

Agnico Eagle Mines Limited

Second Quarter 2021 Results Conference Call

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CORPORATE PARTICIPANTS

Sean Boyd

Agnico Eagle Mines Limited — Vice-Chairman and Chief Executive Officer

Ammar Al-Joundi

Agnico Eagle Mines Limited — President

Dominique Girard

Agnico Eagle Mines Limited — Senior Vice President, Operations — Canada and Europe

Guy Gosselin

Agnico Eagle Mines Limited — Senior Vice President, Exploration

CONFERENCE CALL PARTICIPANTS

Tyler Langton

J.P. Morgan — Analyst

Puneet Singh

iA Capital Markets — Analyst

Anita Soni

CIBC World Markets, Inc. — Analyst

Mike Parkin

National Bank Financial — Analyst

John Tumazos

John Tumazos Very Independent Research — Analyst

Tanya Jakusconek

Scotiabank — Analyst

Carey MacRury

Canaccord Genuity — Analyst

PRESENTATION

Operator

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

Mr. Sean Boyd, you may begin your conference.

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

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

We'll be going through a series of slides, and please take note that in the presentation, there'll be forward-looking statements, and there's some material outlining the notes to investors in the slide deck as well.

As we look at the quarter, as it ties into our strategy, solid quarter, a solid start to the year. We look at first half production with record levels over a million ounces, but what was really gratifying is we're producing more gold, but doing it more safely than we've ever done in our history, so we had the best safety performance in over 64 years in terms of fewest lost-time accidents, so congratulations to all of our employees for that focus on safety.

Also had good cost performance. We'll talk about that in a minute, which generated really strong cash flows, which strengthened our cash position. It's still a Company that's growing. We're still investing in the future. We have the ability to continue to grow output, and we'll take you through that. Twenty-four percent production growth from last year out through 2024.

The strategy is also based on taking advantage of geological opportunities. We'll talk about some of that. We're spending more on exploration this year as part of that strategic push to understand the opportunities we have, particularly at the existing mines. These are brownfield opportunities. That's important information for capital allocation.

The focus is, really, as we grow, to grow in a way that improves the quality of the business. One of the key measures there is our ability to drive cash flow per share. That's a focus as we think about our business as well.

Risk is also important here, and we like where we are in terms of operating platforms. Those are areas, as you know, we're really comfortable with being in, and we see them as important for the future success of our business, not only that we bring expertise to the table, but we have an ability to do business in those regions, and we'll talk about ESG as well. A lot going on in the quarter, and a lot of highlights from an ESG perspective.

In terms of operations and production, in the quarter, we produced a little over 500,000 ounces without—not including Hope Bay. The cash costs were under \$740 an ounce, so good, solid performance in terms of managing unit costs. That puts us on track to achieve our production and cost guidance that

we put out earlier this year in February. Our CAPEX is around \$800 million, excluding funds that are being spent on Hope Bay, and we declared our quarterly dividend of \$0.35 per share.

I made reference earlier to ESG, and we see that as sort of an investment in opportunities to improve the business and to manage risks. We have a lot of good things happening.

We were able to begin the reintegration of the Nunavummiut workforce. That's underway at both Meliadine and Meadowbank. I think what was, for me, gratifying to see is that as the Nunavummiut workforce returned to work, we had celebrations there to welcome them back, and I think the reaction of the workers—we had workers that were actually in tears because they were so happy to be back at work, so that shows you it's more than just a paycheck here. It's about opportunity. It's about opportunity to provide for their family, to build a career, and those are a big part of the benefits that we're focused on being able to deliver there, so welcome all of our Nunavummiut workers back, and thank you for your patience over the last sort of year-and-a-half, and as we said, we're glad to have you back.

Another important initiative in Nunavut was an MOU that was signed with a consortium of Inuit-owned businesses to move forward on our renewable energy plan for the Hope Bay project, which is essentially a wind turbine—wind turbines, and I think that's an important—we see that as an important first step as a way to invest in resource development, but also do it in a much more environmentally friendly way, and this is going to not just be on Agnico Eagle and other companies. It's also going to be on governments to continue to invest in this infrastructure, and we see this as an important first step in

not only the Hope Bay region, but also to expand the options for renewable energy in the Rankin Inlet Kivalliq region around Meadowbank and Meliadine.

Staying in Nunavut, today, we have the pleasure at noon, right after this conference call—what we do here at Agnico is we have something called Good Move of the Week, so every operation, every business unit will report over that week where they've made improvements, whether it's an environmental initiative, whether it's a safety initiative, whether it's a community initiative, whether it's a productivity initiative or an exploration initiative, and we review those every week, and we get an update of them all, but then on an annual basis, we select one, and we recognize and honour the groups that win the annual award, and that's today at noon, and the winner of the Good Move of the Year was the Nunavut Shared Services and Nunavut teams for their on-site COVID testing, so you've heard us talk about it many times, and I think what that demonstrates is leadership and clear thinking in the face of a lot of uncertainty that we were all dealing with last March, and as we've said before, we had testing up and running to protect our sites last April, so that was being recognized today internally as a good move.

We also have received outside external acknowledgement in Mexico for the second year in a row by the Mining Association of Canada. They won the Total Sustainable Mining Award for their work in the local community around Creston Mascota, so Creston Mascota heap leach winding down, so we asked the workers as we were winding down that operation, look, is there anything we can be doing? Is there anything you need, and the workers said, well, our community needs something. They need safe drinking water. They need sustainable drinking water, and it's not just for homes. It was for clinics. It was for businesses, and so our teams put together a community development project to supply 300 families

with clean and sustainable drinking water using solar panels to power the system, so another good example of how we're able to share some of the benefits and our good fortune for the strength of our business and our communities where we have employees, but also people that partner with us.

We also made reference at the start—moving on to exploration, we did put out an exploration release in early this month which highlighted a number of initiatives that are moving forward, and I'll just touch on a couple of them.

Odyssey, the underground component of Canadian Malartic, this East Gouldie, it was certainly the driver of the underground mine in terms of being able to pull together multiple sources of ore to actually have a business that's long life productive with an attractive rate of return, but in that rock package that hosts East Gouldie, we've continued to drill, and certainly, our team has been focused on understanding what else is in that sedimentary package of rocks, and I know talking to Guy, as he's been up at the site and working with the drillers, the collective thinking was, well, let's see if we can extend these holes to the limits of the drill. Let's go beyond the horizon where the East Gouldie deposit exists and test for extensions of that deposit to the east, but also, as we said, look beyond, and we've had a significant step-out hole which we've talked to, over 1,000 metres to the east.

In following up, they pushed the drill to the limits, and we've picked up another structure 400 metres to the south of the projection of the East Gouldie deposit, so lots of potential there, and if you recall, on the study, we're talking about a study that incorporates about seven million ounces of what is already a 14 million ounce total envelope, and here we are identifying additional mineralization well outside of the known mineralized outline. So, we're starting to see this as an extremely long life

opportunity, and what we like about it, it's in our backyard, essentially, where we've demonstrated decades of experience in knowing how to build these underground mines, and so we're looking forward to continued exploration results. We're going to do more drilling. We're adding additional resources there, so we're excited about that.

Upper Beaver project, we continue to drill. We continue to get high-grade gold intersections with very attractive copper grades, and so that drilling will continue. That will drive, clearly, the study, and so we'll be moving that study into 2022 based on the drill results and our desire to increase the drill program there as we move forward.

At Hope Bay, we're seeing extensions that suggests that we can mine the Doris project longer, which would be good. We're getting more drills this summer on the barge, so that'll allow us to do more drilling on the regional targets such as Madrid, so this is the plan; get more drills in, drill these large geological belts, focus on Doris. We know we can do better there, and while we've done that, we've also been improving the mill performance, improving recoveries. They've had a solid quarter.

At Kittilä, that's one when we first got involved, that Eve and Elaine, and even Mark was involved at the time, and suggested it looks like the Abitibi. It's a structure that wasn't drilled that deep at the time when we first got involved down to 250 metres. We've drilled it down to almost 2,000 metres now. Shaft is going down. I think what we're seeing—as we move to the north, we're seeing really good thicknesses, really good grades. We're already thinking about another expansion now that we've achieved two million tonnes a year just based on the size of that deposit, so that's an exciting drill—drilling and exploration opportunity.

Ultimately, all of these results at these deposits, plus in Mexico at Santa Gertrudis, we've had some good results there, we've had some good results at Meliadine, this is important information as we look at our long-term capital allocation decisions, and that's why we decided strategically to push more investment towards our exploration.

What I'll do now is I'll just do Slide 8, which lists all the mines, and just work my way down and talk a little bit about some of the highlights in the quarter at the operations.

LaRonde, they just continue to deliver quarter after quarter after quarter. Operating margin in the quarter, \$130 million, producing almost 100,000 ounces of gold at \$500 cash cost. So, what we like there is, in addition to the solid performance, is the fact that they continue steady improvement in terms of the percentage of tonnes being mined using automated equipment, so they've made good advances there. That's clearly important as we move deeper in that mine. As we know, in the West Mine area, which had another strong quarter, almost 1,500 tonnes a day, automated equipment's really important as we think about how we're going to continue to open up that mine.

LZ5, over 3,100 tonnes a day in the quarter, so that one started very modestly a couple of years back. We said we were going to get it over to—over 3,000 tonnes a day. We're there now, so that's positive. Exploration, it's funny, after 30 years of this thing producing high-quality gold, we're still making discoveries, and as you know, we're pushing multiple exploration drifts at the site. Three of them we're moving to the west on the old Bousquet ground. That's an area where it's essentially the same rock package as LaRonde, and it wasn't really drilled by Barrick when it was there, and it's wide open, and so the best access for us is to drill it from underground, and we have tunnels in place, so

we're pushing additional exploration drifts in there to get access to better drill platforms to drill that horizon, because that could give us low-risk, high-quality ounces at the LaRonde site.

We're also pushing to the east, because we've had, as you know, some drill holes and a massive sulfide lens, and so that's—we've seen that before at LaRonde. That's high-valued rock. We need to understand the potential extent of that, so that will also be a focus.

At Goldex, steady performance there at Goldex, another solid quarter in terms of cash cost and production. Good performance in the rail there. Good performance in the underground mine, so a good result at Goldex.

At Canadian Malartic, record quarterly—quarterly record for tonnes mined, gold production, so that's a big mine, generating big cash flow and big production. As we said, record quarterly tonnage of over 18 million tonnes in the quarter, processing 62,000 tonnes a day, so that's excellent performance. Remember, in June of 2014 when Agnico and Yamana took ownership of that project, the throughput rate was 47,500 tonnes a day, and we said we could get it to 55,000 tonnes a day. Here it is at 62,000 tonnes a day, and now we have the underground opportunity, and as we talked about earlier, we're getting extremely good drill results. Good performance in terms of getting things set up in the ramp, and also in getting things set up for shaft sinking as we continue the progress on the shaft collar.

At Kittilä, we also had new mill tonnage records in April and May, so a solid quarter in terms of production at Kittilä, and again, we talked about the exploration potential there in terms of the shaft, and we're looking at commissioning in the second half of next year, but in terms of project cost, we're in that sort of €190 million to €200 million range.

At Meadowbank, good, solid performance in terms of ounces, a little over 85,000 ounces. There's still improvements that we need to make there, but we're making steady improvements quarter-on-quarter. We had a record month in terms of tonnage hauled at over 380,000 tonnes per day, so gradual ramp up. It's going to produce more gold as we move forward. It'll be a stronger contributor as we move forward, and we continue to focus now on developing the underground, because we have higher grades there, and that will augment the open-pit production.

Meliadine had a really strong quarter, so you can see Meliadine starting to hit its stride as far as production goes. It produced almost 97,000 ounces, had almost \$100 million of mine operating profit in the quarter, so strong performance. We saw monthly records set in May for mill throughput and gold production, so that will be a long life contributor. We're seeing good exploration results there as we start to ramp up exploration. We've made some progress on the permit side. On the saline water discharge line, which people are really focused on, we've made some good progress, and we expect to get the permit in the third quarter of this year, so we have been working very closely with the community and with the regulatory authorities. We made some changes to the plan that have been accepted, so we've been moving forward on that, and as we said, we would expect to get the permits very soon.

In Mexico, good performance if you look at that operation, producing over 40,000 ounces, had some good costs, so good cash flow generation there. As we said, the focus is on the satellite deposits, developing those satellite deposits.

La India was a slow start this year due to lack of rain. We've had a lot of rain recently, so that sets us up for a better performance in the second half of this year.

Good, solid performance across the board which helped to set that record output in the second half of over a million ounces. That drove good, solid earnings in the quarter, but also really good cash flow per share; \$1.67 for the first half of the year, over \$3 per share in operating cash flow. That drives an increase in our cash position over \$280 million, so a good, strong result.

I'll just summarize now, and then we'd be happy to take questions. Nice thing is, we have more people here in person, and we have the contingent online that can help answer questions, so again, over a million ounces first half, positioned for a stronger second half, and further growth in production as we look beyond 2021.

As far as strategy and risk, again, strategy is to stay in very low geopolitical risk, pro-mining jurisdictions. That's our comfort zone. We've had a lot of success with that business model. No need to change that.

On ESG, as we said, record safety performance in the quarter. We've done a lot of work in the communities, particularly over the last year-and-a-half, helping out during these challenging times. That will continue going forward. We're already low intensity in terms of greenhouse gas emissions and freshwater usage. We've got plans to do even better as we go forward, so that'll be a prime focus of us.

Dividend, again, \$0.35 a quarter, so we're clearly focused on return of capital, and we feel as we continue to grow output and build cash position, there's room to pay a higher dividend, so that will be a focus of us going forward.

We talked about the exploration success, particularly focused on the pipeline projects and the opportunities near to mines. We went through that. As we said, that's a big part, and has been a big part of our ability to provide above-average per-share value creation over our long history, and because it works so well and because we have that expertise and have that success, we're investing more in that area to add additional value, and there's no reason to change the strategy. It works well. Let's focus on things like per-share cash flow growth and generation, and that will continue as we move forward.

Operator, that's it for the formal presentation. We'd be happy to open up the lines and take questions.

Q & A

Operator

Thank you.

Your first question comes from Tyler Langton, J.P. Morgan. Tyler, please go ahead.

Tyler Langton — Analyst, J.P. Morgan

Good morning. Thanks for taking my questions.

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

Thank you.

Tyler Langton — Analyst, J.P. Morgan

Yes, maybe just to start, in the release, you kind of talked about inflationary pressures. You're starting to see them, but still on track to hit your guidance due—just due to some initiatives you've been taking. I guess, could you just give a little bit more detail on what type of pressures you're seeing, among what costs, and kind of what these initiatives are, and then just, I guess, is 2021 benefiting from any sort of legacy of fuel hedges or supply contracts where they kind of roll off or expire, and sort of inflationary pressures, I mean, the same. Could we see sort of, I guess, added pressure next year?

Ammar Al-Joundi — President, Agnico Eagle Mines Limited

Hi Tyler. It's Ammar here.

There is inflationary pressure across the board, but as you can imagine, cost control is a focus of Agnico and every mining company. Our team's done a great job, as you mentioned, in managing that. We're maintaining our cost guidance, not only with the inflation pressure, but also with the volatility in currency. Our Treasury team, as always, is on top of this. We've got about 50 percent of our position hedged into—through the rest of this year and a portion into next year, so there is inflationary pressure. Our team's done a good job managing that, and at the end of the day, when the operations are firing on all cylinders, that helps your costs as well. So, across the board, they've done a good job.

Tyler Langton — Analyst, J.P. Morgan

Okay.

Then maybe just switching to Hope Bay, and I guess this quarter sort of production was above sort of the quota, the expectations you had, and costs were lower. Can you just give some thoughts on what you expect for the second half?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes. Dominique speaking.

This quarter has been a bit higher than expected. Question also of timing there, because we're running on and off, so we're still expecting to be in that 18,000, 20,000 ounces per quarter at Hope Bay. The mill is exceeding the recovery, so very, very happy about how it's going at the mill, and the underground is still progressing. We've got to move to the DCM Zone. That's going to give more flexibility and more productivity for the second half of the year.

Tyler Langton — Analyst, J.P. Morgan

Great. Thanks so much.

Operator

Thank you. Your next question comes from Puneet Singh, iA Capital Markets. Puneet, please go ahead.

Puneet Singh — Analyst, iA Capital Markets

Hi. Good morning.

I see Meadowbank had another strong quarter, and production originally you had guided was stepped up in the back half of the year. In yesterday's release, you mentioned you were doing a plan there to give you some flexibility in the years to come. You're still maintaining overall production guidance, so could you provide some more colour on what kind of effects we could see this year at Meadowbank?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes, Dominique speaking.

Meadowbank continues to improve on all aspects. Very proud of the team of the success and the achievement at the mine, moving the tonnes as well as the long-haul trucks. We're still improving, optimizing the mining sequence between the IVR at Whale Tail, Phase 1, Phase 2, Phase 3. This is work in progress. We still expect to have a good year at Meadowbank. You see in the press release about some (inaudible) challenges, let's say, at the northeast of Whale Tail Pit. That's normal. As we are mining, we're discovering the pit, and the team, as usual, are adjusting the sequence related to that. We have good monitoring tool, a radar to motorize that, and there's no big issue related to it.

Puneet Singh — Analyst, iA Capital Markets

Okay, great. Thanks.

Then the final question is last year in the third quarter, you took a look at the dividend and you hiked it quite a bit. Sean, you were mentioning at the top about strong cash flow, and you're looking to—at increasing it again. Are you following the same timeline this year in reviewing your dividend policy? Should we expect an update in Q3?

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

Well, we do it every quarter, and last year, we bumped it twice in the year. So, we review it and look at it every quarter, so it's certainly something that'll be reviewed in Q3, and given that we expect stronger output in the second half and build on the success of the first half, our ability to pay is certainly—will continue to go up, and if you look at our track record, we kind of like to pay a dividend, so that's certainly a focus at the Board level on a quarterly basis.

Puneet Singh — Analyst, iA Capital Markets

Good. That's good to hear. Thanks very much.

Operator

Thank you. Your next question comes from Anita Soni, CIBC World Markets. Anita, please go ahead.

Anita Soni — Analyst, CIBC World Markets, Inc.

Hi. Thanks for taking my call.

I just wanted to focus in on the exploration results that you had put out a couple of weeks ago, and I think you noted there that you were looking to grow your reserves and resources, and I was just trying to understand whether or not that phrase, growing them, also applied to reserves this year, and maybe you could just give us—and I know there were a lot of pretty good hits and some additions, but if you could just give us an idea of how we can see reserves playing out this year, and then also what—where we can see some resource additions this year.

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

Maybe I can take this one. Anita, good morning. It's Guy.

Yes, obviously, as you noted, we're ramping up activity. There will be a combination of drilling to track from existing operations, but also from the pipeline projects, so as you see, you know, we're currently doing our own assessment of the historical reserve at Hope Bay. We're working and taking the grading more, drilling at Upper Beaver, and as Sean mentioned, we're thinking about (inaudible) the study further in 2022. We are also working to bring some of the East Gouldie eventually. We're infilling it. We're still not sure yet what will be the drill spacing needed, so there's a lot of moving parts.

Obviously, for example, Malartic, with the pit, until we get the underground ready to move from resources to reserves, there won't be anything to replace what's currently being mined from the pit, so you can clearly see over there that replacement will happen in a bigger trunk once we're going to get the underground project to—ready to be moved to reserves. At (inaudible) we're positioning ourselves more in a long-term strategic, putting those exploration drifts at one, two, and three kilometre, so we're still working on both aspects, optimizing both the short-term reserve renewal from operation, but more

positioning ourselves for a much longer-term vision, and Kittilä is a good example of that, and therefore eventually put a story together to think about the deposit below the current resource limit. That 1.5, we know is still—we're still in the deposit at two kilometre, so there's a lot of moving parts. We are expecting that altogether, we'll be able to grow the reserve by year-end, but it will be a mix from existing operation and from pipeline project update.

Anita Soni — Analyst, CIBC World Markets, Inc.

Okay, and then my second question, with Kittilä and the shaft expansion there, you guys have pushed that out into the first half of 2022. Remind me again, that's more cost relate—that was supposed to mitigate costs, right, as that was the main sort of synergy that we would see from that shaft?

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

Yes. The shaft's going to reduce the mining costs while in operation. We're going to have less tonnes to be moved with the trucks, so this is part of the strategy to improve the costs.

Ammar Al-Joundi — President, Agnico Eagle Mines Limited

Anita, as we find some really good drill results—continuing good drill results at Kittilä, it's got a very long mine life, but it's going to go down below a kilometre, so the shaft does make good sense.

Anita Soni — Analyst, CIBC World Markets, Inc.

Yes, for sure. I was just trying to figure out what to push out in my model. Thank you. That's it for my questions.

Operator

Thank you. Your next question comes from Mike Parkin, National Bank. Mike, please go ahead.

Mike Parkin — Analyst, National Bank Financial

Hi guys. Thanks for taking my questions. I've just got a few.

For Canadian Malartic, can you give us an idea of what percentage of the ore feed was from Barnet? Noted a nice tick-up there and throughput.

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Okay, 60 percent of the ore is coming from Canadian Malartic, so the remaining is going to be a mix between Barnet and partially stockpile as the mill is processing more. I think it's like 30 percent. I could go back on that, Mike.

Mike Parkin — Analyst, National Bank Financial

That's okay. Is that going to be fairly steady, or is that kind of becoming a bigger proportion as we move into the back half?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

That's going to be steady for the remaining of the year, approximately 60 coming—60 percent coming from Canadian Malartic, but that's going to increase more in 2022 and further.

Mike Parkin — Analyst, National Bank Financial

Okay. That's good.

Second one, can you just give us a bit more colour in terms of what you saw happen there at Goldex? There's a note on the seismicity event. Just kind of severity of it, what you're doing to kind of address it in terms of the additional rock support.

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes, deep mining involve seismicity. It is normal as we're mining deeper. This is not new for Goldex, but the thing is we're—as we go adjusting our protocols, adjusting our mining methods while we go, it happens in the deep one—at level around one—let's say one kilometre below surfaces. No major issue with that, and again, the mining method protocol is all integrated into our mine plan, and there's no impact, or significant impact, on that.

Mike Parkin — Analyst, National Bank Financial

Okay. Is that anything that you're benefiting from all your years of experience at LaRonde in terms of just best practices in rock support?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes, that's an excellent point. There is synergy between the two divisions. LaRonde is like 50 kilometre close to Goldex and team. We have very strong team. They're working together, as well as

using, also, expertise—external expertise, which are the same people helping and supporting the teams to be the best practice.

Mike Parkin — Analyst, National Bank Financial

Great, and then just last thing, I've read a couple of articles about issues with supply of shipping containers, and I know your barge season is either just underway or about to kick off. Have you experienced any challenges there, or is the barge season up into the Nunavut region going as planned?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes, I'm happy to say that we are on target. The team have worked—let's say, worked hard on that. We had some challenges on the logistic part with the channel that was locked in the COVID closed port in China, but overall, we've been able to put (inaudible) plan on the barge, which also the containers were kind of difficult to find, but we were in advance on that and well-planned, so this is not a problem. Maybe to add on the inflation, the fact that Nunavut is running with, let's say, material majority that has been bought in 2020, this is positive for us, as well as we did all the procurement for this year barge going up to mid-2022 had been done in Q4 last year, Q1 this year. So that—this is an advantage for the Nunavut operations.

Mike Parkin — Analyst, National Bank Financial

Great. That's a great point. Thanks, guys. That's it for me.

Operator

Thank you. Your next question comes from John Tumazos of John Tumazos Very Independent Research. John, please go ahead.

John Tumazos—Analyst, John Tumazos Very Independent Research

Thank you very much.

Could you give us a little update on the strategy for Hope Bay? At the onset of the acquisition, it was described more as a long-term exploration and development project where you wanted to find more ore, have a bigger mine, better amortize the fixed costs of the site up north, but here we are in the June quarter at a lower cost than Meadowbank or Mexico. Are the June results sort of not sustainable? Are you going to use up some of the better stopes, or are you getting just better cost performance than you expected, or are you modeling a \$1,200 gold long term for your decision making and ignoring the current results at \$1,800?

Dominique Girard — Senior Vice President, Operations, Agnico Eagle Mines Limited

Yes, maybe I will start with Hope Bay, and ask Guy to complement—to continue on that, but the strategy Hope Bay is now we're mining the Doris deposit at an average, as I said, 18,000, 20,000 ounces per quarter. The integration is going well with the team, and we see progress here and there, and the—really, the idea—what we're looking now, let's say, in parallel while we're mining the Doris, which is paying for the fixed costs of the site, and partially the fixed cost related also to exploration, we continue to look what is the more bigger picture? We're doing trade-off with the mill. As we see good

improvement and we see potential maybe to use the mill, we look at what could be done with low CAPEX to have good recovery and higher throughput through that mill. This is one of the trade-offs.

Another one is to look to build a bigger mill to process more coming from Madrid, so this is on the way. We're going to still need some time to the end of this year to analyze and to do those trade-offs, and the good news I could say, and then I'm going to give it to Guy, is Doris, there's—it is limited drilling that has been done, and now we're mining, and we—when we arrived, we continue to drill. It's always extending, so we're able to replace—everything we're mining right now, we're able to replace it into the Doris deposit, but I will give it to Guy which could talk maybe a bit also about Madrid and Boston, which are—Madrid is a very interesting one.

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

Yes. Thank you, Dominique. Hi, John.

It hasn't changed from our plan. We're still going to continue to assess Doris, and recent results have demonstrated we can continue to extend the zone that were—that are currently being mined (inaudible) the existing facility, so we're going to continue to work on that, which is more a short-term plan.

The mid-term plan is also ongoing, which is better understand what's—what is Madrid, what is Boston, so we're currently ramping up drilling at Madrid for a couple of things; reducing the drill spacing, increasing our understanding of the deposit, testing for some parallel structure in order to put some medium-term thinking about what's best to be built for Madrid, and at the same time as well, we are

ramping up our activity at property scale to look at the more longer-term plan. So currently, when we came in, there was, I think, only two or three rigs that were operating. We're now adding seven rigs; four of them being in the Doris, three of them being in the Madrid, and we're bringing additional drill rigs, so I'm adding in mind that next year, we're going to have 10 rigs or plus at property scale. It's just that by the time we bring the supply and we're bringing the equipment needed to ramp up our activity.

We did what we could with what available on site when we came in, and now we're spreading our wings at property scale, so—but I think we're going to continue to look at those three things. If we can continue to get good grade, extend the zone, and we've seen some low-hanging fruit in the West Valley area and the BTB Extension, so it's quite positive on all aspects from that standpoint and in terms of exploration of site.

John Tumazos—Analyst, John Tumazos Very Independent Research

Thank you.

Operator

Thank you. Your next question comes from Tanya Jakusconek, Scotiabank. Tanya, please go ahead.

Tanya Jakusconek — Analyst, Scotiabank

(Inaudible). Good morning, everyone, and congrats on a good quarter, and thank you for taking my questions.

Can I start with Guy just to circle back on Anita's question on the exploration results that came out, because there were a lot that came out in the press release a few weeks ago, and from what I understood from your comments, we're looking at some of the mines to add to their reserve base, in addition to Upper Beaver and Hope Bay adding to reserves, and then we've got Sant—I think, Santa Gertrudis, East Gouldie, LaRonde on the resource side. Am I correct in those assets, and where am I missing in terms of reserve additions at the mine sites?

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

No, I think you pretty much covered them all. We're also looking, but it's all going to—when all the—because a lot of drilling will come out. When will it be supported by study? When will those studies be made available, so this is why we mentioned at Upper Beaver will potentially come into 2022, so we won't be updating reserve until we get that new study.

On some other cases, Santa Gertrudis, we're still working on it. Can we do something with dioxide? Can we bring a portion of it to reserve? We're also working at La India with the sulfide, so all of that from existing operation and existing working area, we will partly replace what we're going to mine, and the rest of the reserve replacement or growth will come from the number of pipeline project studies that will be there to finalize the global equation about reserve renewal and growth.

Tanya Jakusconek — Analyst, Scotiabank

Okay, and maybe if I could ask about Amaruq, there wasn't any information on Amaruq in the exploration release and/or in this press release. I'm just wondering what work is planned there for reserve replacement.

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

We're working on a couple of opportunities. That's good you bring that point, because we've been updating the market on a couple of projects, but as you noted, we haven't updated on all of them. At Amaruq, we're getting some interesting number towards the west of Whale Tail, and even we are back looking at Mamut (phon) for some underground area, but we're—we were adding a lot of result that were still pending, so we see opportunity over there, and as a whole at Meadowbank. Amaruq, we're looking at all of the opportunity over there.

We're permitting some regional grassroots exploration, which is maybe not going to pan out for turn—to turn out into resources, but—so, close to the mine, and the western extension at Whale Tail and Mamut, I think we've been quite pleased recently, visually, with some of the drill hole and some preliminary results we've got. We're looking back, what can we do with some of the—we know for a fact that long term, there was some zone that were left behind around (inaudible), for example either to the east on the ground, so we are on the dame—all of those historical or residual mineral inventory, in addition to conduct a lot of grassroots exploration at property scale, so we will be in a better position to update maybe at the back end of the year in the next exploration update.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Yes, look forward to getting more on that.

Just maybe with Ammar, if I can circle back on the inflation, I wanted to review closer the inflation and the cost structure, and then the capital, and so I just wanted to zoom in on—and I appreciate you have currency hedging, and I think you mentioned that you're not seeing inflationary pressures in 2021, but as we look into 2022, maybe from what you are seeing out there in the areas that you are operating in, can you comment on what you're seeing in terms of labour inflation in your jurisdictions, and maybe some of the inputs on freight costs, cyanide, steel, etc., etc., that could have an impact on you in 2022?

Ammar Al-Joundi — President, Agnico Eagle Mines Limited

Yes. Hi, Tanya.

The big question is, is this temporary or transit—is it transitory or permanent, and we'll find out the answer to that as we go through the months ahead.

On the labour side, which is about 40 percent of our costs, and probably representative of other mining companies, we don't expect anything abnormal. It's hard to say. We haven't had the negotiations, but we're expecting in line with historic numbers, which are sort of 2 percent to 4 percent, and we always try—as you know, Tanya, we always try to anticipate that and have offsets to control that as we go through our mine plan.

With regard to freight, cyanide, consumables, those costs, we've done well so far. The areas we operate, we have—we're the biggest customers. We have the longest-term relationships. We benefit

from that, but eventually, it will go through to us like everyone else. It's too early right now to say about '22 and '23, again, because the jury is still out as to if this is a transitory inflation pressure or permanent.

Tanya Jakusconek — Analyst, Scotiabank

Okay, and maybe if you can just give us some insights, are you seeing any tightness in any portion of your supply chain and/or labour or specialization, i.e. exploration and/or other?

Ammar Al-Joundi — President, Agnico Eagle Mines Limited

Yes, I'll start with the latter.

Yes, we're seeing tightness in exploration labour in particular. We're all dealing with that. Again, we're benefiting—when you're in the same district for decades and you're their best customer, you get better treatment, so we benefit relative to others, but absolutely, particularly with exploration we're seeing tightness in labour.

With regards to supply chain, our team has done a fantastic job. They're always on it. They became more focused with COVID, and as Dominique referred to earlier, I think they put us ahead a little bit, so we haven't really had any issues on tightness with supply with regards to consumables and that type of thing.

Tanya Jakusconek — Analyst, Scotiabank

That's good. Great. Thank you for the insights.

Operator

Thank you. Your next question comes from Carey MacRury, Canaccord Genuity. Carey, please go ahead.

Carey MacRury — Analyst, Canaccord Genuity

Thanks.

Just a question on Upper Beaver. You've been getting good results there. Guy mentioned an upcoming study. Just wondering how you're thinking about that project now. I think about a year or so ago, Sean, I think you mentioned that maybe that wasn't a project that—or maybe the project was better suited for somebody else than Agnico, so just wondering how you're thinking about that project, and is there any sort of potential timeline to production, or is it still too early?

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

Well, I think the exploration results that we've seen lately are higher gold grade, but particularly higher copper grade. We're seeing another structure potentially at depth, which is changing the complexion as we look at it, and so it's definitely a mine. We know that, and it's just how do we fit it into our overall pipeline and capital allocation process. So, I think the view is it's not a rush, so if we take an extra quarter or two to do some more drilling and finish the analysis, that's okay, because we think sort of long term on this.

The sort of timeline will be more driven by permitting. Now, you've probably got three, four years of permitting in this particular instance just based on its involving federal authorities as well, so that means—let's say we greenlight something at some point next year, you're probably looking at 2027 or so roughly based on a permitting timeline. We don't know the exact sort of timeframe, but that was sort of roughly what we're thinking, so it's an important asset, particularly because it's going to grow.

As you know, it's in a historic high-grade camp, and it's not only Upper Beaver, it's what do we do with Upper Canada, and we haven't said much about that, so we look at it as this large sort of land package, well-suited. As we talked about in our conference call about geopolitical risk, it's an area we know pretty well, and it's—essentially, we see it as an extension of our business in Quebec. It's just over the border in Ontario with lots of similarities, so that's how we're thinking about it now, is to complete the exploration work, complete the study, and sort of work that into the other studies we are working on, as well, as to how it fits.

Carey MacRury — Analyst, Canaccord Genuity

Great. Thanks for that. Thanks for the update. Thanks, Sean.

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

Okay.

Operator

Thank you. There are no further questions at this time. I will now turn the call back to Mr. Boyd for closing remarks.

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

Thank you, Operator.

Again, thank you, everyone. Thanks for the interest and the good questions, and if there's any other information you need, please reach out to us. Have a good afternoon, and for those that are going to have a long weekend this weekend, have a great long weekend. Take care.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.