CISION

FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Fourth Quarter Results 2021 Conference Call

Event Date/Time: February 24, 2022 — 11:00 a.m. E.T.

Length: 66 minutes

CORPORATE PARTICIPANTS

Sean Boyd
Agnico Eagle Mines Limited — Executive Chairman

Ammar Al-Joundi
Agnico Eagle Mines Limited — President and Chief Executive Officer

Eric Kallio
Kirkland Lake Gold — Senior Vice President, Exploration

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

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

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

Jean Robitaille
Agnico Eagle Mines Limited — Senior Vice President, Corporate Development, Business Strategy and Technical Services

CONFERENCE CALL PARTICIPANTS

Tyler Langton
J.P. Morgan — Analyst

Fahad Tariq
Credit Suisse — Analyst

Josh Wolfson
RBC Capital Markets — Analyst

Anita Soni
CIBC World Markets — Analyst

Michael Jalonen

Bank of America — Analyst

John Tumazos
John Tumazos Very Independent Research — Analyst

Tanya Jakusconek
Scotiabank — Analyst

PRESENTATION

Operator

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

I would now like to turn the call over to Sean Boyd, Executive Chairman.

Please go ahead.

Sean Boyd — Executive Chairman, Agnico Eagle Mines Limited

Thank you, Operator.

Good morning, everyone, and thank you for joining Agnico Eagle's fourth quarter conference call.

I'd like to start off by thanking Tony Makuch and the Kirkland Lake team, particularly Tony for his contributions to Kirkland Lake, but more particularly for his work over the past several months in laying the foundation for the combined new Agnico Eagle, which, as we've said, is well-positioned to deliver on its production and cost guidance and deliver a high-quality, low-risk senior gold producer.

What I will do today is I will pass the call over to our new CEO, Ammar Al-Joundi. I'll congratulate Ammar, and I'd like to congratulate also the Agnico Eagle Senior Leadership team. I'm looking forward to working with all of them, and I'm highly confident in the team's collective ability and experience to deliver on the promise of the merger.

Now I'd like turn the call over to Ammar.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you very much, Sean, and good morning, everyone.

Many of you on the phone I've known for a long, long time. I am honoured to have this opportunity. I'm humbled to have this opportunity, and I look forward to our discussion today, because I think you will see just how exciting the future is for Agnico.

Like Sean, I'd like to take a minute to talk about the opportunity I've had to get to know Tony Makuch over the last six months. We've worked closely together, and he is a man of integrity, a high-quality individual, a good person, a good human being, and he will be successful with whatever endeavour he does next, and Tony, we wish you the best of luck both personally and professionally going forward.

I have to say, it's been exceptional working with the new team and looking at all the opportunities. I'm 57 years old. I've been in this industry for 23 years, and I've never been more excited about the ability to add value than I am today, and I hope that message will come out loud and clear as we go through the day.

The key messages today are going to be forward-looking much more so than backward-looking, and remember to look at the forward-looking statements. They are now up to four pages long with increasingly small print, but the other looking forward is that Agnico Eagle is going to maintain the simple, consistent, disciplined, and proven approach to value creation that we've always had, and that, frankly, Kirkland has always had: low cost, strong margins, and strong cash flows; robust production profile with tremendous growth in safe jurisdictions; a proven Leadership team with a proven track record of being able to create value on a per-share basis.

We're going to talk about three-year guidance of 3.2 million to 3.4 million ounces, growing slowly, but importantly we view this as a base from which to grow, and we think we will grow and we’ll talk about that. Record mineral reserve, 44.6 million ounces of gold, with the potential to grow both in the short term and the long term, and we’ll talk about that later on.

I'm going to spend some time confirming the opportunities we see with regards to the synergies. In fact, we see opportunities that are greater than the expectations that we identified when we announced the merger, and we’ll talk about that, and then finally and importantly, building on our long history of capital return, announcing a 14 percent increase in the quarterly dividend to $0.40 per share and our intention to launch a normal course issuer bid to repurchase up to $500 million of our shares. Now, I'm going to take a minute and say a lot of us are now we're purchasing shares, and think about it: what a nice difference from 10 years ago when the share price went up and people weren't repurchasing shares. This demonstrates a discipline in the industry that wasn't there 10 years ago, and it demonstrates that this discipline is not just with us but with all of our peers, which is good for the gold industry and good for all of you, our investors.

We have a proven and trusted leadership with decades of experience, led, of course, by Sean Boyd, our Executive Chair, but the Board also has some other strong names that you know. Jeff Parr as

Vice Chair, who has been the Chairman of Kirkland Lake as they've created lots of value for shareholders, and Jamie Sokalsky, our Lead Director, one of the most distinguished professionals in the gold space.

We also have a very strong Management team that I think most of you know and most of you trust. It's on the list here. I won't go through it named by name, but it combines excellent people from both companies, and what I will say is the bench strength of this new Company is exceptional. The quality of the Management team is not just what you see on this chart but goes down many levels.

We are continuing to focus on growing the business. As I mentioned, we've got record reserves, but what I'd like to point out in this chart on Page 8 is it's all about building a pipeline and creating value over the long term. To create value, you have to find gold in the ground. To create reserves, you have to find resources, and we are doing that across the board and continuing to do that, and what you'll see is this formula that we've had, which has worked for us over the last decade where Agnico Eagle, the combined entity, has increased reserves by over 100 percent over the last decade. Compare that to many of our peers. This is not a knock against the peers. It's simply to say that this is the toughest part of the business, finding pipelines of quality and profitability to grow. This is what we do well, and we're going to keep that strategy.

We're going to focus on growing mineral reserves and mineral resources through continued exploration, and we'll talk about our very aggressive exploration program this year. We're going to be announcing increased reserves when we give our technical report at Detour in the middle of the year, and again, an aggressive exploration program in 2022, but importantly and differentiating in very safe jurisdictions, and most of that is off existing infrastructure, and as most of you know, the best return on capital, the best risk-adjusted return on capital in this business is taking advantage of existing infrastructure in safe jurisdictions.

Page 9, we show go on the top left our ability, both Agnico Eagle in gold and Kirkland Lake historically in blue, of growing gold production, but more importantly, gold production per share. Gold production in and of itself is nice, but it doesn't matter. What really matters is production and profitability per share, and that's what we focus on, and as you can see through our long history of growing, we grow production, then sometimes you plateau off a base, you continue to invest and you grow again, you plateau, you continue to invest and you grow again, and that's what's happening with us.

Both Kirkland Lake and Agnico Eagle, both of us individually had record production last year. Both of us individually had record production per share. That's impressive. At Agnico Eagle, record production per share after 64 years is really remarkable, but the next three years are a little bit of growth, the middle of guidance growing from 3.3 million to 3.35 million ounces, but again, this is a base from which we can grow, and we think there's opportunity to increase that number as we go out.

The gold production is underpinned by six cornerstone world-class assets producing more than 300,000 ounces a year, Detour, Fosterville, Meliadine, LaRonde, Meadowbank, and Canadian Malartic, and importantly, Agnico Eagle continues to invest in the future. We are investing over $300 million in exploration. That's quite remarkable, $324 million in exploration, and development capital above sustaining, development capital of $700 million.

I'm going to ask Guy Gosselin and Eric Kallio to talk a little bit about some of this exploration, because it really is exciting; but before they do, I just want to point out that all that we're going to talk about on Page 10 and 11 as we go through it, if you look at it, all of this is either on existing assets where we have existing infrastructure in safe jurisdictions, or new projects in jurisdictions we've been operating for decades, so if I could, and excuse me if we have any technical issues, but I would like Eric Kallio, who has been the Head of Exploration at Kirkland Lake and is going to be Chief Growth and Exploration at the new Company, along with Guy, maybe Eric, if you can talk a little bit about Detour and Macassa and Fosterville.

Eric Kallio — Senior Vice President, Exploration, Kirkland Lake Gold

Thanks, Ammar, and good morning, everybody.

Pertaining to Detour, the program that we have there is going to be another large program for '22 and continuing on from the success that we already have had in '21. We're looking at about 234,000 metres, and a lot of the drilling that we're going to be doing is focused on the West Pit and Saddle areas, again, looking to both extend them further to depth and to the west.

In addition to that, we've also got quite a bit of work planned, maybe about 30,000 of that 230,000 that we'll be starting to look at new targets that will be along strike of the main deposit area, both east and west on the Sunday Lake Deformation Zone, and try to discover the next extension to the mine.

In terms of Macassa, we do have a lot of drilling planned here this year, about another 150,000 metres, and continuation of work to expand the SMC for the most part, both to the east and west.

We're also initiating work on some other important projects, one of the main ones being the deep extension of the Main Break, which is just east of Number 4 Shaft where we identified the high-grade corridor. We finally will have a new access drift on 58 Level where we can start to really accelerate that drilling. Just look to that. We're going to be having some additional focus on drilling on the middle part of the mine on some new targets above the SMC, and we'll also be looking at work surrounding the near-surface break ramp, and then, of course, the exciting new program we're looking at is doing an extension from the near-surface ramp towards what we call the AK Zone, which is about 400 metres to the south and on the Agnico property, so this is an area which already has in the range of half a million ounces of indicated inferred resources, which we can access fairly quickly and which we're going to be working hard to further define and then try to bring into the mine plan.

Additional to that, Fosterville, I believe that information that is on the next slide here, but I could potentially talk about that now, and then Guy would come back to the other projects. Fosterville, another aggressive program here planned, and in the order of 200,000 metres; the large majority of the drilling focused on the Lower Phoenix and Robbins Hill deposits and on additional extensions of those zones to depth, as well as converting additional inferred material to the indicated category. Exciting parts of the program this year is that we're going to have some new extensions to the drifts on the Lower Phoenix 3912 as well as on the Robbins Hill decline that's going to provide some excellent new platforms in both areas, so we feel very good about our chances of replacing resources and reserves again for a second time next year.

With that, maybe I'll pass it over to Guy.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Eric. That was excellent.

Guy, maybe you can talk about some of the highlights with some of the projects you're focused on.

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

Yes, thank you, Ammar.

Very briefly, our main priority moving forward continue to be at advancing East Gouldie. We've seen tremendous success so far in the infilling of the deposit, so we're moving towards converting East Gouldie from inferred resources to indicated, again, having in mine to deliver in the near future a study and converting the large East Gouldie deposit and the surrounding Odyssey project into reserves, continuing at LaRonde, extending the life of mine. It's been particularly special this year. Even after close to 34 years of operation at LaRonde, the mine was successful at completely replacing what they've mined during the course of the year, so completely replacing the 400,000 ounces that was mined by a combination of success converting the recently-discovered 20 North zinc land, extending in the main LaRonde, and also integrating more and more of the LZ5 into the reserve as we continue to build on success at ramping up production at the LZ5.

Moving to the north at Meliadine, again, deposit that remains opened in all direction, establishing now an exploration drift, and that will allow to increase the pace of exploration moving forward to replace production with the large quantity of target that we have across the property, but more precisely in proximity of the current mining area, and last but not least, we oversee at Kittila, with continued success at depth all the way down to two kilometre, so we've seen that we've been now integrating inferred resources estimation all the way down to those deep drill hole, continue to have an aggressive plan to extend the deposit at depth and towards the North, and I'll leave it there for now, Ammar.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Guy and Eric.

Just before I move on, it's something that I want to point out again talking about the opportunity. Think about probably two of the biggest gold discoveries anywhere in the world in the last 24 months, and they've got to be the roughly 15 million ounce potential at Malartic, and probably similar at Detour in additional ounces. Those are tremendous finds, but they are in assets that have been around for decades. Again, this talks to the geologic potential of the Abitibi/Kirkland Lake corridor and the potential that we think is there. We talk and we'll talk about the $2 billion-plus of synergies we see, but we think there are multiples of that in opportunity as we go forward.

If I could move, maybe, to Page 12, just to highlight, we talked about $700 million of development capital, and we outline on Page 12 some of these projects. Most of you, I think, know these projects pretty well, but what I would point out again is these are not pie-in-the-sky projects.

These are not things that we think we might be able to do. These are operating assets that have proven themselves where we’re going to be expanding and investing where we already have existing infrastructure.

Detour, frankly, has the potential to be one of the best gold mines in the world in one of the best jurisdictions in the world, and as Eric mentioned, we continue to see the potential there.

Fosterville, aggressive spending on what has been, over the last couple of years, probably the highest grade gold mine in the world.

Meliadine, where we stopped drilling a decade ago because we hit 10 million ounces, that is performing exceedingly well, and we've just started drilling at depth again, getting excellent results.

Canadian Malartic and the East Gouldie, I think you're all aware of that and the tremendous potential there. Kittila with the shaft going in and the ore body still open at depth. Again, Macassa and Goldex, and we can go on and on.

One thing I do want to point out is we have made the decision, not surprisingly, and I think most of you would agree it's the right decision, at Hope Bay we're going to be focusing on exploration. We acquired Hope Bay 100 percent for the exploration upside. The past year of exploration has shown that we are more confident than ever of the exploration upside, and we're going to shift our resources there from some small operations to really just focus 100 percent on (inaudible). We're going to hit it hard over the next couple of years. We think there's a lot there and, keep tuned on that one.

Just moving to Page 13 to talk about the synergies, I'll start by saying we think we have the potential to do materially better than the $2 billion over 10 years that we initially talked about. We have spent a lot of time and a lot of work looking at the potential. We think the potential is there, but let me just give you an update. The deal only closed on the Eighth, but we've been working on this longer than that.

The corporate synergies, we targeted $35 million a year. We think we'll beat that number. We think we're already going to have between $15 million and $25 million realized in 2022. I can tell you that is faster than we thought. We think we'll be at $35 million by the end of next year, and we think we are going to exceed that in 2024.

On the operational synergies, that is a much bigger bucket with a lot more opportunities, and frankly a lot more complex, but we are confident that we will be able to hit the $130 million. I can tell you we've identified the potential for materially more than that, probably the potential, and I'm going to use that word, for closer to $200 million, but that's down the road, and we're going to stick with our $130 million target for now. We think we'll realize probably $25 million to $35 million this year with the target to get to the $130 million run rate in future years.

And then on the strategic optimization, this was a target of about $600 million over 10 years, and the one we talked about, the most obvious one we talked about, and Eric referred to, is Amalgamated Kirkland. Again, I give the example, when I was up at Macassa over the summer as part of the due diligence, underground we got to within 150 metres to 200 metres of the Amalgamated Kirkland ore body. The Technical team has done a great job looking at that, and we are of the view that we might be able to start producing ounces there as soon as 2024 at low cash costs, and that alone represents probably about half of the total number that we were targeting, so a lot of potential there. Again, that said, synergies, it's a lot of work. It's going to take time.

Just on Page 14, this is a chart we've talked about before. What I'd like to do is ask Dave Smith, our CFO, to talk a little bit about this and then to talk about some of the capital discipline and return strategies that we're looking at.

David.

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

Thank you, Ammar.

As you can see on Page 14, we have a very impressive amount of operating margin generated from the mine sites: close to US$4 billion per year. Of course, we'll use that to run the rest of the business as well, but it will result in large amounts of cash available to continue to push exploration forward. We do believe in creating value with the drill bit. If there's anything easy in this business, I think that's the way to do it. We find gold for about $25 per ounce, so a lot of value-add from that program, but also, I think we'll be able to push that pipeline forward; a lot of growth capital being spent. That's great. As Ammar mentions, that’s high-return projects because of the existing infrastructure and the nature of our pipeline, which is effectively in the shadow of the head frame, as we like to joke.

We'll also have the ability to increase return of capital to the shareholders, specifically dividends. I think we have significant capacity to increase that dividend over time as we continue to push everything forward. We'll grow cash on the balance sheet as well, and all-in-all I think what we're going to do for shareholders is a little bit of everything, and that includes letting them sleep soundly at night, as we only operate in the best parts of the world.

Just flipping over to Page 15, talking about the financial position, obviously very strong with the merger. Kirkland Lake brought over a lot of cash and an unlevered balance sheet, and when you added that to Agnico's already conservative balance sheet investment-grade, you see that we have a lot of financial capacity, especially with the mine operating margins being very, very strong and enhanced as well.

Acknowledging the strong Agnico balance sheet for new combined Agnico, Agnico's three credit ratings agencies immediately put us on a positive outlook. For our credit ratings, we're already a BBB mid-company, very strong investment-grade. Fitch has already confirmed a positive trend, and in coming days we'll be meeting with Moody's and Dominion Bond Rating Service, DBRS, as well, so very excited about our financial capacity, very conservative, and that's how we intend to remain going forward, committed to that investment-grade balance sheet.

And then finally turning the Page 16 on the dividend, as I mentioned, we've got a 14 percent increase here, but I believe we have room to grow this dividend as well going forward. I think the industry has done a great job of paying attention to the shareholders in recent years, and you'll see that our peers are also paying increased dividends and increasing return of capital with buybacks as well, so I think in summary, we've got the capability and capacity to continue moving all of these great initiatives forward for the shareholders.

Ammar.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, David.

Just looking at Page 17, again, you all have this data. I want to hit a couple of things.

It's our fifth consecutive quarter of over 500,000 ounces. The number of this quarter, excluding Hope Bay, of 502,000 ounces, we were on a run rate to be closer to about 525,000 ounces; but with the rapid onset of Omicron, we had to slow down some of the production in Nunavut, and let me put this into perspective. At Hope Bay, we had an outbreak in both September and again in October, and we effectively had to shut down the mill at Meadowbank for the second half of December, where historically in the past we would have had one or two infections that we caught at the airport, it got to the point where the number of infections were higher and affected the operation, so I just want everybody to know that while our production was lower and our costs were higher than we had hoped, that was almost completely the result of COVID, and what I would also say is we're past the worst of it. In fact, we're running at pretty much the full run rate now. It affected us a little bit at the beginning of January, but we think we're going to be able to recover, but I did want to point that out, and we're going to have time for questions if anybody has after.

And then just finishing, and I'll finish on this last slide, and the package has a lot more information we can go through on the question period, but the two CEOs who are standouts in generating value for shareholders in our space have been Tony and Sean, and Tony and Sean spent two years talking about the opportunity to get together and create a better company, and neither Tony nor Sean felt they had to do this. Both companies were doing very well. This was a conscious decision that was based on strong industrial logic. It still is. I just want to repeat that: it still is.

We remain very excited. It's going to be the same strategy that's defined the results for both Agnico Eagle and Kirkland Lake. That strategy is focused on the best gold mining jurisdictions in the world based on two parameters: of course, geologic potential, but also on the ability to build and operate multiple mines over multiple decades, because frankly that's how you get good. It's a strategy that is based on creating value through the drill bit and by building and operating high-margin, low-risk assets with a lot of exploration upside and a long life.

It's a strategy based on capital discipline, where we not only invest in projects that meet our after-tax hurdle rate of 15 percent, but all of you who are in the business, all of you who are in the business of capital discipline, the most important part of any investment is are you actually going to get that return, and our capital discipline is not just the 15 percent hurdle, but that it has to be based on sound analysis in regions we know and projects that we know.

It's a strategy that includes returning capital to shareholders for over 38 years in a row, I think unmatched in the industry. It's a strategy based on per-share metrics. It's actually quite simple. Profitable production per share leads to increased earnings and cash flow per share. We're in the business of making money for our shareholders on a per-share basis, and then, finally, it's a strategy based on ESG leadership, and the simple reason Agnico and Kirkland have been ESG leaders is, in our case, for example, we've been in business in some of the communities for over 60 years, and you can't be a welcome member of the community if you don't take care of the environment and the social environment around you.

Then, before I turn it over for questions, I just want to say, finally, again, how honoured and humbled all of us are to have the opportunity to move this great Company forward. A lot of us here on both sides, from both Agnico and Kirkland, feel passionately about the Company. We feel passionately about the communities we're in, and we can't promise everything, but we can promise you we're going to work really hard and stay really focused.

With that, we'll turn it over to 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.

I guess just starting with the cash costs and the ASIC guidance, I think in the release you mentioned they'd be flat in ’23 and ’24, but that you also expect them to decline as you realize the synergies. Is that I guess saying that the operations on a standalone cost would be flat, but you expect cost to be down when you sort of factor in the synergies? And then, I guess, can you provide any details on sort of how much the costs could potentially decline over the next couple of years?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Well, I'll start and then I might ask some of my operating colleagues.

We expect costs to decline for both of those reasons, Tyler. On a standalone basis, excluding synergies, we expect costs to decline, and I can talk a little bit about that, and then also with the synergies, we believe that we're going to hit our $30 to $40 per ounce target, and that isn't yet included in the guidance that we've given.

I'll give you a very simple example. One of the reasons costs will go down is some of the sequencing at some of our mines this year and next year, there are some mines that have higher stripping, but then the costs go down considerably, so some of the ASIC is a result of accounting associated with timing and in no small element associated with stripping.

But maybe, Dominique, you can hit a couple of the key points as well.

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

Yes. In term of synergy, this year we could think around US$10 per ounces, and as Ammar mentioned on the more mid-long term, $30 to $40-plus. That's what we had into our plan right now. That includes improving productivity at each site by using our technical skills and Kirkland Lake skills to help each other to be best practices. This is what we see on the procurement side too; $35 million to $50 million to come by having a more bigger volume and a better position to negotiate and to get good pricing. This is also part of those cost savings that we see coming into the synergies.

Thank you.

Tyler Langton — Analyst, J.P. Morgan

Great. Thanks. Then just a question on Macassa. I know you lowered the production guidance for the next two years. I guess you mentioned some of it was just looking at sort of the mine sequence and then also some battery issues. Could you just provide a little bit more detail on the issues there and kind of what gives you sort of the confidence that the production will continue to ramp?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, I'll start again with that.

Macassa is an exceptional mine with a lot of gold and very high-grade gold. The biggest challenge, frankly, is the mining rate right now, and the mining rate is being restricted. Macassa is a mine from the ’30s that Kirkland has done an exceptional job modernizing over the last few years, but it's not complete yet, the program. The shaft is built, but it's about a year away from being in operation. That'll increase the haulage materially and reduce haulage costs, but Tyler, the real challenge there is on the mining rate, and that is being restricted in large part because of the history of the mine. The ventilation wasn't suitable for diesel equipment, and so Kirkland made the decision to go on battery vehicles. To their credit, they've done a tremendous job, but I would say they were probably five years ahead of the technology, and so we have had issues with batteries. We take it very seriously. We're making progress; but as soon as we get the mining rate up, the potential at Macassa is tremendous.

Tyler Langton — Analyst, J.P. Morgan

Great. Thanks so much. I'll turn it over.

Operator

Thank you.

Your next question comes from Fahad Tariq, Credit Suisse.

Fahad, please go ahead.

Fahad Tariq — Analyst, Credit Suisse

Hi. Good morning. Thanks for taking my question.

Just following up on the Macassa comments, so you mentioned the battery performance as well. Is there any talk or consideration of maybe going back to conventional fleet? And is the right way to think about this guidance as being conservative for the next several years? Thanks.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thanks, Fahad.

I think what I would say is I don't know if I would say the guidance is conservative. What I would say is there's a lot of potential to increase it. It's a subtle difference, but I want to be clear. When we were there in the summer, we asked the team, we said, look, if you had the ventilation, would you like to have diesel equipment, and the answer was yes, so it is an option that we're looking at. To be sure, the future in underground mining is electric, but it's probably another 10 years away, so what I would say is there is a lot of potential there, and what I would expect is that we're going to have a hybrid fleet where we have some battery equipment, but we also have some diesel equipment, and that'll allow us to get the mining rate up to the point where this is a 350,000 to 400,000 ounce producer rather than 200,000 ounce producer.

Fahad Tariq — Analyst, Credit Suisse

Understood, and just a quick follow-up, so as you think about the 2023/2024 guidance, which relatively flat versus 2022, just like there's potential upside at Macassa, where else in the portfolio do you see potential upside?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Well, certainly we see upside at Odyssey to come in a little bit quicker. We see upside potentially at Goldex with some projects that we're looking at there. We see a total based on things that we're working on, and again, this is stuff that we haven't put in the budget, but we think is possible, in and around another 100,000 to 150,000 ounces a year potentially added to 2024.

Fahad Tariq — Analyst, Credit Suisse

That's helpful. Thank you very much.

Operator

Thank you.

Your next question comes from Josh Wolfson, RBC Capital Markets.

Josh, please go ahead.

Josh Wolfson — Analyst, RBC Capital Markets

Thank you.

Just continuing on those questions for Macassa, just so I understand, are these same issues expected to affect the long-term production from the asset? I think Agnico now is guiding to over 350,000 ounces. The prior commentary was something like over 400,000 ounces, so is that the same mining equipment-related item?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Well, we don't expect the battery issue to be a constraint that far out, Josh. Simply put, one of two things is going to happen. Either the technology gets better and we use it, or it doesn't get better and we're using diesel, so we can't be dealing with this indefinitely and we don't expect to, so no, I think we're going to get through this, and I think that the mine does certainly have the potential, again, to be in that sort of 350,000 ounce, 400,000 ounce range.

Josh Wolfson — Analyst, RBC Capital Markets

Okay.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Also, just the cap there, it's not just Macassa. For example, Amalgamated Kirkland could add 40,000 ounces a year. That's a small thing, but it's $650 to $750 an ounce with almost no capital. You can see how valuable that is, and this is a camp that’s produced more than 25 million ounces, and we have a tremendous land position in areas where we know there's a lot of gold, so I think if there's one message I would give all of you, we didn't do this merger because we're going to transition electric batteries to diesel equipment. We did this because of the potential in this region, and that, in our view, is the future of mining, is taking the best positions and the best camps in the world and leveraging off those strengths.

Josh Wolfson — Analyst, RBC Capital Markets

In terms of other sort of large assets, whether it is an opportunity, Detour and the upcoming mine plan update, we'll have to sort of wait for the details, but I notice that was not sort of signaled as an opportunity for upside within at least the three-year guidance. Is that a potential with this update, or maybe there's just not that visibility yet, or is the opportunity for upside longer term?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

There's great opportunity for upside longer term, and that's a good point, Josh. Maybe we should have articulated that better. No, we absolutely do see upside at Detour. They're almost finding gold faster than we can figure out a mine plan to mine it, so that's a good thing, but no, there is absolutely upside both in production and longevity.

Josh Wolfson — Analyst, RBC Capital Markets

Okay, but sorry, just to clarify, that upside is after three-year guidance based on the (inaudible)?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes.

Josh Wolfson — Analyst, RBC Capital Markets

Great. Thank you.

Operator

Thank you.

Your next question comes from Anita Soni, CIBC World Markets.

Anita, please go ahead.

Anita Soni — Analyst, CIBC World Markets

Hi, guys. Thanks for taking my questions.

I was just wondering, in terms of a growth in dividend, would you kind of outline the strategy or sort of a framework that you have in mind, or is it just when we see that you have a comfortable position there that you'll continue to increase, or is there a target or goal in mind?

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

Hi, Anita.

We have not adopted any sort of formulaic dividend policy on purpose, nor do we have a specific target in mind, because it all depends on market conditions and opportunity in the rest of the pipeline as well, frankly; but our dividend strategy, I would say, overall, remains unchanged in that we like a sustainable dividend that, over time, we increase and that it's sustainable until it increases. I think as of today, that's where we still stand, and as you've seen, we have the intention to launch an NCIB as well, to give us further flexibility in improving return of capital to our loyal shareholders.

Anita Soni — Analyst, CIBC World Markets

Thank you, and then just in terms of Detour and some of the plants that KL had previously had there, can you give us some guidance on the steps going forward and how you will evaluate that, and then perhaps trade off the capital spend or the construction process, as it were, with Odyssey being built at the same time? Like, how would those two—like how do those two mesh together?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Hi, Anita.

Well, we have the capacity to do both, both financially and from a technical expertise basis, and I will say, as you would expect, actually, as soon as this merger was announced, we had technical teams from both camps going to each other’s sites to look at the best practices, but Detour, it's pretty clear we're going to be coming up with a new technical report in the middle of the year that’ll incorporate some of the drilling that's been done, that 10 million-plus ounces added to resources, and don't be surprised if more is added by the time you see the technical report, and it’ll also have an update on reserves, so we're working hard. We have really an excellent team that knows what they're doing working on it. We're finding opportunities. Jean Robitaille and his team have already found opportunities that might allow us to do even better longer term; but stay with the guidance that Kirkland had given, which is an update in the middle of the year.

Anita Soni — Analyst, CIBC World Markets

All right. Thank you. I’ll let others ask questions.

Operator

Thank you.

Your next question comes from Mike Jalonen, Bank of America.

Mike, please go ahead.

Michael Jalonen — Analyst, Bank of America

Hi, Ammar. Congratulations on a new position, and well deserved.

I just had a question, Ammar. I'll bring you to Australia, Fosterville. Notice the reserve grade fell 33 percent, although Fosterville pleasingly had, I don't know, what, 570,000 ounces of new reserves added roughly, but obviously the mine was about 23 grams less you would have mined. I see this year it’s 16.66 grams, so I guess, if any, it's a question for Eric, is the pace of exploration more focused on lower-grade material? Obviously, you're focused on high-grade, but you're finding lower-grade, so just wondering what's the plan at Fosterville for placing reserves this year and the next year? Thanks.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thanks, Mike, for the congratulations. Thank you.

Eric, would you mind responding to Mike's excellent question?

Eric Kallio — Senior Vice President, Exploration, Kirkland Lake Gold

For sure.

Yes. I guess I could say, first of all, we are putting a strong effort at Fosterville and trying to still identify new high-grade zones, but we know that when we do that, it's not going to be simply just by doing a direct extension of known zones. We have seen like at lower Phoenix that the grade has declined a little bit at depth, and we only see sort of localized higher grades at Robin Hill so far, so there's the longer-term objective to identify higher grades, but the reserve replacement that we're doing right now is working with the conversion of the inferred resources. We have right now an extension of those zones, which tend to be a little bit on the lower-grade side, but still having higher-grade zones within them, so we're kind of working with what we have and still working towards the high-grade.

The other thing you have to keep in mind is we are a little bit restricted in both areas, lower Phoenix, the development at the lower parts of the mine does not extend right to the limits of the inferred, so we can only drill a portion of it, and we are putting a new drip in this year, and it's going to be ready by sometime in June, and this has given us an access to a much bigger portion of the deposits again, and same thing with Robin Hill, the decline is not quite over to Robin Hill, so we're drilling more or less west of the resource, but this year, probably, again, in the second half, mid- to second half, we're going to have much better ability to target right into the resource and convert more of those things into the reserves, so hope that helps out a bit.

Did you mention about Macassa as well? I mean, I guess I could talk about that as well.

Michael Jalonen — Analyst, Bank of America

I didn’t, but why not?

Eric Kallio — Senior Vice President, Exploration, Kirkland Lake Gold

Okay. No, I mean, I thought you mentioned about the Macassa. Yes, the grade is down a little bit this year, and like a lot of other places, I mean, we were hampered quite a bit by having the contractor shortages, specifically the drillers, so that we did not do nearly as much drillings as what we would have hoped, but we did generate new resources, but in the inferred category. We were not able to convert those to indicated in time, so you'll see we did have a good bump in inferred, but we didn't convert as many to reserves and indicated.

We also saw some of the zones where we are struggling a little bit with grades in the areas we mined, so we did adjust some parameters, and that's going to help with giving us a higher confidence in some of those areas. You do see that reflected in the reserve. Once we factor in the depletion, of course, you've taking away higher-grade, you're not adding as many, and you're adjusting parameters a bit.

Michael Jalonen — Analyst, Bank of America

Thanks for that, Eric. I hadn’t been in Macassa since like 1995, so look forward to going back

Maybe Ammar, just one question on Amaruq. Based on your production plans and reserves, it looks like there's about a six-year life, but correct me if I'm wrong. Just wondering what the plans are to extend that, because obviously you have a hungry mill there. Thanks.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes. Thanks, Mike, so Amaruq, we are going underground. That's going well. The plan right now is to drill aggressively underground. We think that this is going to continue well below the permafrost, and then we will take a look at the economics of that, so the ore body is still open underground, and as you said, if we can prove up enough underground and some additional open pits, then we'll be able to extend that, and hopefully materially.

I don't know, Guy, if you wanted to comment at all on that.

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

Yes. Well, we are very aggressive this year. Close to $20 million will be spent, both at the mine and in regional exploration, and it's going to come from a combination, as Ammar mentioned, that the deposit remains open at depth, so we could extend potentially the life of mine if we can combine that with the new open-pit discovery in that large land position around Meadowbank, and our teams are actively working at making it happen.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thanks, Guy.

Michael Jalonen — Analyst, Bank of America

Thanks, Guy, and thanks, Ammar. Watch out for those caribou. Thank you.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you.

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

Congratulations to everybody on everything.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, John.

John Tumazos — Analyst, John Tumazos Very Independent Research

Concerning synergies, could you give us some granularity on the revenue line; for example, when the Amalgamated Kirkland gold might start going through the Macassa mill, or when Upper Beaver ores might start going through the Holt Mill, or the benefits of the gold getting sold to make revenue over and above the cost savings and now you're diligent on all fronts?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

A good question, John. I'm going ask Jean Robitaille to respond to that.

Jean Robitaille — Senior Vice President, Corporate Development, Business Strategy and Technical Services, Agnico Eagle Mines Limited

Yes. Hi, John, and thanks.

I can just say to everyone, I will continue to serve as I did the last 30-plus years, and I'm more than excited with this combined Company and the skill set that we bring to the table, so for the synergy, you have to understand that the AK were not accessible for us, Agnico, the past Agnico, and now this is really a substantial value creation we're doing as the near-surface rim was close by.

Production itself we are expecting 2024, it’s early stage and we'll keep you updated moving forward, and the rate will be near 40,000 ounces after ‘24. It's open for exploration, so it's not limited to what we see. We will need to do more exploration, and it's maybe the beginning of a long-life asset. This is what we hope. Combine with this, you have to understand that it will also have a positive outcome on the mill at Macassa, and that also bring some value to certain parts of the resource or reserve lower grade that will allow us to process at Macassa, so the number we provided to you are I will consider on the low side, but we are very confident that we'll be able to achieve it.

It's early stage for the Upper Beaver. We are considering the different options. We were to move forward with the shop sinking concerning the merge. We have decided to postpone it and reconsider all of the different option, so moving toward the year, we'll be able to update you as well. The (inaudible) with the different negotiation or the contract in place, we are expecting saving roughly a little bit more than $1 per ounces on the part of Kirkland as at this point of time, and that this has to be—it’s done. That's it, so very confident with working with Macassa, Detour and Fosterville, combining the different expertise to achieve what we are seeing that we will achieve and probably more.

John Tumazos — Analyst, John Tumazos Very Independent Research

If I could just do a follow-up, if it’s within the securities law. Could you tell us how you're merging the hockey teams? Kirkland used to win the PDAC tournament and Agnico was famous for having excellent NHL players on their hockey teams.

Sean Boyd — Executive Chairman, Agnico Eagle Mines Limited

You know what, John, we used to complain because (Inaudible) would use to hire people based on their hockey skills at one point to try to beat Goldex and all the other teams.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

I think given Finland's performance, we're going to be relying on Ketola this year.

John Tumazos — Analyst, John Tumazos Very Independent Research

Sean, are you General Manager of the Hockey League in Finland, Quebec, Ontario, Nunavut, or all of the above?

Sean Boyd — Executive Chairman, Agnico Eagle Mines Limited

I'm a Toronto Maple Leaf fan, and I can't say that too loudly here, because there's a lot of Montreal Canadian fans, so certainly we're watching the hockey closely, and I know the Pittsburgh Penguins are near and dear to your heart, so we're cheering for them as well.

John Tumazos — Analyst, John Tumazos Very Independent Research

Go black and gold. On terms of the band, is George in IR and Mark in Explorations still going forward, or have they gotten golden parachutes? Do we still have the band?

Sean Boyd — Executive Chairman, Agnico Eagle Mines Limited

George is sitting here right across from us, and he's nodding. He still got the band, and Mark’s on the line here, and he's still very much in the band as well.

John Tumazos — Analyst, John Tumazos Very Independent Research

We got hockey, we got the band, and we got gold. All right.

Sean Boyd — Executive Chairman, Agnico Eagle Mines Limited

Yes, and (Inaudible) still in the band, and (Inaudible) turns 70 this weekend, so that shows you how time flies.

John Tumazos — Analyst, John Tumazos Very Independent Research

Congratulations to everybody, and good health to (Inaudible). Thank you.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, John.

Operator

Thank you.

Your next question comes from Tanya Jakusconek, Scotiabank.

Tanya, please go ahead.

Tanya Jakusconek — Analyst, Scotiabank

Yes. Good morning, everybody, and Ammar, again, congrats on your new role.

I have a few questions, if I could. I just wanted to come back to Fosterville and Macassa. They were about 5 percent light in longer-term guidance than what we were looking for, I would say just overall. You've dealt with the Macassa. Could I expect then you get into a full rate capacity? Would that be more in the 2025 range? Would that be something that is doable?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, I think so. I think, Tanya, that that's probably the right timeframe; maybe sooner than that. The other thing I would say is we've talked a little bit about this with Fosterville. Fosterville is a mine that has a lot of gold, and then has some jewelry boxes, some really exceptionally high-grade areas, but they're small and they're hard to pick up from the drilling, and that's why you get a variability in guidance, so what I would say is it's a hard one to predict, but what we're trying to do is give a number with a high level of confidence, and just given the nature of the ore body, sometimes you hit stuff that you couldn't possibly have seen from the drill bit.

Tanya Jakusconek — Analyst, Scotiabank

Fosterville, we have quite a dip in 2024. I'm just wondering, how confident are you in being able to look at the expiration and grades to maybe lessen the blow in 2024 to find out and see if that's fixable at all?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

It is fixable, I think, but we can only give what we are firm on, and again, as Eric mentioned, and it's the nature of the ore body, it's hard to hit those jewelry boxes. You almost have to drill sort of less than five metres apart in some spots, and it's a good question, because it has been such a stellar producer. I would say that we're confident that that's a number we're going to hit, but that there is upside to that, and we're working hard, Tanya, and we're spending a lot of money on the drilling with people who know what they're doing, but at this point we can only give the information based on what we've got.

Tanya Jakusconek — Analyst, Scotiabank

Maybe just coming to some shorter-term guidance, just two things. One is just on the G&A guidance for this year. It was a lot higher than we were expecting. Just wondering in that guidance whether you have severance packages in there, and whether we should look out and have a different run rate if we didn't have the severance packages in there?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes. They are running a little higher than even we anticipated, and frankly a lot of that’s good work from Dave Smith's team on that. We haven't gone through as fulsome a review of headcount as you might think at this point. We're still working on that, so I guess, Tanya, it doesn't have the severance, but it also doesn't have the savings associated with that yet.

Tanya Jakusconek — Analyst, Scotiabank

Okay, so we should think about severances on top of that for maybe Q1 when you report?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes.

Tanya Jakusconek — Analyst, Scotiabank

Going back to the organizational structure, you talked about looking at people positioning in the short term and not having everything done. I just wanted to see whether you have made all of the changes that you need to make and have the critical people in the critical spots right now. Are we expecting more changes?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

No, we have the critical people in the critical spots, and again, on the G&A, just to be clear, I think we're going to be able to well surpass the $35 million target that we've said. It'll take a little bit of time, but we think we're going to get there; but we do have the critical team set up, and again, as you can see from the names on the list there, they're very high-quality people who've got a lot of experience.

Tanya Jakusconek — Analyst, Scotiabank

As we look through the year, could you just give us some guidance from the operational side how we should look at your quarterly outlook? It appears that Q1 is going to be weak, but I just would like to understand how the year develops with all of your different assets now.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Yes. Q1 is going to be the weakest. Thank you for raising that. I wanted to mention that. Q1 is going to be the weakest and strengthen during the year, so Q1, partly that's sequencing, but partly it's because of COVID that was still lingering primarily in the first half of January, but again, to be sure, we're past most of it now; but I do want to say, and Dave Smith asked me to remind everybody, we're hoping we're through COVID. We're always going to put the safety of our people and communities first, and we're confident with the numbers, but it would be disingenuous to say that there's zero risk of COVID going forwards. It's still something that is out there.

Tanya Jakusconek — Analyst, Scotiabank

(Inaudible) a bit more clarity, is Q1 the weakest and Q4 the strongest, or once we get through Q1, are all the other quarters evenly distributed? Just a little bit more, if you could.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

It's more evenly distributed the last three quarters.

Tanya Jakusconek — Analyst, Scotiabank

Okay, perfect, and then my last question, and I know I'm pushing this, Ammar and Sean, but at what point do you think you will be ready to give longer-term guidance beyond the three years you've given? What do you need to see before you're going to be comfortable to give, let's say, five or longer-term guidance beyond that?

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Tanya, you're never pushing it. We always appreciate your time and comments. I think the simple answer is we'll give five-year guidance when we have enough confidence to do that without variability. I mean, it is a business that's variable.

That said, I think, probably more than most of our peers, we have mines that have been around that are steady, that are operating well, and that's something we think about every year, but we'll get the Detour plan in the middle of the year.

As I mentioned, this year, it's about stabilizing some of the operations, Upper Beaver, the whole Kirkland Lake District, so there's a lot going on, and also $325 million of exploration in regions where we're already operating, so we're going to work aggressively to build the pipeline, and we'll give five-year guidance to the extent that we think it makes sense.

Tanya Jakusconek — Analyst, Scotiabank

I will look forward to that. Thank you so much.

Ammar Al-Joundi — President and Chief Executive Officer, Agnico Eagle Mines Limited

Okay. It's a pleasure. Thank you, Tanya. Thank you for the nice words.

I think with that, we're out of time, so thank you, everyone. This is my inaugural call. I'm delighted, and thank you for your patience. Have a great day, and be safe.

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.