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PRESENTATION

Operator

Good morning, my name is Denise, and I'll be your conference Operator today.

At this time, I'd like to welcome everyone to the Agnico Eagle Fourth 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'd like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you'd like to withdraw your question, please press the pound key.

Thank you. Mr. Sean Boyd, you may begin your conference.

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

Thank you, Operator, and good morning, everyone, and welcome to our fourth quarter and 2020 full year results conference call.

Before we get started with the slides, just want to remind everybody that this presentation does include forward-looking statements, and we have that material in the slide deck.

Just to start off, in terms of how we've closed the year and how we're positioned for moving forward over the next several years, we had a record quarter in terms of production which drove record cash flow, but more importantly, we posted our best ever safety performance, so although we're pushing more volume than ever and we have more employees than ever, we're operating more safety than we've ever done in our history, so a big thank you to our employees. It's a testament to their focus and the fact that they show up to work every day looking to make a contribution and caring about their work environment and the people they work closely with.

As a result of that performance, on the operating side, the business in the full year 2020 generated operating cash flow of $1.2 billion, so that continues to improve our financial position, good liquidity, declared our quarterly dividend of $0.35 per share, also got an additional credit rating agency to rate us as investment grade. We've got Moodys to do that recently, so it just shows you the strong financial position which continues to strengthen as we grow our production over the next several years. We expect to grow output off of the 2020 amount by 24 percent as we move through 2024, and that's supported by our record reserve position, so lots of records as we close 2020.

The reserve growth is supported by exploration results, so this is really not just a story about production growth but also being able to improve the quality of our asset base, growing deposits at our existing mines as we move forward. As a result of that, we've increased our exploration budget by over 40 percent to $160 million, so very much still a focus on exploration, and we'll talk about how that fits into the strategy in a minute. It's a key part of the story.

The strategy is going to remain the same. It's consistent - it's really to grow production per share by focusing on the geological potential of our asset base by optimizing our existing mines, as we said, through exploration, and then building out our project pipeline. We can see visibility at LaRonde, at

Goldex in terms of additional conversion of resource into reserves, which will extend those lives of those assets, as well as bringing new projects into the production base of the Company with the announcement of Amaruq underground and Canadian Malartic underground.

A big part of the strategy is to keep the business low risk, to manage political risk, stay in those jurisdictions that we know well, but also to continue our leadership and excellence in ESG, which we continue to do. We're double-A rating at MSCI, Corporate Knights just ranked us No. 73 in the world, not just in mining but of all companies in ESG, so we continue to be recognized for our leadership in ESG.

Just going to the highlights for the quarter, as we said, first time in our 60-plus year history we produced over 500,000 ounces in the quarter. That put us over the top end of the guidance range in 2020 at 1.736 million ounces. As we said, our reserves grew to record level at 24.1 billion ounces - we'll break that down in a minute. That's backed up by an increase in exploration budgets, as we said, and that exploration is really focused on places like Canadian Malartic, where the combined budget with the partnership is about $30 million - we'll talk about that in a minute. Big budgets at LaRonde, where we're extending drifts in four different areas to open up that whole felsic rock package as we move to the west and also the east, so a big year for exploration, and as we said, our Board yesterday approved the go-ahead for Odyssey and Amaruq underground projects. We'll talk about that in a minute.

Steadily growing production in 2021, costs will be lower than in 2020 as we grow our output, so as we said, we're expecting production growth over the next four years up 24 percent. In 2021, we should be up over 300,000 ounces from 2020 with our unit costs down about 6 percent. As we move forward, we're looking for slightly higher costs, we've outlined in our press release. That's largely driven, almost primarily driven by higher costs at our Amaruq deposit. We continue to get very good cost performance at a number of our mines, particularly in the Abitibi, and we'll talk about that, so it's really the high costs at Amaruq that have tended to skew the overall average a bit higher.

Capital expenditures, we're forecasting about $800 million in 2021 as we approved two new projects. We're still going to generate significant net free cash flow with that number, and as we look forward on the project pipeline, we're not in a hurry. We're going to stage them, we're going to spread them out, and we're going to keep our CAPEX in line with where it's been over the last couple of years as we move forward.

We talked about our gold reserves and mineral resources. With the exception of Hammond Reef, all of those reserves were done at 12.50; Hammond Reef was done at 13.50. As we said, it increased 12 percent. We had over a million ounces added at several of our current producing assets with the balance coming from Hammond Reef. What that number and what these reserves and resources do not include is the reserves are resources that are hosted at the recently acquired Hope Bay project, and I'll talk about that in a minute. We also had maintained a strong resource base, indicated, measured and indicated 15 million ounces, inferred 23 million ounces, so a strong reserve and resource base that supports our ability to continue to grow output.

In terms of the near term opportunities, we have several. Kittila has had a good year, they've produced record amounts of gold. They continue to ramp up their annual throughput. Last year, I think it averaged 1.85 million tons a year going to 2 million tons per year. The mill expansion was completed slightly ahead of schedule in Q4, so they continue to move that opportunity forward, and they're also studying, based on exploration success as they drill the deposit as it plunges to the north, they are looking to potentially increase annual throughput from the 2 million tons per year amount up 20 percent to 25 percent from that amount, so that study will take place over the next two to three years just to optimize—to continue to optimize the growing size of that ore body.

Meliadine Phase 2 remains on track. In January, we were about 4,600 tons a day, so we'll be gradually increasing that over the next few years to 6,000 tons a day. We talked about the Amaruq underground project being approved for construction. The objective is essentially just to mine higher grade underground portions of that deposit in conjunction with the open pits. First goal production, we're expecting in 2022 as we begin to access ore from the underground ramp system. The average mining rate over the five-year period in the underground component is about 2,000 tons a day. Overall, we expect to be mining about 3 million tons on average grade of about 5.5 grams per ton. That adds just from the underground about 100,000 ounces a year to the Amaruq production. There are years where when we combine the underground and the open pit, Amaruq will become Agnico Eagle's largest single producer of gold, so it's a high quality asset that will generate significant cash flow as we go forward.

We'll produce those amounts because when we add the open pit ore with the underground ore, we'll have capacity in our plant to handle about 12,000 tons a day, so the capital cost of that underground, about $140 million construction, almost $40 million in sustaining, at $15.50 has got an after-tax rate on return of 28 percent.

Odyssey, I'll talk about that now. We've continued to have drilling success and exploration success there as we've expected to have, because we've had a very active drill program going there for the last two to three years. At East Gouldie, we saw over 130 percent increase in the resource to 6.4 million ounces. There are 11 drills currently targeting the East Gouldie zone to continue to expand that deposit and also to tighten up the drill spacing, particularly in the high grade core of the East Gouldie zone. Property-wide in 2021, Agnico and Yamana will spend about $30 million on drilling - that's a significant budget - $24 million of that is largely on East Gouldie, and $6 million will be to drill regional targets because it's interesting, with the discovery of East Gouldie, it's essentially opened up an entirely new mining horizon with tremendous potential, given what we're seeing at East Gouldie, so that's also a focus of our drill program in 2021.

The underground ramp is in progress. That's important because as that continues down, it makes it easier to drill. It just gives us a better drill set-up to drill those underground targets, particularly in Odyssey, East Malartic, and also at East Gouldie.

As far as the project, the project—Odyssey, Canadian Malartic, the underground project, it's really a very large, low risk, high quality opportunity. We anticipate it becoming the largest underground gold mine in Canada based on annual production. When it reaches full production, we expect it to be producing about 550,000 ounces per year - that's based on daily throughput of about 19,000 tons. We're able to run it at that high rate because there's essentially four underground sources of ore, so that was the real—the game changer, let's say, on this whole project was really the discovery of East Gouldie, because that just opened up a much bigger, higher grade, additional source of ore which, when you combine it with Odyssey North and South and the old East Malartic area, you get volume, and it's the volume that's really made this work in terms of the size underground. Cash costs at full production expected to be around $650 per ounce, so very long mine life, out to about 2040, and that's only based on a plan that current incorporates about 7 million ounces in the analysis.

We know when we add up everything, I guess we're not supposed to add up everything, but when we add up everything, reserve and resource, it's more than double what we currently have in the economic plan and the mine plan going forward, and these deposits are still wide open as we know them, and the entire horizon is wide open, so we believe this is going to be a big part of both Yamana and Agnico's business for many, many years. At $1,550, it's got an after-tax rate of return of 17 to 18 percent. There is still room, we feel, to optimize the study, optimize the plan, and we're going to continue to work hard on doing that.

CAPEX, 100 percent CAPEX is $1.3 billion, but from the period from 2021 to 2028, which is really the construction phase, during this period we would expect to produce over 900,000 ounces at a cash cost of about $800, so it's almost self-funding in a way, when you think about it. That $1.3 billion includes an 1800-metre deep production shaft with capacity of approximately 20,000 tons per day. As we said, we'll phase in production over several years, beginning in 2023, late in 2023, from the ramp. With the shaft, we expect to commission the shaft in 2027, and as we said, full production we expect at around 19,000 tons a day as we ramp up the underground mine, including East Gouldie, which is the deepest of the four sources of ore, by 2031.

As we've said over the last little while, we're comfortable making this production decision now based on our resource because from a cost perspective, the numbers are solid. Many of the design criteria and the parameters that are being used in the study are very similar to Agnico Eagle's existing operations in the region, and when you combine that confidence in the fact that we're dealing with live cost data and experience at Canadian Malartic, we've got good confidence in the production plan and in the cost estimate.

As far as the project pipeline, we continue to optimize the project pipeline. As we've said at the start, we're in no hurry to build these, we're just focused on continuing to add value to these assets through exploration and through updating studies, employing innovation. As we think about innovation on certain projects like Hammond Reef, we're looking at ore sorting, so there's still work to do before we decide to spend capital here, but we have made significant progress in the last year on these projects.

At Upper Beaver, the deposit continues to grow. We expect it to be at some point down the road a low cost producer, given the significant copper credit. It's in a good part of the world, a pro-mining district that's very near our operations in Quebec, so we couldn't put it in a better spot, and we continue, as we said, to add value through drilling, and we'll continue to drill that and update the study for roughly the end of the year this year.

I'll talk about Hammond Reef and then I'll talk about Hope Bay. At Hammond Reef, we have incorporated 3.3 million in reserves. The overall mineralized envelope is over 5 million ounces, so we're looking to optimize that plan and bring additional gold resources into the mine plan. This is the first cut at it. We started to revisit it about a year ago. We always liked it because the location's good, permitting is straightforward, community support is there. The challenge was it's on the low grade side, but we feel there's ways that we can use things like ore sorting to improve the economics, so we'll continue to move it forward and add value, but again no commitment to spend significant dollars there.

At Hope Bay, the transaction closed on February 2. The project hosts reserves of 3.5 million ounces and resources of 3.8 million ounces. As we said, none of those numbers are in our current reserve and resource statement. The property position, as many of you know, is very extensive - it's an 80 kilometre greenstone belt. It hosts three known deposits: Doris, Madrid, and Boston. As we've said, the focus this year will be on exploration with a planned budget of approximately $16 million. Five million dollars of that will be delineation drilling and $11 million will be testing targets around the three known deposits and other targets along the 80 kilometre greenstone belt. The mine currently produces about 18,000 to 20,000 ounces a quarter, cash costs around $950 to $975. The mill is operated three weeks on, three weeks off. We're forecasting Hope Bay to be cash flow neutral in 2021, and those production costs or CAPEX numbers are not in any of our overall total Agnico cost guidance.

While we focus on expanding the reserve and the resource on the property, we'll also focus on optimizing the existing Doris mine and then evaluate expansion scenarios. We believe the project could ultimately produce 250,000 to 300,000 ounces, but we still have to do the study, still have to do the work. We're confident that there is a solid plan to move forward as we put our Nunavut expertise to work there, and we do not anticipate spending any significant capital, expansion capital there over the next two years.

In terms of the specific assets and operating results, I'll start with LaRonde. It still remains after 30-plus years our largest cash flow generator, produced over 105,000 ounces at cash cost $434, so continued strong performance in Q4. It actually for the full year achieved its original budget despite the fact that the mine was stopped in Q2 due to the impacts of COVID.

It's also interesting in Q4 that 28 percent of LaRonde's tonnage was mucked with automated scoops and 16 percent of the tonnage at LZ5 was mined with automated scoops, so that' the way forward at LaRonde. As we mine deeper, our exploration suggests that there is more mine life at depth, so automation will be important not just from an efficiency and cost perspective, but also from a safety perspective. In Q4, that performance was really driven by more tons being mined in the west mine area at higher grades than we anticipated.

The deposit continues to grow, as we said. We're adding reserves, we're still adding quality ounces, we're still adding significant tons to the mine plan. We'll talk about the exploration shortly.

At Goldex, record quarterly production, about 40,000 ounces at cash cost below $600 per ounce. We average in excess of 8,000 tons a day - that's record daily tonnage since we restarted the mine back in 2013, so the teams have done an excellent job there. What's really helped them to achieve over 8,000 tons a day is some tremendous performance coming out of the underground rail-veyor system, which was something that our team looked at a few years ago, invested the capital to put in, and that's just been a really important addition to the efficiency of that mine. When you think about it, we're mining around 1.5 grams per ton and it's still an extremely profitable mine.

At Canadian Malartic, best ever full year safety performance. In Q4, we continued to tweak up the throughput in plant, setting another quarterly record at over 62,000 tons per day. When you add up the Abitibi, those three assets in Q4 produced over 230,000 ounces at a cash cost of approximately $540 an ounce, so those three mines are still very much an important part of our business but, more importantly, important cash flow generators particularly as we look at opportunities to extend LaRonde mine life with our exploration success at depth, and also extend the Goldex mine because we're also getting good drill results in the Goldex as we look at the D2 zone. Then with the addition of the Canadian Malartic underground, that's going to be an important part of our business for a number of years.

At Kittila, as we said, record ore production in the year leads to record gold output in 2020, so we're finally after many years getting into a rhythm, let's say, where we're able to better match the large size of the ore body with the production rate going to 2 million tons per year, but there's more work to do because that deposit continues to grow, so we could see it with additional ore sources that are being suggested by the recent drilling that we can take that up another 20 to 25 percent. Again, not in a hurry to do that - it's going to take us two to three years to do the work on that, think about that, but it still has upside and the deposit continues to grow.

At Meadowbank Amaruq, steady improvements. We've seen quarter after quarter there record open pit production in the quarter at 3.8 million tons mined per month, so they've done a good job with the maintenance and availability of equipment, and steadily improving that operation over time. With the addition of the higher grade underground ore, that will become a much more significant producer of ours. We still need work on the costs - the costs are higher based on strip ratios as we move into the next couple years. We'll come down as we get to 12,000 tons a day with more high grade as we move into 2024, but we still need to do some more work on the cost side.

At Meliadine, record quarterly safety performance, another strong quarter, another strong operating and production quarter, 90,000 ounces at approximately $650 an ounce cash cost, but a good—very good operating margin quarter and cash generating quarter at $108 million in the quarter. That's our second biggest contributor next to LaRonde, even more than Canadian Malartic, so again we're going to continue to expand that, so also an important part of our business going forward.

In Mexico, steady operations and good cash generation continuing from our Mexican operations.

Just quickly touching on the financial highlights, I think what struck me being here for 36 years, is record cash provided by operating activities of over $1.2 billion. Twenty years ago, late 90s, our revenue was only $50 million, so it's a testament to our strategy of adding small pieces and turning them into meaningful parts of our business, and doing it while keeping our share count down so we can generate per-share returns to our shareholders.

That strong cash generation improves our financial flexibility, strengthens our investment grade credit rating where we added Moodys to our list of credit rating agencies. Our cash position grew $400 million at the end of December, again, low share count after 60-plus years in the business, and a debt maturity schedule that's extremely manageable as we look forward.

Dividends are still an important part of our story. We've paid them for 38 years. Given our production growth, given how we see the ability to extend some of our major mines, given the recent projects that we've just announced approval on, which when you look at Amaruq underground, very long life, we expect to be in a position to continue to increase our dividends as we move forward and grow the output in this business.

I'll just quickly summarize and then we'll open it up for questions.

Essentially a strong close to 2020, which we anticipated. We expected, based on coming through the challenges of Q2, we did do a lot of important work in that quarter to position the assets for the strong second half that we did deliver, so that was not only important for the cash generation but also important to set us up for continued growth going forward over the next four years, as well as positioning projects beyond 2024 to continue to grow and continue to add value. No change in our appetite for geopolitical risk, we're comfortable where we are.

We continue to be focused on not just to do the right thing on ESG, but to be a leader in ESG. We haven't really talked much about how much contribution we made to our communities during COVID, but that's certainly been recognized by federal governments in the countries we operate in.

I'll just close off on exploration, because it has—our success there has really forced us to rethink the 10 to 15-year production profile versus where we were about three years ago on that. A lot of that has to do with—our strategy all the time is we want to know what we own as early as we can, and that's why we have a history of drilling deep holes, to understand whether those deposits do continue. That's how we are here talking about Canadian Malartic underground - there was a deep target that wasn't in the budget that we put in the budget after a mine visit to say, look, our history at LaRonde tells us that it's important to understand when you have a geological structure that's wide open, how deep it goes, and so we're seeing that at Kittila now, we're seeing that continuing at LaRonde. After 30-plus years, we're producing more gold than we ever have and generating more cash than we ever have, and we're still finding more gold. As a result of that, we're going to invest in four exploration drifts to move to the west, to go into the old Barrick ground, because that same felsic package of rocks that hosts all the LaRonde world-class ore bodies also exists on that land package to the west, so we're going to open it wide open to see what's there. But we're also going to drill to the east, where we've got some high value net smelter return drill holes on a zinc zone, the reappearance of the 20 North zinc zone, so a lot happening at LaRonde which bodes well for the future of our largest cash flow generator. Kirkland Lake, Upper Beaver continues to grow, so we're confident that's a mine at some point; but again, we'll update our study later this year and we'll decide how we can fit it in. Pinos Altos in Mexico, continue to get good drill holes at the satellite deposits and at Santa Gertrudis, so we'll work those into our production plan going forward.

Essentially from a strategic standpoint, we're just going to continue to focus on what's worked very well for us for many years. We're going to optimize and realize the full potential of our existing mines with a distinct exploration focus, because it's adding really good value for the dollars we're investing in exploration. We're going to work the project pipeline. We're fortunate we have a solid project pipeline. We added Hope Bay, we like it long term, we think it's going to go well beyond the current reserve and resource. We're going to work that pipeline in a steady, consistent manner, and where appropriate we're going to add high potential projects that have excellent geological potential in parts of the world where we have good skills. We've done that since 2005 when we started buying assets like Kittila, like Pinos Altos, so it's worked well for us in terms of creating per-share value and we're going to continue to do that.

Operator, I'd be happy to open up the line. We've got our full team virtually here and happy to answer the questions we get from the callers on the line.

Q & A

Operator

Certainly. Ladies and gentlemen, to ask a question, please press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Tyler Langton with JP Morgan. Your line is open.

Tyler Langton – Analyst, JP Morgan

Good morning. Thanks for taking my questions. Just had a question on Amaruq, I guess for—in '23 you're guiding to total production at Meadowbank of around 415,000 ounces with around 100,000 from the underground and then a little—300,000 or so from the open pit. Post 2023, I think you're guiding to the underground being a little around 120,000. What does the open pit look like in '24 and beyond? Does it stay around 300,000 ounces or should it ease a little bit?

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

Dominique, do you want to help us with the split between underground and open pit at Meadowbank as we go beyond 2023?

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

Yes, the Amaruq underground is going to bring 100,000 ounces, 140,000 ounces to the game. That's going to bring overall Meadowbank getting—they're going to reach over 500,000 ounces, which is going to be our biggest operation in those years 2024, 2025.

Tyler Langton – Analyst, JP Morgan

Great, that's helpful. Then just final question, obviously free cash flow is really strong in 2020. When you look to 2021, outside of earnings and CAPEX, are there other—any items like, I guess taxes or something like that, that could have an impact on the free cash flow profile this year?

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

Well, cash taxes will be slightly higher than 2020 because of the 300,000 ounces of additional production, which is going to be more profitable or add to the total profit, o cash taxes will be up a bit but not significantly higher.

Tyler Langton – Analyst, JP Morgan

Great, thanks so much.

Operator

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

Fahad Tariq – Analyst, Credit Suisse

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

First on Hope Bay, I know you mentioned over the next few years you don't expect to spend significant CAPEX. Beyond that timeline as you think about Hope Bay versus some of the other projects, can you just provide some color on how you're thinking about what it's competing against? Is it competing against Upper Beaver and Hammond Reef, or is there already a priority among those projects that's already set out, even before you've done more work on Hope Bay?

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

No, it's competing with the two you mentioned, so those would be the ones that we're still studying. I would say Upper Beaver has the upper hand, let's say, given our familiarity, given its location. Hope Bay is a work in progress. I think what we liked about it was the 80 kilometre greenstone belt. We've had big success with geological belts when we can control them 100 percent in adding ounces, so we believe this will get bigger. But basically, we have to step back on this one because everybody understands we need a new processing facility, so the question will be what and where, and the where will depend on the exploration results as we move forward.

There's still work to do, that's why we're not in a rush here. We've already had our top crews up there recently. They spent a week there, our project development team and some of our senior team at Nunavut, so we've begun the process of putting people from our technical service group to look at various expansion scenarios, and again the whole concept with our strategy is to stage and spread these projects out over time, so it's just going to require us applying some of our key project development teams working with our technical service group and the operating teams in those jurisdictions to optimize the project studies and compete for the capital.

Fahad Tariq – Analyst, Credit Suisse

Okay great, that's really clear. My only other question on Kittila, I'm just trying to understand the shaft sinking contract issues. Is the right to—did I understand this right, that now all of that will be done in-house, or is it still being contracted with some additional local personnel? I'm just trying to get a sense of what's going on there.

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

Dominique?

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

Yes, we're going to continue to contract it. Of course, we're looking to mitigation now to introduce more local workers, training local people, but still, the shaft (inaudible) sinking construction phase is contracted. The challenges are really with the travelling issue we have with—our challenges we have with the COVID, so people need to get evaluated and tested, so that's bringing some challenge on having a Canadian contractor going there. But the teams are looking for mitigations to minimize that with better conditions for the guys, as well as training more local people.

Fahad Tariq – Analyst, Credit Suisse

Okay, got it. That's different than terminating the underground development contract, that's different, right?

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

Yes, that's different. Let's say the overall project is completed at 80, 90 percent if we're talking about the rock line and all the work done to be ready to operate the shaft. The only critical path which is the shaft sinking, this is the area where we struggle and there are some delays. At the end of the day, that will not impact the production because we're able to mine it through the ramp. It is just more cost each month that we do it to the ramp compared to the shaft, but that will not affect the production rate at Kittila.

Fahad Tariq – Analyst, Credit Suisse

Okay, great. That's it for me. Thank you.

Operator

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

Ralph Profiti – Analyst, Eight Capital

Hi there, good morning everyone. Sean, I have a question on Canadian Malartic exploration, but specifically for open pit ore sources in the context of filling up that mill capacity, right, especially post 2026. Is now the time that this becomes more of a strategic priority?

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

I would say that the focus before that is really on—this is the first cut of the study, is just optimizing that study rather than looking at outside additional sources of ore, so it's really an optimization effort, if we can reduce the dip in production in those years during the initial transition from the open pit to the underground, but what we won't do is rush the build out here. Now, this is a 17-plus year life, it doesn't need to be rushed. If there's a different production, there's a different production - that's not the end of the world, so we'll just try to manage and build the most effective project.

But Guy, from an exploration standpoint, or Dominique from a production sourcing standpoint in the pit, is there any color you can add on that?

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

Yes, it's Guy here. We also control a large property over there and over that, our 20 kilometre of ground we control, we continue to investigate and reassess the potential of other near surface ore bodies, either towards the west of the Canadian Malartic pit with the western porphyry, (inaudible) former operation, so—and at the same time to the east of the Odyssey project, while we still control another 10 kilometres towards the east that we are continuing to assess. That's one of our plans to continue to test for both shallow and an extension of the East Gouldie and see if we can integrate them eventually in the mine plan.

Ralph Profiti – Analyst, Eight Capital

Okay, thanks for that. Yes, that's good color.

Sean, the economies are starting to show some light on Hammond Reef, right, and we have some good first cut numbers, but it doesn't seem like it maybe meets the Agnico investment criteria right here with this study in terms of IRR. First of all, do you think it could get there, and particularly with respect to the CAPEX number of $1 billion, is this something you'd be open to partnering up on?

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

Yes, or selling it. Yes, we're open minded on that one. What we like about it is it was a throw-in in the Cisco deal in 2014 and we bought the other half for $12.5 million, so we've had a lot more value than what we paid for it, and so the only question now is how do we realize on that value, so we're open minded with respect to Hammond Reef.

Ralph Profiti – Analyst, Eight Capital

Got it, well said. Thanks very much.

Operator

Your next question comes from Josh Wolfson with RBC Capital Markets. Your line is open.

Josh Wilson – Analyst, RBC Capital Markets

Thanks. Just a couple questions, first on the capital. I know the number that's been outlined is really just indicative of that $750 to $800 (phon). We have some details in the release on Amaruq underground and Malartic, but the indicative guidance I guess implies roughly $400 million on the project side, and—sorry, I have a greyhound crying next to me. Then I guess I just want to fill the gap in terms of what—where the rest of that could come from, as the release said there was no Hope Bay in there either.

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

Well, we've just put a hold on things because we expect at some point we'll advance Upper Beaver, so all that is a bookmark to allow us to move those projects forward that are in the pipeline in a very steady and staged manner.

Josh Wilson – Analyst, RBC Capital Markets

Okay, so—okay, I'll follow up maybe directly.

My other question is for LaRonde. Guidance for the year looks somewhat lighter versus what the operation has already been doing the last couple of quarters. Is that just conservatism that's been incorporated, or is there a change in sequencing?

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

Not really a change, I think it's just being generally conservative there. We did have an upgrade in the west mine area in Q4, so we don't have that all factored in.

Josh Wilson – Analyst, RBC Capital Markets

Okay, thank you very much.

Operator

Your next question comes from Jackie Przybylowski with BMO Capital Markets. Your line is open.

Jackie Przybylowski – Analyst, BMO Capital Markets

Thank you very much. Good morning, everyone. I guess a couple of questions. I'll start with Hope Bay.

It looks like you're planning to run it through this year and work on the longer term expansion option. Is the plan still to take a step back, close the operation down for an extended period of time? Should we expect that announcement for 2022, and I guess maybe if you could give us just a little bit of a guideline as to how long you think the exploration studies, all that stuff might take, and when we might see it come back into your production profile?

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

Yes, it's still too early to make a decision on do we put it on care and maintenance. As we said, it's not bleeding money, I think, which is important, so we can continue to run it, optimize it, drill it and complete the studies. We'll have a much better idea this time next year after doing all the study work through 2021 while we continue with the drill program.

As to what it looks beyond 2022, that's still to be determined based on the results of the drill program and the study.

Jackie Przybylowski – Analyst, BMO Capital Markets

Okay, got it, so we'll wait and see and hopefully next February, we'll have a bit of a clearer picture. That sounds great.

A similar question, maybe on the Malartic underground. We've been waiting for this study, and I think the detail you give us was really helpful and it looks quite positive. Where's the next information flow, or where's the next data point that we should be watching for from here? It feels like we're going to be in a period of drilling, ramp development, that kind of thing. Is there more news flow that you're expecting to release to the market in 2021?

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

Well I would expect, as you said Jackie, it's more exploration detail. As we said, we have the combined partnership budget—there's $30 million, with $24 million of that on East Gouldie, which is wide open, so we would expect the news flow to be on those exploration results on East Gouldie and as we drill the structure along the trend. We'll continue to always optimize and revisit the study and look for ways to improve, and look for ways that maybe we can minimize the production dip during that transition from the open pit to the underground, but there's no timeline for information flow on that, so—but there will be on exploration because of the size of the budget and the fact that there's 11 drills going on the site.

Jackie Przybylowski – Analyst, BMO Capital Markets

Got it, thanks very much. One final question. I know 2020 was a challenging year for your operations for COVID. Certainly we're not out of the woods yet - it sounds like there's still some lingering effects in terms of travel restrictions and things. I guess mostly related to your more remote operations in Nunavut, how are you coping at the moment with COVID? Are you starting to think about bringing the local workforce back? Is there an increased risk of COVID up there at this point or are things getting better? Can you maybe just give us a broad update in terms of the operations?

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

Yes, the vaccine is there now in Nunavut, I think which is important, so that bodes well, and that will be a key part of the decision on bringing the workforce back. We've been very patient on that because of the risks to the community, as we said from the start that we wanted to make sure that Agnico Eagle wasn't causing or bringing virus up to Nunavut.

But I should say in Canada, we've got five testing labs going now, so we started testing early, we've continued to expand our testing capabilities, and we're using that to help us manage COVID now.

Jackie Przybylowski – Analyst, BMO Capital Markets

Okay, that's perfect. I'll leave it there. Thank you very much, Sean.

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

Okay.

Operator

Your next question comes from Greg Barnes with TD Securities. Your line is open.

Greg Barnes – Analyst, TD Securities

Yes, thanks. Sean, I just want to get a clearer picture of Amaruq and the Meadowbank complex. Costs will remain high for next couple of years but come down as the underground comes on. The underground, I think, mines out in 2026. Just what happens near term, medium term and longer term at Amaruq, both production and cost?

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

Yes, I think from a production standpoint, it's still a relatively short life mine compared to our other mines, and that's why the focus is on exploration in and around Meadowbank and Amaruq, looking for preferably additional open pit material because that would extend the underground with our ability to mix.

But maybe, Dominique, on the cost side you can give us some sense of strip ratios and the impact of that on costs over the remaining mine life?

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

Yes, we're going to see some fluctuation on the costs, and it's a lot driven by the stripping ratio in the grade to the sequence. Twenty-twenty-one strip ratio is going to be more around seven-ish, better than 2020 where we were more around 11, so that's going to be helpful. Where the impact is when strip ratio is lower, you're building stockpile - that’s helped, and when stripping ratio is higher, then you need to consume stockpile, so that's impacting the cost.

But overall, the Amaruq underground is going to bring—is bringing a positive impact. It is higher grade material and all the fixed costs are already paid, so that's going to improve the costs at the site. Also, we've launched a new optimization, let's say we'll call it the strategic optimization at the site, where they’ve beefed up the team to look to different ways to improve it, mainly on the contractor side, rental side, on the logistics, inventory. They've been through—Nunavut, both divisions have been through an expansion phase now—in last year. Now they're doing their units, so that's the first step. Now as this is more stable, we're really transferring to an optimization side, and I think there is room to improve there. We're going to see; we just need to let the team some room to optimize their operation.

Greg Barnes – Analyst, TD Securities

We have a big bump in production and '24, '25 and then '26. After that, is Amaruq finished after 2026 at this point?

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

Yes, at this point we go up to 2026. As Sean mentioned, we still have good resources underground under the permafrost, because we keep mining in the permafrost for—it’s Amaruq Phase 1, Amaruq underground Phase 1 exploration, and maybe Guy could give flavor on that, but the exploration are still ongoing. The best dream will be to find another pit that we could—we have all the infrastructure to manage that and to continue to mine with the higher grade coming from underground, but up to now, this is what we have, the resources reserve at Amaruq.

Greg Barnes – Analyst, TD Securities

Okay. Just secondarily on Upper Beaver, Sean, it does sound like that moved up the queue. Effectively, it looks like it's going to be the next operation after the Malartic underground. Timing on studies, or any decision on that one?

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

Well, it'll be later this year when we get the study, so the decision would be maybe this time next year, depending on the results of the study.

Greg Barnes – Analyst, TD Securities

Okay, great. Thank you.

Operator

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

Carey MacRury – Analyst, Canaccord Genuity

Good morning everyone. Sean, as you mentioned, you said the PA resource is about half of the total resource outlined there. Is that more of a function of drill spacing or the economics from other people (inaudible)?

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

You're referring to Canadian Malartic underground?

Carey MacRury – Analyst, Canaccord Genuity

Yes.

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

Yes, well, the bulk of it is East Gouldie, and so the balance of it would be East Malartic and Odyssey North and South, which are lower grade, so we fully expect that, as we optimize the plan, that we'll be able to add some additional ounces to it. Also, we would expect East Gouldie to continue to grow, so as we said, this is the results of the first study, let's say, and which remains to be optimized as we look at adding additional resources to the mine plan.

Carey MacRury – Analyst, Canaccord Genuity

Then maybe just again on extending the open pit, I know your reserves are at 1250, but three years down the road, if we're in a $2,000 price environment, is there a bigger pit shelf potentially at the open pit, or is it not that sensitive to the gold price?

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

At Malartic?

Carey MacRury – Analyst, Canaccord Genuity

Yes.

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

Yes, I don't think there's much room to expand the open pit. The future there will be the underground, and so certainly a higher gold price bodes well for some of the lower grade material in the old East Malartic area. We'll certainly be looking at that as we continue to drill it and as we continue through the construction phase, but the underground infrastructure, I think will be important. That's what was really something that turned LaRonde from a small mine into a large mine, is the underground ramp and shaft gave us access to drill the deposit, so I think we'll probably see in this instance getting better access to drill, it gives us the potential to add more resources and do more effective conversion of the resource to reserve.

Some of that resource is only drilled at 150 meter spacing, so as you said in your question, part of why it's not in the plan is we still need to do some more drilling and tighten up the spacing.

Carey MacRury – Analyst, Canaccord Genuity

Then maybe just one more for me. What do the processing costs look like at—you know, when you're running at 19,000 tons a day versus today at 55,000 tons or 57,000 tons, and G&A per ton? Can you give some color on the unit cost?

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

Dominique, do we have a breakdown? I don't have the breakdown in front of me on processing costs per ton, when we're at full production at 19,000 tons a day.

Dominique Girard — Senior Vice President, Operations - Canada and Europe, Agnico Eagle Mines Ltd.

No, we've given there the cash costs, but I don't have—no, I don't have the details. We could come back on that.

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

We'll get that. Yes, we'll get that for you.

Carey MacRury – Analyst, Canaccord Genuity

Okay great, thanks.

Operator

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

John Tumazos – Analyst, Very Independent Research

Thank you very much for taking my question. Concerning Hope Bay, is the original Gekko mill up to Agnico's standards? I know they're not as—they weren't as well financed as your team, and how much of the issue with the plant is the 80 kilometre trend and figuring out where the center of gravity is?

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

No, the mill is not up to our standards, not even close, but we knew that going in. It does need a new plant, and the question is largely location now, based on the size of the geological belt and the distance between the deposits. That's what we're really trying to nail down over the next year or so as we continue to look at it and assess it.

John Tumazos – Analyst, Very Independent Research

If I can ask a second one, and I'm sorry to ask a big company question, the southern business in Mexico, as the other businesses north grow, is getting close to 10 percent of the prospective mix. Is it worth keeping because of the value of the heap leach, low capital cost, simpler mining, and the exposure to the Sonora, Sierra Madre southern belts, as well as Latin America and heap leaching in the southwestern US, or is it getting to be too long of a plane flight, and would the Company be better—have less admin and be tighter if it was just the northern business?

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

Well, that's a good question. We ask ourselves those questions all the time. Our best asset there is our people and their ability to do business in that country, so we think it's worth keeping based on that skill set and based on its proximity, as you said, to those geological belts.

We'd like to have something else for them to build. We still believe Santa Gertrudis is a buildable project. Again, when? We don't know, so right now we're just mining satellite deposits and developing satellite deposits to generate cash, and we've got decent exploration budgets going.

But we still like Mexico as a place to do business. It's still a pro-mining country, despite what you may see or read in the news. We haven't had any issues that change our view on wanting to invest in Mexico. It's competitive, there's no doubt about it, but we think we have a competitive advantage just based on the skill set there, so it's still important for us but it clearly needs a pipeline that it doesn't have, that the northern business does have.

From a management perspective, it's not difficult to manage because it's almost self-managing. The leadership team there has done an exceptional job, and it's not something that eats up a lot of senior management time.

John Tumazos – Analyst, Very Independent Research

Thank you, congratulations. Paul Penna's up in heaven doing a back flip, Sean. Great job.

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

Okay, thank you. Thank you, John.

Operator

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

Anita Soni – Analyst, CIBC World Markets

Hey guys, good morning. Just a few questions. Firstly, just as I understand it, if we're going to model this $750 to $800 (phon) CAPEX for the next three years, we should probably also be modeling potentially Upper Beaver, that includes the capital for that or some of the capital, obviously?

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

Yes, but we don't have that defined. All we're really saying is that—this is also for internal discussion for our teams, is look, this is the envelope we're prepared to spend. You do the analysis on the projects and we'll decide whether it meets the investment criteria and whether it meets the risk profile to invest in it. All we're saying is we've left room in the event that we have a positive production decision for something like Upper Beaver.

Anita Soni – Analyst, CIBC World Markets

Yes, and then also just a financial question, just to confirm, that does include your capitalized stripping number as well—sorry, capitalized exploration, I keep doing that, so capitalized exploration?

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

Yes, yes.

Anita Soni – Analyst, CIBC World Markets

All right and then the second question, LaRonde grade. I noticed when I did my reserve analysis and depletion, that you actually added even higher grades again, and overall the (inaudible) inventory went up at higher grade, so can you talk about exactly where you found that exploration success at LaRonde?

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

Yes. Guy, can you help us with that?

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

Yes, so basically, as we discussed, over the last couple of quarters with the high grading effect we were seeing at LaRonde mine, so we've been investigating on our reconciliation, and basically found out that we were a bit too conservative. We’re applying too low a capping limit to the high grade assays we're getting in the deposit, so we’ve basically loosened a bit our capping, and even still I think we've been running a couple of assumptions, and even with that higher assays capping approach we still cannot reconcile— we're getting more gold than what our predictive model, so we've taken a little bit of that, plus with the success we're having at LZ5, we've been extending the resources beneath the previous limit, that was around 400 metres. We've extended the limit now to close to 700 metres below surface at LZ5 due to the success, so it came from those two modifications at LaRonde that we've more than replaced what we've mined this year, and that you've seen an increase of the grade for the LaRonde portion.

Anita Soni – Analyst, CIBC World Markets

Okay, and the—so that leads me to a little bit on the byproducts. Have you used the same parameters on the byproducts? I mean, I've noticed you guys always tend to do a little bit better than what you say at the beginning of the year for your byproducts, so I'm wondering if it's suffering the same capping.

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

No, no change to the byproduct estimation, neither—any of them. The only change was on the gold.

Anita Soni – Analyst, CIBC World Markets

Okay, all right. Then just in terms of the Canadian Malartic royalty, understanding that your partner reports their total or their unit cost a little differently, so that 5.5 percent royalty, that should be on just the Canadian Malartic under —or the Odyssey project underground material, right, and then if we were to just look at the Barnett and Canadian Malartic pit, you would take the cost that you got it to on a unit cost basis for that material, but not have to include a royalty. Is that correct?

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

Yes, I'm not sure I follow that. The royalty is in the cash cost on all the current production, and will be on the underground production as well.

Anita Soni – Analyst, CIBC World Markets

I guess what I'm asking is, I saw my—my understanding was that the way you guys report your unit costs, you already include the royalty within the unit costs …

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

Yes.

Anita Soni – Analyst, CIBC World Markets

… for the open pit, but here in the underground, you've split out the royalty because Yamana doesn't actually do it the same way as you guys do.

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

Brian. I don't know if Brian can help us with that, because he’s …

Anita Soni – Analyst, CIBC World Markets

It's okay, we can take it offline.

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

Yes, yes.

Anita Soni – Analyst, CIBC World Markets

Okay. Alright, that's it for my questions. Thank you very much.

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

Okay, thanks.

Operator

Your next question comes from Matthew Murphy with Barclays. Your line is open.

Matthew Murphy – Analyst, Barclays

Hi. I had a question on costs, and—I mean, you're AISC, you're going to be in the high 900s. I guess last year at this time, it sounded like they were going to come down near term; now, it's sounding like they'll be flattish, so I guess there’s two parts of the question. Number one, what has changed that's keeping that elevated, and number two, if we look beyond 2024 all else equal, do you have a range you want to get to on AISC?

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

Yes, that's really largely Amaruq. Amaruq has two high cost years, '22 and '23, and then it goes lower, so that's what drove the all-in, because the cash costs go up there, drives the all-in sustaining costs up as well, and they come down after that.

Matthew Murphy – Analyst, Barclays

Do you have a level that you can talk about for 2025, 2026?

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

No, we're not guiding that far out.

Matthew Murphy – Analyst, Barclays

Okay. Maybe as a related question, has the experience at Amaruq changed the way you think about satellite opportunities in Nunavut?

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

No, I think it's a function of longevity of that asset. It doesn't have the longevity that Meliadine has. We are fortunate with the exploration success at Amaruq to provide higher grade underground ore. It's really volumes that work well there, and volumes in terms of tonnage that work well. Trucking does add costs, and that certainly—our trucking costs are a bit higher based on availability and reliability of equipment, but it's really grade that's driven the unit cost. The grade's been a bit lower than what we expected it to be.

Matthew Murphy – Analyst, Barclays

Okay, thanks, Sean.

Operator

Your last question comes from Tanya Jakusconek with Scotiabank. Your line is open.

Tanya Jakusconek – Analyst, Scotiabank

Thanks, good morning, everybody. I just wanted to circle back to Amaruq. I know, Dominique, we talked about the mine going until 2026 and there is underground potential further there, but my understanding is that you just can't run the underground without having open pit, so maybe, Guy—number one, is that correct, like 2,000 tons a day from the underground is not going to support that complex?

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

Yes, that's correct.

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

Yes.

Tanya Jakusconek – Analyst, Scotiabank

Yes. Maybe, Guy, can you talk about the exploration focus for open pit material on this property?

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

Yes, that's something we are pursuing year over year, investigating especially along the infrastructure, either the road that connects Baker Lake to Meadowbank or from Meadowbank to Amaruq. We basically continue target identification and target testing, and year after year we're generating good targets. Unfortunately we're not making discovery of something like Amaruq every year, but it's not a lack of effort, and the emphasis remains there at generating new targets, testing them, and we'll provide an update as soon as we hit something.

Tanya Jakusconek – Analyst, Scotiabank

What's the budget, sorry, for this year?

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

Generally speaking, we are allocating 20,000 to 30,000 metres for regional exploration both for Meliadine and Amaruq, and then in terms of allocation, it depends how things will unravel, so—but you can assume that something like 20,000 metres regional. It's detailed in the news release, but 20,000 metres generating new targets around Meadowbank and Amaruq.

Tanya Jakusconek – Analyst, Scotiabank

Okay. Maybe for Sean or Dominique, maybe just a bigger picture, what if we don't end up finding anything here? Can your infrastructure, some of your infrastructure, some of your equipment people be used at Hope Bay?

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

Potentially, yes. Potentially.

Tanya Jakusconek – Analyst, Scotiabank

Okay, so the mill maybe could be movable and trucks, etc.?

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

We'd have to look at the specifics of that, but certainly when you look at Hope Bay at reserves of 3.5 million ounces, resources of over 3.5 million ounces, still wide open, o it's likely going to be 7 million to 10 million ounces or so. We bought it because of its location and its geological upside and our skill sets to operate in that area, so if we can leverage off of the existing infrastructure because the mine life doesn't exist at Amaruq, we'll certainly be looking to do that.

Tanya Jakusconek – Analyst, Scotiabank

Yes, okay. Good, well, hopefully you find more at Amaruq. Thanks a lot, guys.

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

Thank you.

Operator

Now I'd like to turn the call back over to Sean Boyd for closing remarks.

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

Thank you, Operator, and thank you, everyone, for the questions. If there's any other follow-up information you require, please get in touch, we'll be happy to help. Thank you.

Operator

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