting decent thicknesses in a higher grade core, but we've only drilled it on spacings of about 150 metres. The plan and strategy now over the next 18 months is to tighten up that drill spacing to about 75 metres, and hopefully we continue to confirm the continuity and the geometry of the deposit so that we can upgrade the resource classification, and so that we can understand what's possible and what ultimately Yamana and Agnico can put together for that opportunity at Canadian Malartic.

At Santa Gertrudis, we've put out some pretty good holes. We've got some recent drill holes which continue to look good, so that's going to be a focus of our Mexican business, to try and understand how that fits in as we move forward.

Just briefly on the operating results, again these were impacted by temporary shutdowns and reduced activities. I'll just highlight two here. Goldex, even without nine days at the end of March, was still above its budget, very good productivity there; and Kittila has remained open. We had the temporary shutdown of the underground mine - we'll talk about that, but even with that they were above their budget as well, so good performance from those mines.

On the financial highlights, EPS a bit noisy. That's really driven by the weakening of our local currencies against the U.S. dollar, particularly the Canadian dollar which on January 1 was 1.3, end of March 1.42, so that had the impact of impacting our deferred tax liability, so we had to add that 18 percent to our headline earnings and also we had mark-to-market on our foreign exchange and diesel hedges of about $0.09, so normalized earnings of $0.23 per share. Not bad given that we were impacted in the back half of March due to COVID.

On the financial position, at the start of this we didn't really understand or know how this would unfold. We just wanted to be ultra-careful. No magic to the number - we decided to draw down a billion dollars on our credit line of $1.2 billion. We've paid back half a million, we expect to pay the balance as we continue to ramp up our production over the next few months. We did pay down our maturity on April 7, $360 million. We did term $200 million of that out which, given the volatility in the markets and the way that treasuries were moving around, our team did a very good job because that was not easy. In fact, the week that we did that debt deal, there was only, I think, about six debt deals done that week in all of the U.S. market, and normally there's dozens and dozens of these things done. We got it done, average of 11 years at 2.83 percent.

If we had have waited a week, the deals that were done a week later, they were much better credits than ours, they were paying for the same term about a percent more in interest, so our team did a good job getting that done. Our overall debt came down in terms of net debt, because we did pay down $160 million of that over and above the term out to reduce that.

We did get a credit upgrade by PRS and we did have Fitch issue their inaugural credit rating on us with a rating of triple-B with a stable outlook, so all of that again is positive as we look forward.

I'll go through this fairly quickly and we'll open it up for questions. I think LaRonde, as we mentioned, the emphasis was really just doing the ground support so we can get back into the west mine. As you know, that's a higher grade area. We have—this was seen last year when we're in it, significant upgrade of 30 to 50 percent in contained gold due to the north-south fractures and a lot of visible gold in that system, so it's important to get back in there. That drives production, drives production growth as we go forward, so I think that was important to get back there.

The key there as we deal with COVID, as we looked at our Quebec operations and began to call people back as the Quebec government on April 15 allowed the reopening of mining, just the process. Each of the employees were called individual by their supervisors. We sent them a video which outlined in visual form what they were going to see when they came back to the sites in terms of screening, in terms of hygiene, in terms of physical distancing.

I think one of the key things, which from a mining perspective really jumps out at you, is the way we're managing the cage. Each of the employees enter the cage, we're operating that at 50 percent capacity. Each of the employees enter the cage one by one. They're separated by a curtain, they can't face each other, they can't look at each other, they can't talk to each other, so they're in that cage for five-plus minutes, so that's been well accepted. We had 90 percent take-up on the return to work - it's all voluntary, we're not forcing anybody to come back to work. Not only do the employees have to be comfortable, the families have to be comfortable. What we found when people returned, they were excited to be back to work, excited to see their fellow employees, so things are going well.

As we go forward, I guess the big question is, well okay, these types of things may extend for much longer and many months, how do we offset the lack—the drop in productivity from some of these new measures? We believe that—well, we already started a program to understand the optimal size of our workforce, and the fact that we've had to scale back at seven of our eight mines gives us a better feel as we reintroduce people slowly what the optimal size should be. Most of the people that haven't been put back in yet would be the contract workforce, so we're hoping we can be more efficient with that contract workforce. That could introduce some savings to possibly offset some of this productivity loss through these new measures, but it's still early, we're still learning. But we're confident that we're going to get a really good feel of how this is going to work going forward largely because we've been forced to scale back. We're actually doing more productivity with less workers in places like Nunavut than we were doing before, so we really have to let this play out as we go forward.

Jumping to Canadian Malartic, we did start that mill shortly after things were allowed to reopen. We restarted it on April 17, running about 60,000 tons a day running off of stockpile as we ramp up the mining activity. That restart has gone well.

We mentioned Goldex - the productivity is really driven by really good performance in the rail there, so that was a great add and a great use of old technology, just adapting it in a new format and tailoring it to that particular operation. We're also benefiting from higher grades and more tons in the south zone. The south zone, I think is going to be driving good, solid performance at Goldex for several quarters as we move forward.

At Meadowbank, the focus is just managing the communities, as it was at Meliadine, having the Inuit workforce go home, isolate the operations from the communities, going to a 28-day rotation from 14. Again, that was all voluntary - we're not forcing people to go up for 28 days. We had more volunteers than we had spaces, so that's a good sign. That rotation is working well. Ultimately we have to come back to something less than 28 days - that's a long period of time to be up there, but that helps the productivity because we're having fewer changeovers. I think that's a plus and that's positive as we work through the issues around COVID.

The focus there was just catch up on maintenance, remove the lakebed material, open up more faces in the open pit. We went down to 50 percent of our mining rate. We stopped the mill. We're building a sufficient stockpile. We've just resumed long haul trucking to bring the ore to Meadowbank. We've done a lot of improvements on getting the parts from Meadowbank to the Amaruq site. There's still work to do at this one, so of the three - LaRonde, Meliadine and Amaruq, we always said this was sort of Q1-Q2, the others were more Q1, so there's still a bit of work to do and a bit of catch-up to do because of COVID, but they've made a lot of good progress there and it's set up for a much stronger second half as we resume production and get up to over 9,000 tons a day in the second half.

At Meliadine, as we said, apron issue feeders were resolved. They function, they work well, but even in February—I've got to give the team credit, even with no apron feeder, the workaround, we were able to do 3,300 tons a day in February even with the workaround, so getting the apron feeder repaired with manufactured parts, we have the spare plates in from the manufacturer. We should get the other unit in, in July-August when the barges come in, so so far, so good there. We're running that plant now at about 3,500 tons a day, Q3 about 4,000 tons a day, Q4 about 4,600 tons a day. We've started to pump out the additional mining horizon, so we're in a position to continue to move that part of the mine forward as we pump it out and get to developing that area, so that's what's going to drive the additional tons in Q4. But also, that's one of the higher grade areas of the underground mine, so that's why we're comfortable on the Meliadine production profile.

As we look at Meliadine and we look at Meadowbank, one of the things that we have to do is re-integrate the Nunavut workforce. At this point, they're not ready to come back. I think there's still anxiety. They have had one case of COVID-19 in Nunavut. It appeared this week. It's in Pond Inlet at the northern tip of Baffin Island, so not near any of our operations, but there's still some unease and anxiety there. We can actually ramp up—we can use contract workers, we can use employees that we had planned to come in, in the summer to do some of the duties that we had our Inuit workforce. They're still a key part of our operations. We want them back, but we only want them back when it's safe for them to come back and they're comfortable coming back.

At Kittila, again we said it's above budget. They have been the only mine that's really maintained the processing through the entire quarter. They did have an employee test positive. They isolated the employee right away when he was feeling not well. They did contact tracing, they tested immediately to people that he had contact with prior to him not feeling well. All of those tests came back negative. The employee is better now. We have actually tested all of our employees in Finland - no other issues there. I think the Finnish team did a really good job reacting, responding, following protocol, taking isolation steps, contacting public health authorities, working with them to do the contact tracing and ensure that the spread was not more widespread than just impacting one employee, so good work on behalf of Kittila.

In the southern business, Mexico has taken the position that in April, all non-essential businesses were to go to minimum activities. We're still doing some—getting gold out of the leach pads at those operations, particularly La India. The government has subsequently extended that now to the end of May. They have made a—they do have an opportunity that if you're operating a business in a region where the COVID-19 is not a major issue, where there's very few cases, that they will consider allowing those industries and those businesses to start back up that date, which could be May 18, so we're certainly in an area right now where there is not a lot of cases there, so there may be an opportunity that we can get back to work before the end of May, early June, so we're going to continue to monitor that. Our team is working very closely with the Secretary of the Economy that's responsible for the mines to highlight what we're able to do in the community, and the fact that we can still protect our employees and run our business. We'll keep you posted on that.

Operator, if you can open the lines for questions, we'll try to see how this works remotely. I'll try to direct the questions to those members of the team that are online that can respond to the questions. Thank you very much.

Q & A

Operator

If you'd like to ask a question at this time, please press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Fahad Tariq with Credit Suisse.

Fahad Tariq – Analyst, Credit Suisse

Hi, good morning. Thanks for taking my questions. Just the first one is a clarification. The 480,000 to 500,000 ounces per quarter in the second half, that incorporates any productivity losses, is that right?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Yes, that's correct.

Fahad Tariq – Analyst, Credit Suisse

Okay, and then my other question, second half of the year is obviously looking very good from a free cash flow perspective. You don't have any debt maturities, the revolver will get repaid. Just high level, what are some of the free cash flow capital allocation priorities?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Well, I think the focus on that side really doesn't change for us. It was still always to find that balance between reducing debt, essentially improving financial flexibility, reinvesting in our highest quality projects, not the entire pipeline. The emphasis is still trying to stage that out, and that's why we’re continuing fairly actively drilling some of the key projects to get a better feel for the relative ranking and prominence of the projects within the pipeline. Then clearly, we’re looking to move the dividend up.

No one really knows how this will all unfold, but I think as we said, we alluded to at the start, this has been devastating for many people but also for industries, and a lot of industries are going to take a long time to come back. The mining industry, particularly the gold mining industry is one that can come back fairly quickly into a much better pricing environment for the product, and given the stimulus that’s been thrown at the economies, the prospects for gold are pretty good. We’re not sure how - again, there’s no guarantees on this, but I think it kind of reminds me a bit of—now I’m dating myself, but it kind of reminds me a bit of ’79 - ’80, where the gold price moved fairly quickly to a level that companies didn’t really anticipate, and the amount of cash that was generated by the industry in a very short period of time was huge. I saw that when I first walked into Agnico in 1983 as an auditor, and they had as much—almost as much cash as their market cap. That’s the year that they instituted the first cash dividend because of that.

I would expect gold to hit a new high in U.S. dollars. It’s hit a new high in almost—in every other major currency, and so the industry is going to do really well at $1,700. It’s going to do tremendously well at $2,000. The question then becomes—your question becomes even more important at that point, because what we need as an industry is the discipline to make sure that the bulk of that gets returned to shareholders. You can see that Paul Penna made the right move way back when, because he had way more cash than he could actually put to good use, and he decided when it wasn’t the norm back then to start the dividend. Even in 1980, we actually paid a special dividend at one point, so that’s going to continue to be our focus if we're fortunate enough to continue at $1,700-plus and maybe $2,000-plus at some point.

Fahad Tariq – Analyst, Credit Suisse

Thank you.

Operator

The next question comes from Ralph Profiti with Eight Capital.

Ralph Profiti – Analyst, Eight Capital

Good morning everyone. Thanks for taking my questions. Sean, it's good to see the turnaround and things going well in the west area of LaRonde. If I can maybe ask a question, as you sort of put some focus on this expansion at LZ5, we've seen the grades come down to about 2 grams a ton in the last few quarters. I was wondering if that's sort of a good go-forward assumption on some of the grades that we can associate with this potential expansion.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Yes, I think that's roughly where we are looking at. I don't see where—we're not sort of forecasting a big bump in grade. That's generally what you get there. I think the strategy there is that the reason that we actually went there in the first place was not just to get 100,000 or 200,000 ounces and make a little bit of money. Ultimately there's several hundred thousand ounces over there that were left at a much lower gold price by the previous owners. It was almost similar to the thinking and strategy around Goldex, and $90 million to reopen it after the issues we had in 2011, take a view that we only had three years of mine life for that $90 million and we'll probably end up getting 10 to 12 years, so we're not looking for grade bump but we're looking for more tons, which is good return, good cash flow particularly at these gold prices, and the extra benefit we've had from there is the ability to test our automated equipment, test it in an environment which isn't as complex as LaRonde, because I guess one of the things that this issue and pandemic has highlighted, the more you can use automated equipment, the better off your employees are. It's safer, you can respect physical distancing, so all of those were a real bonus on LZ5.

Yvon, I don't know if you have anything to add in terms of mining and moving forward on just ramping up some tons and what we're seeing over there?

Yvon Sylvestre — Senior Vice President - Operations, Agnico Eagle Mines Ltd.

Yes, I think the—just moving up in tonnage has been the biggest focus. I think we've rearranged the engineering team to focus on LaRonde at depth and basically understanding the potential in that area. The group has been focused on some satellite zones, higher grade satellite zones that were left behind in the Barrick days, so these are—as we go further at depth, they're also integrating some of these ideas in future life of mine, and we'll update as we get more information on those.

Ralph Profiti – Analyst, Eight Capital

Okay, great. Separate question on Kittila and the prudence of delaying the shaft expansion. I've seen in the couple of quarters towards late 2019, you sort of hit that 500,000 tons on a quarterly basis. I was wondering, exclusive of the shaft expansion, do you think you can push operations there to get to that 2 million ton annualized rate without the expansion?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

I'll just start and then I'll get Yvon to fill in some of the details. The shaft project was impacted by COVID. It really wasn't a decision to sort of suspend it outside of COVID. The shaft sinking contractor, the workers were Canadian, so we needed to make sure those Canadians got home as this thing started to ramp up, so the focus was on making sure they got home. Our team in Finland has been in touch with the Canadian ambassador to Finland to start working on a program to get the Canadian workers back, so that we can get that project back on track.

Yvon, maybe you can fill in some of the details?

Yvon Sylvestre — Senior Vice President - Operations, Agnico Eagle Mines Ltd.

Yes, specifically to your question, it's a good point. Both the mill and the mine presently and probably until the end of 2021 will be in a position to get it up to that 500,000 tons per quarter, so that's a good thing. As we go further, the sooner the better the shaft is completed, the cost structure underground changes drastically, so there's a lot of focus on trying to complete this project as soon as we can because of the magnitude of the cost reduction. As we're starting the mine below, like 500, 600 levels, the ton-kilometre factors on hauling is getting a little bit more challenging.

Ralph Profiti – Analyst, Eight Capital

I see. That's good clarity, thank you.

Operator

The next question comes from Greg Barnes with TD Securities.

Greg Barnes – Analyst, TD Securities

Yes, thank you. Sean or Yvon, can you talk a little bit more about the saline water issues at Meliadine and the pace back for what you've done to address the issues that you talked about in Q4 results?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Yes, I think on the pace backfill, in reduced activities there, we kept mining, so it was important to continue to mine, continue to process, and while we were mining at reduced rates and processing a little bit less, I think we're processing around 3,000 tons a day versus the plan of 4,000, we were able to catch up on some voids and backfill. We've also used consolidated rock fill, so we've done a really good job just catching up on that, which is important.

As far as saline water, it's more about really permits. We continue to engage the authorities. I think everybody acknowledges that the best solution is a pipeline rather than have us truck water and dump that water during the summer season, because those trucks kick up an awful lot of dust. We've been engaged at the local level with our Inuit partners and Inuit associations, with the Nunavut government, at the federal level who is also involved in that permitting, to make that case. We still expect to get those permits later this year, we still expect to have a pipeline in place next year. We've got storage capacity for two years.

The cost is capital. From an operating cost perspective, it will be cheaper, so it's really the answer to make—it's the right environmental solution and it's really the answer to be more productive in terms of water management. Water management is kind of the biggest issue now versus where things were at 10 years ago from a mining perspective, so this would certainly help. We haven't had any pushback on that. People understand that's the best way to go, it's just a matter of going through the permit process.

Greg Barnes – Analyst, TD Securities

Thanks Sean.

Operator

The next question comes from Carey MacRury with Canaccord Genuity.

Carey MacRury – Analyst, Canaccord Genuity

Good morning guys, good morning Sean.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Morning.

Carey MacRury – Analyst, Canaccord Genuity

A longer term question…

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Carey, you may have to speak up a bit. We're having trouble hearing you.

Carey MacRury – Analyst, Canaccord Genuity

Okay, is that better?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

That's a lot better, thank you.

Carey MacRury – Analyst, Canaccord Genuity

Okay. Maybe a longer term question. You mentioned being potentially in a healthy gold price environment here. Just wondering how you think about your project pipeline beyond the Phase 2 at Amaruq and Meliadine, and are there projects there that you think can move forward, or do you think you'd need to supplement that with M&A at some point?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Well, I think if you look at how we built the business since '05, we've done a lot of smaller deals, so we're certainly focused in terms of our evaluation work, still monitoring single asset projects, but there's nothing out there we feel compelled to own at the moment. People say hey, maybe this is an opportunity to be proactive and maybe aggressive during this period. We don't see that at all. We haven't really sped up our project evaluation work, it's just been sort of disciplined and measured, just trying to understand things.

What we're really trying to do ahead of that is just to understand what do we have at Kirkland Lake. There's likely a buildable mine there at Upper Beaver, but how does it fit? We continue to watch with interest what our neighbour is doing in terms of drill results on their structures, so I think that camp has a lot of potential. Where should that asset land? That's a question that has to be resolved at some point.

We like it. Our exploration team has always liked it. They've liked it for 10 years, even when Charlie Page had it at Queenston. Certainly the gold price helps, but it has to stand on its own, and so we would have to stack that up against things like the underground at Malartic, how that one fits in. Two years ago, that one was not going to make it. With East Gouldie, it's certainly got a lot more potential; but again, as we said, it's still early. That has the potential to extend the life of Malartic for quite a while, and with East Gouldie you have the potential when you add in Odyssey and East Malartic , you have the potential for a fairly sizeable underground mine at some point. In order to determine what that is exactly, we need to drill it, so I think what we've told our team is that the drill priorities—your drill priorities should be focused on the pipeline, and we need to understand that pipeline.

The focus on the drill priority is LaRonde - are there new zones emerging at depth? It wouldn't surprise us given the history, given the favourable rock package, given the thickness of that. The fact is we're drilling into an area we really hadn't drilled in the past. Does this mean it goes much further east? It may. So these are the types of things we're trying to fit in.

I don't sense that we're not—we don't have the appetite for a massive building phase. We don't think it's necessary. We'd rather think—the strategy worked, so are there other things we could add at a decent price and work into the pipeline. But in order to determine whether those are any good, we need to understand our own pipeline better, so it will be more measured, continue to be measured.

Carey MacRury – Analyst, Canaccord Genuity

Great, thank you. Maybe just on Malartic, any advance on the discussions around the royalties there that you can comment on?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

No, we just put that on hold. I don't think—I think the position that both Yamana and Agnico are taking is that we need to think about it as how does it look under the existing conditions, making no assumptions that those conditions could change. The good thing about that, when you actually own it 100 percent with a partner, you direct every drill hole, you apply every budget, every dollar that you want to spend on it, and you determine the pace, and you've got it in the hands of some pretty good underground mining companies that have experience. So we're going to work on it at a pace that makes sense, but we're going to drill it and we need to tighten up the spacing, as we said. But although early, our guys like it.

Carey MacRury – Analyst, Canaccord Genuity

Great, thank you.

Operator

Once again, if you'd like to ask a question, please press star, one on your telephone keypad.

We have a question from Tanya Jakusconek with Scotiabank. Please go ahead.

Tanya Jakusconek – Analyst, Scotiabank

Yes, good morning everybody.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Good morning.

Tanya Jakusconek – Analyst, Scotiabank

Morning. I just wanted to come back to Nunavut, if I could, for either Sean or Yvon. Maybe just talk a little bit about—I know you've got a reduced workforce right now. Can you just talk a little bit about how you're looking at the requirements that you need to ramp up to capacity to get there for the second half, just on each of the sites, and how you're going to get there with manpower and how you're redirecting some of the jobs?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Well, you look at four—I'll start, you have 400 to 500 employees with various skill levels, so that is a much smaller subset when you look at which of those employees are actually involved in critical mining tasks and responsibilities. These are jobs that can be filled in by contractors, some of them can be filled in by our rotation in the summer. We usually do a fair amount of hiring during the summer. We had a lot of take-up in the summer. A lot of these jobs wouldn't take a lot in terms of training. As we said, ultimately we want our Nunavut workforce back, but there's a way that we can manage ahead of that, and the strategy is really around contracts, so we've already started that process to assume that this may take through the summer before the Inuit workforce is comfortable coming back. We don't know for sure. We're engaged and talking to them on a regular basis.

Maybe Yvon, you can sort of fill in some of the details there.

Yvon Sylvestre — Senior Vice President - Operations, Agnico Eagle Mines Ltd.

Yes, I think you have to look at it from each operation's standpoint. At Meliadine, there's not too much concern going forward in ramping up, because we're already out roughly about 75 percent of normal workforce at site, and having personnel (inaudible) mostly, we're in a position that we'll find through contractors some resource in that area, so not too concerned at Meliadine.

The challenges will be more because the proportions of Inuit on the operations side of things is more predominant at Meadowbank, and so far we're more like at 55 percent of workforce up there. But the construction industry can supply a lot of contractors for heavy equipment operation, and what we're seeing—we don't expect the Inuit to return probably for a few months at least, and as we ramp up in tonnage, we're going to be basically getting employees from that group of contractors out there that supply us.

Tanya Jakusconek – Analyst, Scotiabank

Just so that I understand that, in the press release you mentioned that you've stopped on the underground project. Are you stopping and redirecting the employees there to underground at Meliadine? Is that how it's working?

Yvon Sylvestre — Senior Vice President - Operations, Agnico Eagle Mines Ltd.

No, actually—well, yes and no. Some of the manpower has been either returned home. The maintenance guys have been reintroduced into the site to focus on backlog, so it's a variety of things. But we will adapt—we'll probably restart some minor development work towards the end of Q3 and Q4.

Tanya Jakusconek – Analyst, Scotiabank

Okay. Then maybe Sean, for you, and I've been trying to get a handle on this and you touched a little bit on it, which has been with the new health and safety measures, the spatial distancing, I'm trying to understand the long-term impacts to the cost structure and productivity for the mining industry. I've been asking all of the companies this question. I know you're doing work on it, but can you maybe qualitatively give us some indications of what you found to be your greatest challenge on this basis and your best opportunity, maybe, on what you're seeing?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Yes, I think the greatest challenge, you know a lot of these plants are fairly sizeable, so you can operate these plants and still respect all the physical distancing measures. The pressure points in the mines are generally at the front gate because there's limited access and limited entrances, so it's that screening process. The way that we've managed the screening process is you've got to stagger the shifts, so you don't have as many people showing up at the same time as you normally do to wave hello to the security guard as they pass through. Now, there is—for example at Malartic, there is a series of trailers where you have to actually go through physical screenings and also a series of questions, so you have to stagger to go through that, so you can manage that without a lot of impact on costs. The employees have to adjust to a different shift schedule.

But it's really in the underground mines on the cage deck and in the cage, and so the question going forward, again you stagger the entry, you don't have 150 people showing up, let's say, for example at LaRonde, at 8:00 in the morning or 7:30 in the morning, all lining up to jump into the next cage. We're staggering the shifts, but the capacity in those are half of what they normally would be.

The question we have going forward is that that's worked, people are comfortable with it. Can we get more productive and use that cage better by using face protection, whether it's masks, whether it's plastic shields, because we're really focused on that short term contact. It's not like they're standing beside each other for hours - as we said, it's several minutes, so we're looking at ways that we can maybe utilize those cage systems better going forward. But again, it's going to take some time.

It's hard to quantify, but I think the real opportunity now is what we were trying to do here over the last year as we went through that building phase and we started to ramp everything up, is we said now it's time to look at the workforce. As you're building stuff, you know, you're adding people and things don't really settle down to give you a chance to really take a close hard look at things, so I think what this has done is actually allowed us to strip everything back down again and then re-introduce things very carefully. We're hopeful at the end of this that we can do the same things we were doing before with a smaller contract workforce, and that could be the opportunity.

It's hard to quantify it now, but from our perspective, this is all manageable. I think our people really did a good job not just designing things specifically for our mines, but working together with their colleagues and peers in other companies to make the case, particularly to the Quebec government, that this is an industry that can actually do things well and demonstrate leadership around things like hygiene and screening and physical distancing and testing, which we think a lot of these things we should probably just keep them going anyways because it makes the employees comfortable. We'll have a better feel for this probably in June, and we can certainly circle back and provide more colour on it at that time.

Tanya Jakusconek – Analyst, Scotiabank

Yes, and I would assume that any additional costs, Sean, and maybe this is something for you to answer, is that you'll be getting benefits from your FX and fuel hedges in terms of helping to offset some of these additional costs that would come through the cost structure. Would that be a fair statement?

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Yes, I think that that's one thing that when we've looked at it with the Treasury Department, is that it's not just the Canadian dollar but it's the peso and it's the euro which has moved in a positive direction, and the diesel price relative to what we had budgeted and expected, so what we've really tried to do is just protect levels better than the budget numbers, and on the FX side do it with zero cost collars, so we still have that participation up. That can make a difference of $40 to $50 an ounce, so that can have a meaningful impact on the unit costs as we go forward.

Tanya Jakusconek – Analyst, Scotiabank

Okay, well look forward to more information on that Sean, but I agree with you. I think of all industries, the mining industry with all its health and safety measures already in place before COVID-19, is one that is very adaptable to what we have to do. Thank you.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Thanks. But I think as an industry, we've got to demonstrate to not just our owners but demonstrate to our employees and our communities and the governments that we can take leadership on this. But it—because that, if we can remain essential, that puts the industry in a really strong position, because we know other industries are going to struggle. The gold industry is in this position where it's getting a good price, which could be a better price, and it's able to run at pretty close to normalized levels fairly quickly, which means on a relative basis, the returns that the mining, gold mining industries are going to generate should be viewed a lot better on a relative basis. As generalists start to revisit, as resource funds start to get a bit of inflow, as many of you know these shares are still not widely owned, particularly with the vast pools of money in the U.S., so I think that is the opportunity. The opportunity is to run responsible businesses that stay disciplined as the gold price moves up, generate higher returns, move dividends up. That's the formula for success. No guarantee, but that's the thing that's certainly in our mind as we think about strategy and tactics.

Tanya Jakusconek – Analyst, Scotiabank

Yes (inaudible) that second half margin expansion, so looking forward to it.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Ltd.

Thank you.

We'll leave it at that. We have our AGM today, which is virtual, so we've got a few things to do before that, but thank you for your attention.

What we've tried to do is because we've been working at home, we have the opportunity to get our teams together fairly quickly to respond to inquiries, so as we move forward, if you'd like a one-hour one-on-one to talk about some of these things in more detail, more than happy to do it.

Again, wherever you are, hopefully you're safe and your family is doing well, and we look forward to engaging in person at some time down the road. Thank you.

Operator

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