FINAL TRANSCRIPT

Agnico Eagle Mines, Limited

Agnico Eagle Mines, Limited First Quarter 2021

April 30, 2021 — 8:30 a.m. E.T.

Length: 64 minutes

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PRESENTATION

Operator

Good morning. My name is Shireen, and I will be your conference operator today.

At this time, I would like to welcome everyone to the Agnico Eagle First Quarter Results 2021 Conference Call.

I would now like to turn the call over to Chief Executive Officer Mr. Sean Boyd. You may begin your conference.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Thank you, Operator, and good morning everyone. Welcome to our First Quarter 2021 Results Conference Call.

We are moving through our slide deck and in that slide deck will be forward-looking information, so please review the cautionary language that is in our PowerPoint material.

What I'd like to do is just review a bit of the sort of an overview of the strategy, touch on the progress we're making on ESG and the greenhouse gas emissions; and what our plans are there going forward in terms of additional investment, particularly in the North; review the results of the quarter; talk about our exploration, which is a real push for us with a huge increase in our budget this year.

If we look at the quarter, again we essentially were able to build off of the momentum and strength that we saw in the second half of 2020 with the second consecutive quarter of record gold production. We did that strong operational performance with probably the most employees we ever had and extremely good safety performance. So, not only are we producing more gold, we're doing it very safely. Our costs were slightly better than forecast in the quarter. Financial position remains strong. We've declared a cash dividend again, so that keeps our track record going. We've been paying, as you know, a cash dividend since 1983. The focus continues to be on growth and execution of our brownfield opportunities and project pipeline. We're still looking for 24 percent growth in production from last year, out through 2024, as we said. We'll touch on exploration. It's a big part of the story.

In terms of gathering information on the brownfields opportunities, we're seeing extremely good results at LaRonde, good results at Meliadine. We featured some results here at Canadian Malartic and Hope Bay. We'll talk a little bit more about that. We plan to have a more fulsome exploration update later on in the second quarter. What we decided to do is not pile it all into a quarterly release like we did last time. There was just too much information last February, so we'll be able to break it down and provide some forums with our exploration team to be able to discuss the progress we're making on exploration and a number of areas. Having said that, Guy Gosselin who runs our exploration group and has been with us for 20 plus years is on the call here and he's available to answer questions on exploration.

No change in the strategy. It continues to be focused on optimizing the existing assets through taking advantage of the ability to convert more resource to reserve, extending the mine lives of our key mines. That's a low risk, high quality strategy, given that there's a high-quality ounces near existing infrastructure.

Also, we continue to be focused on ESG. We score very well on ESG. We were recognized as one of the leaders in the industry in terms of ESG by a number of external independent rating agencies and research agencies on ESG. We put out our sustainability report. Our annual meeting is today, so we make that available around annual meeting time. That is out today and we're adopting a net zero emissions target for 2050, and we've begun the disclosure of Scope 3 emissions.

We're fortunate and we look at our business because a lot of our production is powered by electricity, over 50 percent of our production. On a relative basis we have very, very low greenhouse gas emission intensity within the peer group. In Nunavut we are required to use diesel to power those mines. As we move forward to achieve our targets of reducing and getting to net zero, that will require investments in renewable energy and we're—as we've talked many times before, we continue to work with the governments on alternatives like wind power and also a power line from Northern Manitoba up into Nunavut. In fact, at Hope Bay the government has given the okay for a wind turbine there. We still have some work to do on that, so we have made some pretty good progress there.

We talked about safety earlier. It continues to be a priority. We achieved one of our lowest combined lost-time accident records in our history, and we continue to win a number of safety awards at several of our mines. One of the highlights, though out of last year. It's been challenging for many, but our teams have really stepped up in the communities. They've done a real professional job, a real classy job of not being asked to help but stepping up and taking the initiative to provide food in certain areas, to provide medical assistance in certain areas. As you know, our Nunavut workforce is still at home. It's been over a year. We're getting closer as more vaccinations are being put into peoples' arms in Nunavut. They were able to start the vaccination program there earlier, so we're getting closer to the point where we can welcome our Nunavut based employees back and we look forward to having them back.

As far as the quarter goes, record production for the second consecutive quarter, as we said. Without Hope Bay it was 505,000 ounces, which is a record. That sets us up nicely to be our guidance but also to produce 2 million ounces for the first time in our history, over 2 million ounces. That's over 300,000 ounces more than we produced in 2020, so we continue to make very good progress. Our CAPEX estimate continues at a little over $800 million and we talked about the declaration of a quarterly dividend of $0.35 a share.

As we look at the quarter, we're pleased and happy to be delivering strong cash flows, strong earnings, good cost, record production but I think the real value driver though is continuous exploration. We saw the beginnings of this about a year ago at several projects. We highlighted, as we said, a few of our exploration results in the quarter in this release. East Gouldie, the extensive step-out there. It's potentially significant because essentially what East Gouldie has done is turn what was a very marginal underground project into what will become Canada's largest underground gold mine, which we announced last February. We have always said from the start that given the location of East Gouldie, in a totally different block package than what the main structure is, along that main break in that region, it opens up the potential and we have over 20 kilometres of ground covering that major structure.

To have a step-out over 1,000 metres to the east is important, we believe. It just demonstrates the immense potential of that area to find additional gold, and as you recall in our study which we put out in February, we only assumed that we would mine about 7 million ounces of an overall envelope which is currently known to be in excess of 14 million ounces. Here we have a step-out 1,000 metres to the east of the East Gouldie mineralized envelope. That's why we view it as potentially significant. It's close to the boundary of the Rand Malartic property which we acquired a couple years ago. That's a property where there is a 2 percent NSR, but we have the ability to buy it all back for, I think $7 million. We just like that area, and I think as you recall, we said many times one of the reasons that we got involved in this back in 2014 is the fact that we were on that—in that region for decades and we felt that there was the potential for significant underground opportunity, and that's unfolding as we had hoped. Stay tuned for more results there.

At Hope Bay, steady pace of work. We've got our team in place from Agnico that's augmenting the team at Hope Bay. We're making improvements in the operations there, focused on the Doris deposit. Exploration is largely focused on Doris. We think we can extend that part of the operation while we continue to drill Madrid and the Boston deposits. At Upper Beaver we had the best reported drill hole intercept ever on that property, over 60 grams, almost 1 percent copper, a little over 16 metres at a depth of 1,200 metres. We continue to drill and work on our analysis of the Hope Bay and the Upper Beaver opportunity.

The next slide is really just a long section of Canadian Malartic. There's 10 rigs going, $30 million program split 50/50 with our partner, Yamana. As we said, the structure is wide open and covers 20 kilometres. You can see on the right, LaRonde Malartic property boundary. That's a property that hasn't had much exploration on it and that's why we say the structure is totally wide open; and that will be a main focus of our exploration program because it's the thickness and grade of East Gouldie, which really drives the entire Odyssey underground mine opportunity.

We also see on the next side a long section of the Doris deposit, the Hope Bay line. Just a reminder, the program is $16 million, approximately 70,000 metres of drilling, about 30,000 metres of that is delineating Doris and 40,000 metres will be exploring targets around Doris, Madrid, and Boston. From an operational perspective, we see improvement in recoveries at Hope Bay to over 90 percent, so step by step making it a bit better but the real prize we feel here is the two large geological belts 80 kilometres long. It's going to take some time to drill them. We're not in a hurry here. While we optimize and improve what we have at Doris, we'll be really focused on what is the overall size of the mineralized deposits on these two large trends and that will form the basis for our analysis to look at how we can expand the production capacity at this operation at some point in the future.

As far as operating results, we got really good contribution from several of our big producers. We'll start with LaRonde. The key to the quarter was really excellent productivity in the West mine area and at LZ5. At the West mine area, we were able to produce more than our forecasted mining rate, as we did also at LZ5. At LZ5 we had record production averaging over 3,100 tonnes a day, which was well above the forecast and that was really driven by ongoing improvements and optimizing the usage of automated equipment. We're also seeing that at the main LaRonde deposit. We continue to make steady progress, as we said, at LaRonde. Twenty six percent of the mucking was done from surface at the LaRonde deposit, and at LZ5, 21 percent of the production mucking was automated, hauling them from surface. Good solid progress there.

We continued the exploration program. We're developing three exploration drifts to explore areas below LZ5, from 1 kilometre to 3 kilometres below surface, which essentially Barrick and Lac (phon) prior to that. We didn't do much exploration on it, so it's the same rock package. It holds all the deposits on LaRonde, so it's wide open. So, excellent exploration potential. That type of program is really a key component of our full potential program to understand how we can continue to optimize these large cash flow generators and extend the mine lives. We see potential to do that at several of our mines, including at LaRonde.

Goldex, steady progress, 35,000 ounces of good cost performance, largely driven by the continued outperformance of the Rail-Veyor system. It was above target at over 7,000 tonnes a day on average in the quarter, so that technology, the teams have done an excellent job in not only looking at how they could apply it at Goldex but actually ramping up and improving its productivity. Continue to explore that deposit, particularly around the South Zone, which is higher grade, so good solid performance coming out of Goldex.

At Canadian Malartic, again, good contribution, producing almost 90,000 ounces. Our half of that operation. We had record tonnes mined in January. Mill performance was above target, averaging over 58,000 tonnes a day on 100 percent basis, so good performance there. We talked about the Odyssey drilling and that will be a key part of this project as we look forward. What we saw in February as we said at the time, was basically what we would call first cut. This would be optimized continually as we go forward, particularly as we understand how much gold exists in the Pontiac sediments which host the East Gouldie deposit. This could have a meaningful impact on the valuation of that opportunity at Canadian Malartic.

Kittila set records in March for monthly gold production in tonnage milled. They're also making good progress on autonomous production, both in drilling and haulage. The trials were underway in Q1. That will be important for that mine as it looks to expand further. We are impacted by COVID there in terms of the Kittila shaft and delays there because the team that was doing the work is out of country and so there are travel restrictions going in and out of Finland which has held us back. We've been transitioning into local employees there. That doesn't really impact our ability to do the ounces because we can simply take them from the ramp system. It's just a little bit more costly to be using the ramp but we'll get the shaft in place second half of next year, about six months behind schedule.

Meadowbank, steady improvement, produced about 80,000 ounces. They set a record in March for long-haul trucking performance, so good, steady, solid improvement there with good production coming, particularly in March which allowed them to post a quarter of about 80,000 ounces.

At Meliadine, when you add in the Tiriganiaq ounces, Meliadine produced more gold than any of our other mines for the first time, producing 96,000 ounces. We have made major advances in terms of productivity. We processed 4,600 tonnes a day, which was the target. We've been over the last year or so gradually working up to that target. We expect to be at 4,800 tonnes a day by the fourth quarter of this year, and ultimately continue to expand to 6,000 tonnes a day by 2025. This is another project which will be long life. We have continued to explore it, starting exploration drilling back about 18 months ago once we got into commercial production. We continue to get good intersections at Pump South and Wesmeg, which indicate that the deposit continues to be wide open at depth as we're drilling.

In Mexico, steady performance, good cash generation there. La India, a little bit of an issue with water. We would expect to be able to ramp up production in the second half of the year there but when you add it all up, pre-Hope Bay, 505,000 ounces approximately which was a record. That generated good earnings, good cash flow per share of $1.47, which is a strong quarter. Our financial position remains strong. We paid cash for Hope Bay, including the buyback or buydown of the royalty that was on that property. As we move forward, we'll continue to rebuild that cash position as we generate strong net free cash flow.

Just a quick summary, as we said, second consecutive quarter of record production. We continue to be focused on delivering the growth of 24 percent from last year out through 2024 as we focus on brownfield opportunities and our project pipeline. As we get more information on these opportunities through our expanded exploration budgets, we can provide updates on that. Our focus is still on low geopolitical risk regions. We think that's extremely important as we look at the business going forward. These are places we're very comfortable being in. We've operated in them for a number of years. A big part of our strategy is synergies and being able to transfer technology but also knowledge and experience between these operations to help keep our cost down, but also to help us understand new opportunities that we find through exploration and how we build them into the project pipeline.

I think what I'll do, Operator, is I'll open the line for questions. We've got our full team here and we'd be happy to take questions.

Q & A

Operator

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

Fahad Tariq — Analyst, Credit Suisse

Hi, good morning. Thanks for taking my two questions.

Maybe first on Nunavut, you talk about in the release at least starting to have discussions with local authorities about reintegrating the local workforce. Can you remind us what that would mean from a cost perspective? I know there's a number of initiatives that Agnico has spent on while those employees were unavailable, but as they come back, can you just remind us from a quarterly basis what that means from maybe a cost savings perspective?

Ammar Al-Joundi — President, Agnico Eagle Mines, Ltd.

Yes, hi Tariq. It's Ammar here.

We will end up saving money when they come back. As I think we've expressed before, the additional cost—we're still paying those employees 75 percent of their salary, so that works out to about $1 million a month. There's a lot of work that's gone into transitioning them back, mostly about safety for the communities, as well as the employees, but yes, there will be a savings of about $1 million a month as they come back into the workforce.

Fahad Tariq — Analyst, Credit Suisse

Okay, thanks.

I'm sorry, just to follow up on cost as well. I know one of your peers talked about the stronger Canadian dollar having an impact on, obviously the Canadian exposure or Canadian exposed costs and operations. Thirty two percent of your exposure (inaudible) in 2021. Any colour on, you know, if FX rates stay where they are today for the rest of the year. What does that mean for maybe annual cost guidance, including CAPEX. Thanks.

Ammar Al-Joundi — President, Agnico Eagle Mines, Ltd.

Yes, it's about—sorry—it's Dave. Did you want to take that, or should I take it?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Go ahead, Ammar.

Ammar Al-Joundi — President, Agnico Eagle Mines, Ltd.

Okay, it's about 30—as you mentioned—it's about 32 percent hedged. The sensitivity, we've been able to offset obviously you saw in the first quarter we dealt with that. You know, the dollar right now is at least—it was averaging about $1.26 versus our budget of $1.30, so we're more than able to offset that but it is something that we're on top of all the time with regards to mitigating it. Right now, we haven't adjusted our guidance even with the movement in the currency.

Unidentified Speaker

I would just add—sorry, Sean. What were you going to say?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

No, I was just going to turn it over to you. Maybe just give some colour on your thoughts on hedging and what's in place.

Unidentified Speaker

Yes, absolutely. Thanks for the question, Fahad.

It's an interesting time because with the Canadian dollar lower than $1.23 at the moment and the guidance was set at $1.30, you get into the interesting situation where you probably end up trying to protect things like $1.28 that you probably wouldn't have considered previously, but there does seem to be some strength in the Canadian dollar. The Canadian government is making some noise about raising interest rates. The U.S. government is not making noise about raising interest rates, so I think that has contributed to the strength of the Canadian dollar.

One of the things we just talked about a couple of days ago was to perhaps use some more exotic instruments to try and benefit the Company but pay a little bit more attention to the volatility and really pick our moments here because with the addition of TMAC, I would say we're feeling a little bit under hedged. We would normally be around 50 percent hedged for the current—for CAD on the year at this point, and so it's something that we're looking to add to opportunistically, and I think that there's always volatility, so I believe we'll get our chance.

Fahad Tariq — Analyst, Credit Suisse

Okay, great. Thanks for the colour.

Ammar Al-Joundi — President, Agnico Eagle Mines, Ltd.

Thanks.

Operator

Your next question comes from Tyler Langton from J.P. Morgan. Your line is open.

Tyler Langton — Analyst, J.P. Morgan

Yes, good morning. Thanks for taking my question.

Just a follow up question on cost, you know, are you seeing, outside of the exchange rate pressure, are you seeing with sort of labour, labour tightness, like other materials, just any concerns there for the cost guidance?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

I'll start and then I'll turn it over to Dominique Girard. In terms of labour tightness, that's been pretty stable in terms of what we see as sort of annual increases in our wage cost, particularly in Canada which is the biggest part of our business which has been sort of 3 percent or so a year. We don't see any sort of pressure on that as we look forward.

As far as inputs, I'll turn that over to Dominique Girard who is on the call on the input price side.

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Well, we start to see some increase, let's say in the coming time mainly feel concrete also tired but what we're doing, our procurement team is well tuned on that and try to take some opportunities on that. Let's say when we give a contract, people start to be hesitant a bit to give a price because it is really volatile so far. Our price are still into our range but again, this is as everybody has had the situation in our own lives that we see pressure coming.

Maybe on the workforce, as Sean mentioned, this is still a well—we're in good position except on the drillers where we see a bit more competitivity into Canada and Europe but other than that, this is still open.

Tyler Langton — Analyst, J.P. Morgan

Okay, great. Thanks.

Then just—I know you're being—I think the cash cost in the quarter was around $6.28 an ounce and I think that's a decent amount below the annual guide of around $7.30-$7.40. Can you just talk about I guess what when you talk about good productivity but was there anything else in the quarter and just kind of how you think about costs for the remainder of the year at the mine?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Well, on cost per ounces, we produced more ounces so that's the main driver. We have a better grade, keep in mind two thirds productivity. I think an interesting—look at the—I think if you look to the—I think it's likely 17 or 18 where you see the Nunavut operations cost per tonne in Canadian going down. The trending is still continuing with the optimization of sites, more productivity, better control on cost. I think we're going to just continue to see that in the coming quarters.

Tyler Langton — Analyst, J.P. Morgan

Okay, great. Thanks so much.

Operator

Your next question comes from Anita Soni from CIBC World Market. Your line is open.

Anita Soni — Analyst, CIBC World Markets, Inc.

A question on cost—unit cost like across the board the unit cost seemed to have been better than what you had put out for guidance in February. Can you just give me like rundown some of the assets and some of the main drivers and try to get us—get me to understand, you know, why those costs would maybe revert to what you were guiding to or do you expect those unit costs to continue to outperform?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Maybe I'll start. As Dominique said, a lot of it is a few more ounces in the quarter, which certainly helped from a unit cost perspective. But, in terms of the drivers, we will see some impact on FX. I think some of the input prices we can offset just through productivity. Will we be able to lower that cost guidance? I wouldn't think so given that the FX continues to be volatile and unknown to us, so that's why we felt that it was sort of premature to make any sort of longer-term call or extend our view on the cost performance going out. We do have opportunities at some of the mines to produce a bit more gold. We'll see how that unfolds as we get through the next quarters.

As we said in the release, Q2 is a bit less. We have planned shutdowns at LaRonde, Goldex. Kittila had some work being done as well, Meliadine. There's several of the operations that are down for a few days which puts a little bit lower production in Q2 but that comes back strongly in the second half. If you look at achieving the guidance, we're looking for really strong Q3/Q4 from an ounce perspective, so that will help the unit costs at the back end of the year.

Anita Soni — Analyst, CIBC World Markets, Inc.

Okay, so maybe on the Canadian dollar cost, say would be the same but if we're looking at the U.S., you know, with the stronger dollar, the overall per ounce guidance on U.S. dollars would be the same.

Then second question would be with respect to the TMAC acquisition, so the Hope Bay. I noticed you had some pretty, pretty good grades for TMAC. I mean, I had the pleasure of covering that, you know, before they—before you bought them out, so 10.8 gram per tonne material is pretty good grade. What can we expect? Is that like similar, with similar throughput levels, or will it be variable with variable throughput and variable grade?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Dominique, can you handle that one?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Yes, I could take that one.

The throughput is let's say between 600 tonnes per day to 700 tonnes per day and the grade there, I don't know, nine, 10 grams per tonne which brings us to the 18,000 to 20,000 ounces per quarter. The first part of the—as I said in the first quarter, we were more in the BTD Zone which is more higher grade. Through the year we're going to move to the DCM Zone which I think it's around 7, 8 per tonne zone, so a bit lower grade but with a bit more tonnes. So that's really the plan. We think that honestly very interesting grade and it's good to see progress at the mill reaching 91 with—percent recovery in the first quarter. We're a bit higher than that Q2 up to date. Let's see if we can maintain that but that's interesting. If the mine is able to produce more with optimization, we have room at the mill, so it's encouraging to see the continuous improvement there.

Anita Soni — Analyst, CIBC World Markets, Inc.

Then just a follow up on that. The development work, when do you expect like the capital levels that you were spending this quarter that would probably be maintained for the course of the year. I think I saw in your guidance, but as they move forward into next year and the year after, when will you have to invest to really get to continue to produce these ounces?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

You mean in 2021 or?

Anita Soni — Analyst, CIBC World Markets, Inc.

Looking into 2022-2023. Should we expect similar capital levels for, you know, going in longer term?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

I don't have the answer to that question yet. The thing is revising a new base plan because now with the Madrid ore body current amendments, we've postponed that. That's helped for the CAPEX because we avoid some costs at the short term. We still need to do some thinking to really put the right position for the ramp in the infrastructure. From that new baseline which is going to be ready in 2022, we're going to have a better view in Q2. We're going to have a better view. So, the spending right now is approximately $10 million per quarter, I believe that's what we're doing in terms of CAPEX at Hope Bay.

Anita Soni — Analyst, CIBC World Markets, Inc.

Okay, thank you for answering my question.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Yes, Anita, just on the strategy there. The strategy is to sort of be cash neutral on that as we drill and get more information. What we think, based on what we've seen so far is we think there is more at Doris, so that would extend Doris longer. As we've said, we've stepped back at Madrid because we just don't like the location of the ramp, particularly of the type of rock it's in, so it's required us to sort of rethink that. But again, as we said, we're not in a hurry. We're in a hurry to drill it and to understand it but we're not in a hurry to ramp up CAPEX. We just see this thing as very, very long term. We're going to find more ounces there, so we're going to take our time in terms of next big steps but in the meantime if we can keep it sort of cash neutral and keep those drills turning, that's a good objective for us.

Anita Soni — Analyst, CIBC World Markets, Inc.

Yes, I mean, it looks like the focus would be on finding similar grades and, you know, more ounces there rather than necessarily improving the mills running at 91 percent, so.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Yes.

Anita Soni — Analyst, CIBC World Markets, Inc.

Okay, thank you.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Thank you.

Operator

Your next question comes from Puneet Singh from Industrial Alliance. Your line is open.

Puneet Singh — Analyst, Industrial Alliance Securities, Inc.

Thanks, good morning.

Just related to Q2, are there any higher-grade stockpiles that you already have at some of these assets that could potentially lower the impact of maintenance in Q2?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Dominique?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Yes, not really. We don't usually when we have high grade stockpiles, we process them. We don't wait for that. Let's say the shutdown in Q2 or their question about mill liners wearing that, their lifetime is done. There is a shutdown at Kittila for the autoclave where we need to do (inaudible) job because the scaling is built up. We need to clean it. It's a 10-day shut down. There's one at LaRonde that is also a 10-day shutdown where we do more in deep electrical maintenance. We use that season, that part of the year because it's a better season to do it, and also, it's prior to summer holiday.

So strategically, it happens that we have more shutdowns in Q2 but that's normal operation. We're going to see that we're going to see through the second half of the year better grade at LaRonde—not at LaRonde—at Meadowbank and also a good productivity everywhere and that's going to be a better second half but it's just a question of timing.

Puneet Singh — Analyst, Industrial Alliance Securities, Inc.

Okay, great, and at Meadowbank, you did really well this quarter and you're calling for a similar production rate next quarter. Do you think you'll still have some of that softer ore helping you next quarter? How should we think about that?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Yes, the—let's say the mine is better—is producing better than planned and the mill is also able to process more. A part of that is related to that softer ore, a part of that is related to the very good performances on maintenance availability and operation productivity. There's opportunity to do better. Let's say the bottleneck remains the hauling in between the two, the mine and the mill. We saw record numbers in March at 11,000 tonnes per day. There is also four other trucks coming on the barge, so that's going to give us more flexibility for the second half of the year. If we're able to do more transportation, there is opportunity to do more tonnes.

Puneet Singh — Analyst, Industrial Alliance Securities, Inc.

Okay, great. Those are all my questions. Thank you.

Operator

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

Again, your next question comes from John Tumazos from John Tumazos Very Independent Research. Your line is open.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Hello John?

Operator

At this time, that question has been withdrawn.

Your next question comes from Greg Barnes from T.D. Securities. Your line is open.

Gregory Barnes — Analyst, T.D. Securities

Thank you.

Sean, this big step-out at Malartic, East Gouldie, does that potentially change your development approach on the ground and where you would orient the mining?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

I think it's too early. I'll let Guy, in a minute just give you his colour on what we're seeing. I think that what we do know there is that there is tremendous capacity in the plan once we transition into an underground. I think we need to drill the Pontiac sediments and see if there is, you know, if East Gouldie is bigger, if there's another repeat of something like East Gouldie. If it's on non-royalty ground, then certainly the economics could be better. This could be, I don't know. It's early. It could be something like the LaRonde area where we have multiple shafts over 20 years. We don't know. It's too early. But I think when you see something like this, I think our experience tells us, you pay attention, you follow it up and you understand it, and then you try to factor it in for additional development. I think when we look at Kittila, we always thought it was a potential LaRonde in terms of multiple shafts over time, given the size of that deposit. We continue, as we move to the north, continue to see that deposit grow. As we go deeper, we continue to see that deposit grow. LaRonde was the example of multiple shafts over 30 plus years. Could the Malartic area be something like that?

I think what's interesting to us is, here you have an underground mine and area that was mining initially in 1950, was shut down, and then you have Cisco team, you know, was astute enough to get the open pit up and running and that gives us an opportunity now to build what we see as being Canada's largest underground mine. How long does it go? I think that's the question. The other question is, you just said it is, based on ability because of multiple sources of ore that we don't know of yet to actually have more tonnage coming from underground. I think that's the question we have to answer.

Guy, can you provide some of your colour? I know you're probably feeling lonely there.

Guy Gosselin—Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

No, no.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

We have a bunch of questions without an exploration.

Guy Gosselin — Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

No, I think—yes, no it's a pretty good question but when you look at it, it certainly doesn't move the centre of gravity of the ore body yet because the—with the core part of East Gouldie that has 6.4 million ounces in ore with good grade and we see also that we've provided results from the pipes, the infill drilling within the main ore body. That is not changing the centre of gravity of something that is already quite sizeable with the total 14 million ounces, so I think that—from that perspective. But as Sean mentioned, our team basically when we were looking at the ore body because the ore body at East Gouldie is quite predictable. It is simple, like we see plywood shape and we've basically looked at that structure and let's say well, you know using the known geometry, projecting it, the kilometres to the east.

We were having some ongoing drilling at Rand Malartic. We've extended those drill holes, and even a week before we got to the zone, our team told us, well we should get into the zone at 2,250 metres down the hole. We cut into the zone its 10 metres up from the predicted target. We got into the structure right where it was supposed to be with likely the same type of ore, cut and paste with what we see within East Gouldie, and we were quite amazed that we were able to project and predict the location of the ore body a kilometre to the east and get into it right where it was predicted. But yet, well, that first drill hole is interesting in terms of the fact that the zone is predictable and where it was supposed to be, and are we yet in the best part of the deposit? These things—a lot more drilling will be planned moving forward to better understand at that east end where the centre of gravity is, and are we, as we see in the known part of East Gouldie there will be higher grade. The grade varies from 2 grams to 8 grams with an average of about 3.5-4, so pretty interesting.

Gregory Barnes — Analyst, T.D. Securities

I understand the hole is drilled from the Rand Malartic property. Do you have any mineralization higher up in the hole on that side of the property downward?

Guy Gosselin — Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

Yes, we usually within the Rand Malartic are known partially intrusion like partially 12 that owns the Odyssey but with some 1 gram, 2 gram over the whole 10-50 metre, but you know, at the end of the day we've used that drill hole and we push it way deeper entering to the Pontiac for 600 metre at—to reach out for the East Gouldie. We have multiple targets in every single of those drill holes, so we usually start quite far to the north, get into the entire volcanic sequence of the Piché, the Cadillac break and then keep going into the sediment to the south.

Gregory Barnes — Analyst, T.D. Securities

Okay, great. Thank you.

Operator

Your next question comes from Tanya Jakusconek from Scotiabank. Your line is open.

Tanya Jakusconek — Analyst, Scotiabank

Yes, good morning, everybody and hi there.

I have a couple of questions. If I could come back just to again the cost structure. I just want to—back on just a couple things on inflation and currency. Maybe just, Dave, just on the sensitivity for the

Canadian dollar, I just want to check if this number is still holding but a 10 percent move from the $1.30 mark having an impact of about $50 per ounce on your cost structure, is that still a reasonable assumption?

David Smith — Senior Vice President and Chief Financial Officer, Agnico Eagle Mines, Ltd.

Yes, when we put that number out there, we didn't have the exposure from TMAC yet, so it will be a little bit different than that. The way I think about it is, you know, we can still protect that $1.30 if we're able to do the same amount. I'd say $1.28.

What we think now with the TMAC is probably $5 or $6 for 1 percent change, or 100 basis points, pardon me.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Okay, that's helpful, thank you.

Just coming back onto the inflationary pressures and maybe it's Dominique that's going to take this one, but you mentioned, you know, steel, concrete, and tires. Are you seeing any—anything inflate? Any inflation there or in cyanide?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

I don't have the details for cyanide straight. I would say most probably, but again, we don't see challenges to meet our guidance so far. Let's say the mines of productivity are upsetting those increase, but we keep, let's say we keep an eye, keep under the radar, mainly on delivery time, and if we see something, for example, in tires that's creep up, we could take decision to put more into inventory, if needed. That's the type of thing we're doing, a close follow up.

The barge season, a lot of material, let's say, in fact to the north as an example, a lot of the material has already been ordered because that needs to be for June, June/July when we start to do the shipping. All those one have been perfected, but now we're starting to look, okay, what could happen in—for 2022 and maybe to take some position if needed.

Tanya Jakusconek — Analyst, Scotiabank

Okay, so you're protected for this year. It's just more for next.

Okay, perfect and if I could come back to, I know Guy's been feeling lonely and maybe Sean from a bigger picture on the exploration side. I just want to understand just the strategy for you this year in terms of reserve replacement. I mean, you've got a lot of, you know, interesting exploration targets and success. Maybe just review some of the assets for us where you think you're going to be able to replace reserves or the strategy have moved or increased. (Audio interference).

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Yes, Guy, can you…

Guy Gosselin—Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

Yes.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Take that one?

Guy Gosselin — Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

Yes, certainly.

I'll go over the main asset, I guess. LaRonde, you know, LaRonde as you know is—some of those mines, you know, they come in sequence, you know until we kind of demonstrate the concept, extend the production. Last year was a good year at LaRonde where we've been adding more reserves that—they'll be five with the continued success this year. I do not anticipate, let's say for example at LaRonde specifically that we're going to replace completely what we're going to mine. Although, there's drilling ongoing. We are positioning ourselves. Let's say for LaRonde the more important thing this year is that we're positioning those exploration drifts beneath the Bousquet but it's more kind of along—long term pay off. We may this year and maybe not completely see a complete replacement and eventually, down the road we'll get the—we'll get some more answers showing up here on the road.

Same thing in Malartic. Malartic, quite sizeable, the project, as you know. We, our share, are anticipating 350,000 ounces roughly a year. Well, until we get the study to bring East Gouldie into reserve, we won't see a replacement. Right off the bat we know we're not replacing Malartic. From the existing mine, those two are at those specificity that they're going to come. Further down the road there will be—should be addition of reserves. On the other hand, you have something like Goldex where we see a complete replacement. We see Kittila where we see a complete replacement.

Kittila, it's more again now we're having the shaft, we're having, you know, a case that we can get 500 metre below the shaft limit. We're more looking at a long term because we know that there's still mineralization a kilometre below the bottom of the shaft. Now we're moving more into put some more robustness on the resources and reserve beneath the bottom of the shaft. I think for the near term, we can expect that Kittila will replace what we're going to mine for the upcoming two, three years. After that, we're going to have to come with let's say a plan to convert the bigger part at depth.

In Mexico, Pinos Altos, I think we're in good shape to replace a fair part of what we're going to mine. La India, it's more of a—we're mining the outside until we get a plan to do something with the sulphide. We will see a net depletion at La India. Santa Gertrudis will come further down the road, I guess. We're getting good results, good signs, so eventually we'll come out with a reserve. Will it be in two phases? We'll do the outside first and the sulphide further down the road, so we're working on it.

Then you'll enter into the project. Obviously we've been drilling a lot at Upper Beaver and we anticipate that eventually next year at the February update we'll be able to come out with an updated study or we'll come with some addition of reserve in line with the good results we've been seeing, and we're currently looking out to the Hope Bay silica resources to make up our mind about what we're going to do with those silica reserve and resources, integrating into our business for year-round.

Tanya Jakusconek — Analyst, Scotiabank

Okay, so that I know—so just so I'm understanding, so I should think of more LaRonde and Canadian Malartic and maybe Hope Bay as more, you know, resource growth for year end and the other mines you've given me in terms of reserve replacement. Would that be a fair way of looking at it?

Guy Gosselin — Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

LaRonde and Malartic, yes. Hope Bay, not sure. We're still under review of our plan over there.

Tanya Jakusconek — Analyst, Scotiabank

That's helpful. If I could just ask just on Meliadine, Sean, just on the thinning water pipeline, just maybe a little update there in terms of where we are with the public hearings which had to be postponed and just getting the permit.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Yes, Dominique, you're involved with that one.

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Yes, I can take that one.

Yes, related to the COVID breakout in Nunavut, the public hearing has been passed on, but we don't have an issue because mainly we—with our good performances on grounding practice, we see that inflows are 50 percent lower than what we planned. Plus, the mining race into the pit is going also better than planned so we have enough room capacity. It's not an issue. We're going to continue to follow the process for the hearing.

We don't have news yet when it's going to happen. Again, everything is going to depend on how it's going to go with the COVID, but we'll stay tuned on that.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Okay, thank you so much.

David Smith — Senior Vice President, Finance and Chief Financial Officer, Agnico Eagle Mines, Ltd.

Tanya, before you go, I just want to clarify one thing on the hedging. When we give guidance on the sensitivity to currencies, we do not consider the impact of hedging, and because we have hedged CAD, so 100 basis points move from budget so $1.30 CAD to $1.20 CAD, would not be the full $50 per ounce on all-in sustaining cost. Because of the existing hedges it would only be about $30 per ounce. I just wanted to make sure you understand about the guidance doesn't include any impact of hedging.

Tanya Jakusconek — Analyst, Scotiabank

Okay, no that's really helpful because that's meaningful. Thank you.

David Smith — Senior Vice President, Finance and Chief Financial Officer, Agnico Eagle Mines, Ltd.

Yes, it is meaningful. Yes, thanks.

Operator

Your next question comes from Ralph Profiti from Eight Capital. Your line is open.

Ralph Profiti — Analyst, Eight Capital

Good morning, thanks for taking my questions.

Sean, I wanted to come back to the East Gouldie step-out with two quick questions. First one, it doesn't sound like there's going to be an impact on the planned or targeted positioning of this initial shaft but when does that definitive decision have to be made in terms of where it goes?

Then my second question is, how flexible is the permitting process if we run into a situation where we have successful drilling to the east over time and sort of the mine plan can become a little bit more dynamic?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

As far as the shaft location, we've essentially selected the shaft location there, so that shaft will continue. The question is, is there additional ore that's found through exploration which causes us to add additional underground access. I think that's the real question here. We've always looked at this as being large and long life, and so I think what we're seeing is that if we were to incorporate much more than 7 million ounces of the 14 million, this would go well beyond 2039.

I think what the drilling has suggested is there's a possibility that it's longer life but is there now a possibility for additional sources of ore because that's essentially why this is now a successful project, because East Gouldie gave us that additional sixth (phon) higher grade source of ore that allowed us to pull it all together. I think although it's early, I think we need to sort of drill that entire length of the Pontiac sediments and do it systematically, but initially follow up on this drilling that's been done from Rand Malartic to see what's around this latest drill hole and that may start to change our thinking in terms of additional investment going forward. We have to certainly do that in conjunction with our partner, but what we see so far we like, and as you heard from Guy, it matches up perfectly where you would expect it to be given the orientation of East Gouldie and how it plunges.

As far as permitting, maybe Dominique or Guy can talk about the sort of permit process there. It's pretty straightforward because we have an existing operation, so it's not like we need—we're starting from scratch there. The authorities are pretty amenable to that and it helps that it's underground but is there anything else, Dominique or Guy on the permit side if we decided that we had to initiate additional underground access at some point to increase the underground mining rates?

Guy Gosselin — Senior Vice President, Exploration, Agnico Eagle Mines, Ltd.

No constraint from the exploration standpoint.

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines, Ltd.

Well Anita, as you mentioned, Sean, it's easy to permit the underground. Let's say we have hit the first in Gouldie two, three years ago and now we're sinking the shaft, I guess if we have another shaft to build that could be the same type of thinking. (Inaudible) drill that.

Ralph Profiti — Analyst, Eight Capital

Understood, thanks very much.

Operator

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

John Tumazos—Analyst, John Tumazos Very Independent Research

Thank you, sorry I had the mute button on before.

Sean, just in case your good technical people succeed on many fronts and everything comes up roses, Santa Gertrudis, Upper Beaver, Hope Bay, Hammond Reef, and a couple of the exploration projects among the 17 on the exploration spot on your webpage. Would you rule out going to 3 million ounces or more, and should we assume that you're just going to rank the projects by internal rate of return at a conservative gold price scenario? It sounds like there's a lot of progress.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Yes, I think that we've been pretty consistent in saying that for a lot of reasons, largely due to risk and not wanting to increase the risk, underlying risk level of the business, our preferred approach is sort of measured discipline as far as allocating the build capital. It's okay to, you know, bump up exploration budget, particularly when you're getting results so that you can get information, which is kind of consistent with the approach we took at LaRonde early. People would say, why the heck are you drilling at 8,000 feet at LaRonde when we were doing it. You're never going to get there, and our view was, well, we want to know what we own, and I think this is exactly the approach we're taking is that we want to know as soon as we can what we own to actually help us work through the options and the ranking, the relative ranking. and I think that's going to be important.

What we don't want to do is build multiple projects at the same time, blow our CAPEX budget out, eat up free cash flow. That's not a high-quality business. I think that we're comfortable with this approach. As we said, on something like Hope Bay, we feel literally in no rush. When we bought it, people were somewhat nervous. Oh my goodness, this is going to blow their CAPEX budget up. No, it's not because we view it as long term. Look at how patient we've been with LaRonde for 30 plus years, 40 years. Step by step as the drills sort of led us, you know to the next step we just gradually invested in that opportunity.

This ties into the question about reserve replacement as well. When we think about it, there's a pretty good chance our reserve number in February of next year is the same or higher, you know. We have Hope Bay which isn't in our 24 million ounces of reserves. Guy went through the list and you know, we're getting good exploration results at a number of projects. That's the basis, but I think the nice thing about it, John is we have this combination of brownfield opportunities at places like La Ronde, Kittila, Goldex, Meliadine, and then we have the pipeline, and it's how do we put together a mix of both brownfield and pipeline so that we can get the best bang for what will be a predetermined capital allocation pie that everybody's competing for internally. We just find that that's going to be the most effective approach.

A lot of that is really just, we just happen to be a gold mining business. That's just good business. We like the jurisdictions we're in. We like the fact that, you know, think about it. You know LaRonde. You've been there many times. We're putting out three exploration drills to the west into the Bousquet property, something we bought 15 years ago for $7 million Canadian and there's ounces there. We've got a massive sulphide zone to the east of the main ore body at LaRonde. Look at the drill results at

Canadian Malartic. There's a lot of life left here. Look at Kittila as we go deeper. I think it got lost in the February release. I think the step-out at Kittila was several hundred metres that stepped out from the main deposit there. For us, this is all about per share value over time, and if we're patient and keep a lid on the share count and work the drills hard, we have some pretty smart people throughout the business that know what to do with this stuff when we find it. That's going to be the approach because it's worked for many, many years. There's no need to change it.

But I have to say, and I've been here 36 years, you know, the best and most exciting part of this has always been the exploration stuff. We never know. This whole, this step-out at Malartic, it may not be anything, but it may be something pretty important, and so, that's the excitement. That's what keeps us coming to work every day, to see how the teams are able to continue to grow these deposits and then turn it over to the project teams and the construction teams and the operating teams to see how they can turn it into meaningful cash flow generators. No change in the strategy.

John Tumazos—Analyst, John Tumazos Very Independent Research

Thank you.

Operator

There is no further questions at this time. I would now like to turn the call over back to Mr. Boyd for closing remarks.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines, Ltd.

Thank you, Operator and thank you everyone for your attention.

We have our AGM today at 11:00. I don't think you'll hear anything new from what you just heard over the last hour or so on the conference call but you're certainly welcome to join us. It's virtual, but anyways, enjoy the rest of your day and thanks for your time and the questions. Take care.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.