FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Second Quarter Results 2022 Conference Call

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PRESENTATION

Operator

Welcome, everyone, to the Agnico Eagle Second Quarter Results 2022 Conference Call.

Mr. Ammar Al-Joundi, you may begin your conference.

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

Thank you, and good morning, everyone. Welcome to the Agnico Eagle Mines second quarter conference call.

I'd like to start this call by thanking all of our employees for a strong quarter. When we have a strong quarter, and this is a strong quarter, persons like myself and my colleagues, the executives here, we have the pleasure to get to speak about it, but we are well aware that there's a lot of hard work that goes into this by the thousands of employees at the mines, at the communities, at the support positions, at the rock face, who are really working hard day in, day out as a team to deliver these results. So, we wanted to acknowledge that and thank everyone.

On Page 5, first, I'll say there are some forward-looking statements that we should acknowledge, and everyone should acknowledge. With that said, as I move to Page 5, we talk about the key takeaways this quarter, and the obvious headline key takeaway is the very strong operating results. Record quarterly production, excellent cost control, especially important in this inflationary environment, which naturally will lead to strong earnings and, in this case, record cash flows. We'll talk about the operating results and what the team has been able to do, and importantly, do it, perhaps most importantly, in a safe manner and in an environmentally friendly and responsible manner.

But I think the real message of today, the real story of the past quarter, and I think the real story for Agnico Eagle over the next several years is the exciting and significant progress on our development projects and our exploration results. I say that because, while we are performing on all cylinders on the operations, our development projects and exploration results really reflect the future of the Company, the next five years, the next 10 years. I might say, in the case of Detour, out passed the next 30 years, which is quite impressive. Detour Lake, we've provided a technical update. We'll get into that. That'll be a key part of today's discussion, but a 38 percent in mineral reserves and extending the mine life by 10 years.

Odyssey underground, the two largest gold mines in Canada, Detour Lake and Odyssey, both continuing good development, good exploration. At Odyssey, production and development on schedule, on budget, and some initial production as early as the first quarter of 2023.

The Kirkland Lake region, progress made there, shaft number four expected to be completed towards the end of the year, very good progress on the Amalgamated Kirkland evaluation. We are about two thirds of the way through the exploration drift, which will become part of the development. But it's not just those projects, and we'll talk about the shaft at Kittila coming close to completion, Amaruq underground, starting this quarter to bring in production. Goldex, we've just approved the Akasaba satellite project, which will support both Goldex and LaRonde, and continued success and development across a number of our assets.

On the exploration side, and again, we'll get into more detail, but excellent results and, importantly, really exciting results at both—well, at Detour with a two-kilometre step-out hole, suggesting continuity two kilometres west of where the existing or the current mine plan pit shell is. At Odyssey underground, extension about 225 metres to the west, possible extension holes out at 1.7 kilometres to the east, again, showing you the potential of these massive orebodies for continued development with existing infrastructure, existing teams in good jurisdictions.

But also, some really good news on some of our other sites. At Hope Bay, some exciting exploration results, at Meliadine, exciting exploration results, at Kittila, exciting exploration results. We will be giving a more detailed exploration release in August. I would encourage everyone to look forward to that.

Then finally, a little bit on the mergers. We want to talk about the merger synergies on this call, because we promised that we would, but also synergies while always important are extremely important and even more important in this current inflationary environment. We are hoping and expecting that some of these operational synergies will act as a partial buffer to the cost pressures that we're seeing.

Next page, please.

On the operating highlights, 858,000 ounces of production at cash costs of $726 and all-in sustaining of $1,026. Again, over 850,000 ounces at $726 cash costs, excellent results. We will get questions and we have had questions about how it is we've been able to manage our costs in this environment. We've taken a lot of proactive steps towards that. We talked about it at the previous call, and we talked about it at the call before that.

We did have a view that inflation was going to be an issue in 2022. I remember Sean Boyd saying early on this is not going to be transitory, and we looked at it that way. So, we took some actions in advance; but at the end of the day, the best way to control costs is to have efficient operations, and that's what the team has done.

In particular, we're proud across the board, but Ontario and Nunavut had superb results, which really drove the rest of the Company. Gold production was better than expected, grades better than expected, and throughput better than expected, with some notable callouts to Amaruq, Detour Lake, and Macassa. Again, we'll get into those through this discussion.

It does remain—we do continue to see inflationary pressure. We've managed it well in the first half of the year. We're working hard to manage it well in the second half of the year and into the future years. That said, we're not immune to it, and so we are maintaining production guidance. We're maintaining cost guidance. But we expect based on what we see that the costs are going to trend towards the upper end of the range.

Some strong balance sheet. Dave Smith will talk a little bit about what we've done. But we're pleased to say that we paid down $125 million of debt as it came due in the quarter. We paid another a $100 million since, in line with what we promised, the right combination of capital to our shareholders, capital in the business, while at the same time being able to strengthen our balance sheet and, of course, continuing with the $0.40 dividend through the quarter.

Next slide, please.

I'll hit a few highlights on Detour, and then I'll ask Natasha and Eric to talk a little bit about some of the progress on the mill expansion and on the exploration results.

But hitting the highlights, I think most of you've seen them. But, frankly, we're so pleased with them, I'm going to say them again, 38 percent increase in gold reserves. At Detour that's 5.6 million ounces. So, we're at 20.4 million ounces, and I will say going to continue to grow.

We've increased the mine life by 10 years. Recovered gold, increased the same 38 percent as reserves, importantly a little over 400,000 ounces added in the 2028-2031 period. The reason I say importantly is because that's where we have a little bit of a dip in production. We've identified at the last call that we're working hard to offset some of that dip, and roughly 100,000 ounces a year for those years moves a good direction and what we're trying to achieve. One-point-eight million ounces added between 2032 to 2042, and then 3 million ounces added at the end of the mine life. I want to talk about that a little bit later.

Importantly and impressively, higher grade and lower costs for the next 20 years. That's pretty good considering this technical update incorporates some of the inflationary pressures we've seen recently versus the previous mine life. So, to be able to increase grade and lower costs for 20 years on one of the best gold mines in the world, I think, frankly, is fantastic.

Our vision, and we've said this before, our vision for Detour is to get to a million ounces a year. That would be through a combination of increasing mill throughput and potentially underground mining.

It's our vision, we're working to get there, and we expect to be able to give some clarity on that towards the end of next year. It's a lot of work, but the potential is absolutely there to increase production, but also to increase mine life.

The final point here, again, very exciting, and Eric will talk about this, some excellent exploration results, including a step-out hole two kilometres west of the pit outline.

With that, maybe Natasha, I'll turn it over to you.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Perfect. Thank you, Ammar. Good morning, everyone.

Slide 8 provides an update of the status of a few critical projects required to increase the mill throughput to 28 million tonnes per year. The graph on this slide shows the six main projects and the contribution in tonnage of each. The first four projects, the ones that are in blue, are completed. This includes the introduction of drill and blast optimization, targeting mill throughput maximization, in addition to choke feeding our primary crusher.

The second bar is the replacement of the 75,000 tonne per day limit with the annual permit for 32.8 million tonnes a year. Back in 2020, when the 75,000 tonne per day limit was in effect, there were at least 70 days where we achieved that daily limit and had to pull back the mill. So, having that 75,000 tonne a day limit removed has had a significant impact on the throughput.

We also converted our pulp lifters to a curved configuration from a radial configuration, and this switch has helped us increase our tonnes per operating hour, but also our overall throughput. The 610-conveyor refeed initiative has successfully been completed this year, Q1 actually, to gain an additional 750,000 tonnes a year. So basically, every time maintenance is performed on the crushing circuit, our throughput is impacted. The goal of this refeed system is simply to top up the feed going into the SAG mills during the crusher downtime events. This has proven to be successful. We commissioned it in Q1. We're operating it in Q2, and the system is operating as per design.

A main contributor to the 28 million tonnes per year increase is the installation of the screens on the secondary crusher. This specific project will add about 2.25 million tonnes per year. Basically, the secondary cone crusher is most efficient when the fines, smaller than the desired crushing product, are removed from the feed. So, by installing the screen, we're able to filter out the fines and it will make the crusher much more efficient. We have begun the installation of the first set of screens in Q3, and we expect to have both commissioned by Q4 this year. So, stay tuned.

Finally, next year, we expect to add another 750,000 tonnes per year due to planned one-time improvements. The plan here is to improve how we analyse our downtime drivers. How we complete root cause analysis on breakdown events, and make adjustments to resourcing, planning, and scheduling.

To summarize, all is going well and we are on track to achieving our 28 million tonnes per year in 2025.

With that, I'll pass the call over to Eric Kallio, our EVP of Exploration Strategy and Growth.

Eric Kallio — Executive Vice President, Exploration Strategy and Growth, Agnico Eagle Mines Limited

Thanks, Natasha. Good morning, everyone.

As planned, exploration at Detour continued at a very fast pace with the project and as mentioned by Ammar already included some very good results and overall progress of the project. Details for the program itself are shown on the current slide, which is the plan and long section of the project, and, as indicated, shows about 62,000 metres of drilling with most of this directed to two-kilometre strike length west of the pit and along the Sunday Lake Deformation Zone, which is highlighted here on the slide in blue.

Assuming shallow westerly plunge, most of the hole target about 300 to 600 metres below surface and along this plunge line, that's shown in pink on the lower part of the drawing. In terms of results, everything we've seen is looking very good, with some of the best being directly west of the pit, where we already announced several high-grade holes in Q1. As shown on the image, we now have added quite a few more holes with pretty much all interesting results in them, generally, broad zones and mineralization, sometimes up to 150 metres wide, and similar types of things as in the West Pit and Saddle, often containing a mix of wide bulk and narrow high-grade values.

Although some other holes are a little deeper and possibly a little bit more suitable for underground, we unexpectedly also saw several others at quite shallow depths, which we think could also add to the overall pit potential. Additionally, we also received some very good results from some of our first step-out holes to the west, which not only confirmed the overall trend of the structures, but intersected high grades up to 32 grams, 32.3 grams over 4.8 metres, 2.2 kilometres west of the pit.

Importantly, this and several other holes seem to have a little more quartz and visible gold than normally seen in the pit area, which would be very good for the underground scenario.

Considering all this, we're very encouraged for the future and continuing with 12 drills on site, targeting 230,000 metres by year-end, and then possibly a new resource update. When we do this, we think that we can have a very good chance of adding significantly more ounces to either the open pit, or the underground. Based on the current plan mill, we see that most of these new ounces would probably be added directly west of the pit and below, which would then still leave a lot of area to even further west for even such—and to depth for future additions.

Overall summary, everything coming along very well and excited for the future.

With that, I'll pass it over to, I think it's Ammar.

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

Thanks, Eric.

Well, look, just one big picture about Detour. As you know, we've added a lot of ounces over the next 20 years, we've reduced cost, we've increased grade. But we've extended the mine life 10 years at about 3 million ounces from 2042 to 2052. To be sure, right now, those are the processing of the low-grade stockpiles, and that's how all mines are optimized. But what we expect, and you just heard Eric talk about this, based on the continuing good drill results, we expect to find more gold and to extend the mine life longer. I'll say that again. We expect to find more gold, and we expect that there's a real possibility of extending the mine life further.

What that would do is, for the 2042 to 2052, it would replace what is currently expected to be the low-grade stockpile processing with fresher higher-grade ore. So, this is—and again, we said this before, we'll repeat, the Detour plan, as good as it is, is just the next step to a longer plan that we're working on. This project continues to have tremendous potential.

As I move to Page 9, I would say it's not just Detour. The two biggest gold mines in Canada are Detour and Odyssey. At Odyssey, we have fantastic continuing results, 20 drills operating: four underground, 12 at surface, four regional. Again, we mentioned not only is the project progressing on budget, and by the project, I mean the underground project, progressing on schedule and on budget, but some excellent holes, both confirming what we've got and stepping out, again, 225 kilometres to the west and at this point up to 1.7 kilometres to the East.

At Kirkland Lake, we mentioned shaft number four by the end of this year, the Amalgamated Kirkland deposit, we still are guiding that we think we can bring in some of that gold as early as 2024. A perfect example of operational synergies, where we're taking a historic Agnico asset that had no infrastructure associated with it and processing it through the Macassa mill. But it's also worth talking about Hope Bay and some of the very good drill results that we've had there. I wish I had more time to focus on this, because it is exciting. But our vision for Hope Bay is 303,000 to 350,000 ounces a year. We're working on that. The first step is drilling. I can say that, so far, the drilling has either met or exceeded our expectations.

Then finally, before we turn the page, remember, all of this are assets that already exist with existing infrastructure and, importantly, with teams already in place, which has always been important, but probably never more important than what we're seeing today in today's environment.

Just moving on to Page 10. Some highlights on our sustainability report. The first thing I would say is it's an excellent report. We've had a lot of good feedback on the report we issued on June 20. I couldn't do it justice to try to summarize here. I would encourage everybody to take a look at it. We're more than happy to set up meetings to discuss this.

But what I would say is two things. First, broadly speaking, ESG has always been a foundational part of who we are as a company, a foundational part of our culture. When you want to operate in a region for 30, 40, 50 years, you have to be a good neighbour and you have to be welcome in the community. That hasn't changed. What has changed, or at least what we've emphasized more, in I would say the last 24 months is a focus on climate change. We continue to put a lot of efforts into that. Over the past 12 months we have reviewed all of our—at all of our sites, effectively, all of the opportunities, from simple to complex, to be able to reduce greenhouse gas emissions, and we've put in processes to look at that in more detail.

I will say something briefly, but I think it's important. A lot of this will be moving from fossil fuels to electricity. We are, I would say, as far ahead as anyone in looking at that. But at the end of the day, if the electricity is not clean, then you are not making much progress. I would say that our move towards greenhouse gas reductions can't be just a mining industry thing, can't be just an industry thing, but it also has to be an electrical grid issue. That is a big issue. We are aware of that, and we think that industry and government have to work together if we are serious, and we are serious.

Next page, please. Just briefly on some of the operating financial results on Page 11. The big number I want to point to is the $923 million of operating margin in this quarter. That is a strong business and all of the mines have delivered well. Rather than going through the individuals, because they're in the appendix, I'll go through the region.

The Quebec region producing roughly 213,000 ounces at about an average cost of a little over $700 cash costs. Excellent, excellent results. Ontario, about 250,000 ounces at about $625 cash costs. Nunavut, roughly 200,000 ounces at a little over $900 cash costs. Fosterville, 85,000 ounces at an outstanding $350 cash costs. Kittila, roughly 65,000 ounces at $828, and Mexico at 43,000 ounces at a little over a $1,000 cash costs. We acknowledge this was a tough quarter at Pinos Altos. The team there is an excellent team. You have 12 mines. Sometimes some mines have more difficulty than other.

Just moving on to the next stage, Dave.

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

Thank you, Ammar.

Of course, the tremendous operating results have resulted in a fantastic financial result as well. The Company has a tremendous balance sheet, $2.2 billion of available liquidity. I would add, Ammar already mentioned that we had $225 million of debt repayment this year, leaving us with net debt at the end of June of $434 million. We have a light maturity schedule coming up for the next several years with a $100 million or so due each year. That gives us the opportunity to continue to pay a stable and growing dividend. For the first time, we initiated our NCIB, our share buyback program, only did $22 million worth. But it is certainly something that has always been intended to be the variable component of the buyback. We will analyse that in the second half of the year and see what we'll do there.

We are also very proud that Fitch has upgraded our credit rating to BBB high, BBB+, and with a stable trend. We are acknowledged as having a great balance sheet, certainly by third parties. I think we are in a fantastic financial position.

Of course, inflation is a topic these days, everybody is talking about it. You’ve seen in our results that we’ve been able to mitigate the inflation through optimization at the assets as much as possible, realizing the synergies, but also some success in our hedge book as well has helped insulate us. All of that resulted in us leaving the cost guidance unchanged for the year. That wasn't easy to do, but we are very proud of all the teams, including the finance group, for chipping in to help out with this result.

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

Thank you, Dave.

Just moving on to Page 13, and again, congratulations Dave and the finance team for all the work you've done, not just on the synergies, but also on the hedging and cost control efforts.

Speaking of synergies, we promised in February that we would report how we're doing each quarter, and we're doing that. We have a summary here. I won't spend a lot of time on it, but I will say the team did a very good job in our press release laying out item by item where we are, where we expect to be. To summarize, in general, we're ahead of schedule and more synergies than we had anticipated. I would go so far as to say that, with regards to corporate synergies, we have achieved our objective, we've achieved more than our objective, and we have once again increased our guidance for corporate synergies, by quite a bit actually.

On the operating and strategic synergies, we are maintaining guidance. Internally, we're a little bit ahead of our expectation, but at this point we're maintaining guidance. That's important and good on its own. But again, I will emphasize that none of our guidance incorporates these synergy numbers. So, we are hoping and expecting, frankly, that some of the synergy numbers will continue to play a role to help offset some of the inflation that we're seeing out in the business.

Then finishing on Page 14, before we jump into questions. Look, our strategy is the same that it's always been. It's a simple, consistent, disciplined strategy based on a few key things.

First, good operations in good regions with low costs with a focus on high margins and per-share metrics.

Secondly, leveraging off the existing assets we have where we can in the best jurisdictions as measured by geologic potential and the ability to be able to operate multiple mines for multiple decades. Odyssey and Detour both, we talked about it, not only are they world-class mines, but I'll emphasize again, world-class mines in world-class jurisdictions. When you're talking about production in the 2050s, it's good to know you're in a stable environment.

Then, finally, proven leadership with a strong track record with a focus on per-share value. What I would say on the proven leadership side, he's sitting right here beside me, Sean continues to be involved heavily on the strategic side of things. We talk on a very regular basis, not just Sean and I, but the whole team. It's been exceptionally helpful.

On the ESG side, that's always been who we are. We're focused on that. When you're a company with a bunch of engineers, we're all really excited to look at the opportunities to focus more and more on reduction of greenhouse gas emissions, and we are excited to talk about that, and we will be giving more detail on our strategy on that later in the year.

Then, finally, a long history of returning capital to shareholders and of capital discipline. I want to end by saying that, while the story here has been, I hope, not just about production, but on the development and exploration projects, we are going to develop this pipeline in a responsible manner, in a manner that still allows us to grow production per share while returning capital to shareholders and strengthening the balance sheet.

With that, Operator, we will now turn it over to questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Your first question comes from Fahad Tariq of Credit Suisse. Please go ahead.

Fahad Tariq — Analyst, Credit Suisse

Hi. Good morning. Thanks for taking my questions.

On Detour Lake, you mentioned in the presentation that there is potential to maybe increase the throughput beyond 28 million tonnes per year. I know it's early, but any sense of whether that would be a capital-light type of expansion opportunity?

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

Natasha, did you want to...

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Sure. Hi, Fahad.

Yes, we are looking at expanding, or looking at the option of expanding, the mill. We're looking at three options, actually, three separate alternatives: the low-grade screening and ore sorting, pebble low-grade sorting, and also potentially an HPGR. We are just starting the studies. So, there is a lot of work that is yet to be done. In terms of CAPEX, we don't really have an estimate yet.

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

We don't have an estimate. But absolutely, Fahad, relative to other alternatives, it's always the lightest capital when you are expanding on existing infrastructure. There are three things that—I apologize, there's some feedback noise. But the three things that Natasha talked about are, frankly, relatively minor. We don't have the numbers yet. But in the scheme of a project of that size, the amount of capital that you put in is relatively small to what you get out. Then, also importantly, it's risk-adjusted capital. It's not just the quantum of capital. It's how much risk is associated with that, and you will never get a better risk-adjusted capital than you do by expanding existing infrastructure.

Fahad Tariq — Analyst, Credit Suisse

Understood. Okay. Then, just switching gears to Macassa. You mentioned potential to maybe incorporate the Amalgamated Kirkland deposit at the Macassa mill. How should we think about that in 2024? Is that displacing Macassa ounces, or is it may be filling excess capacity at the plant because maybe Macassa doesn't ramp up the way you expect that year, despite the productivity improvements?

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

This would be incremental using excess capacity in the mill.

Fahad Tariq — Analyst, Credit Suisse

Okay. Then given the productivity gains that you've seen this quarter, and maybe—in the past, you've mentioned potentially going back to diesel equipment and getting the productivity up over the next few years. Is it possible that there is no excess capacity in 2024?

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Hi, Fahad.

Yes, we'll be looking at this. Macassa has had a good quarter. We've been—there's a lot of progress made in the last six months to a year on continuous improvement efforts on the operations. Year to date, we're observing higher availability on our electric trucks. There's still a long way to go, but we're seeing an uptick in availability. We're also seeing a higher availability and utilization on our equipment fleet. Of course, we're seeing a higher improved ventilation as well.

It is stabilizing. We plan on improving throughput, but we'll have to wait until the updated life-of-mine and provide an annual guidance to understand how AK factors into the plan.

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

Yes. I mean, Fahad, you're 100 percent right. Our objective is to have no excess capacity in the mill. Our objective is to get the mining rate up, and then we will look at—and we know there are already opportunities to increase throughput at the mill.

Your questions are valid. In an ideal world, and this is what we're working to, the mining rate will fill the mill completely, both at Macassa and at Amalgamated Kirkland, but then we have opportunities to expand the mill as well.

Fahad Tariq — Analyst, Credit Suisse

Got it. That's helpful colour. Thank you.

Operator

Thank you. The next question comes from Josh Wolfson of RBC Capital Markets. Please go ahead.

Josh Wolfson — Analyst, RBC Capital Markets

Thanks. I was looking to sort of drill data a bit more on the comments about positive grade reconciliations for Detour and Amaruq. Is there any detail you can provide on what the, perhaps, percentage impact of that was, maybe what the factors are, and the ability to see that continue? Thanks.

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

Andre, would you like to take that question?

Andre Leite — Vice President, Ontario, Agnico Eagle Mines Limited

Sure. In relation to Detour, we continue to observe a positive reconciliation that is ranging on an annual basis between 4 percent to 6 percent, between grade and tonnes. So, that has been a combination of some efforts that we're putting at Detour to continue to improve our grade control and historical trends that we observed from—with this model that we issued in 2020 that has reconciled that range within the past three or four years.

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

On Amaruq, we were anticipating. That's always been our understanding. The shallower part of the deposit was a bit lower grade, and as we were going deeper in both the IVR and well, the grade was to get better. We were pleasantly surprised. It came a bit ahead of the plan. So, there has been some upside from that standpoint, accessing some higher-grade material a couple of months sooner than expected this year. We see that trend continuing, and we were, in fact, planning to have a much stronger second half. We see that trend and robustness in the grade to keep going moving forward.

Josh Wolfson — Analyst, RBC Capital Markets

Got it. Thank you. One more question. The topic of the Kittila permit that's outstanding, I'm just wondering if there's any more information on what the issues are. Then, in the event that throughput remains 2 million tonnes, what would be the expected production impact for the next two years for the existing guidance?

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. We are currently evaluating the decision of the administrative court. Currently, we intend to continue the same throughput while discussing with them. We're going to know more in the Q3 about that.

Josh Wolfson — Analyst, RBC Capital Markets

Okay, thank you. Then sorry, just on the—for the existing guidance, what was the throughput assumption for the next two years?

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Two million tonnes per year.

Josh Wolfson — Analyst, RBC Capital Markets

Okay, so no change versus the existing permit?

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes, no change for now.

Josh Wolfson — Analyst, RBC Capital Markets

Okay, great. Thank you very much.

Operator

Thank you. The next question comes from Jackie Przybylowski of BMO Capital Markets. Please go ahead.

Jackie Przybylowski — Analyst, BMO Capital Markets

Thanks. I just want to follow-up, maybe, on Fahad's questions about Detour. I know you've put the life-of-mine plan, which is super helpful. But it looks like it includes stockpiles, or, basically, is the main source of ore in the later years. Can you talk a little bit about this exploration that is still to come and maybe the evidence you're seeing of continuity between the Main Pit in the Saddle Zone and how if that is successful, how that might affect the overall mine plan, like not necessarily to do with the expansion, but more to do with the grade through the life-of-mine? Thanks.

Eric Kallio — Executive Vice President, Exploration Strategy and Growth, Agnico Eagle Mines Limited

Well, exploration at this point is really focused mostly on the West extension, I would say, and then chasing things to depth. We have actually already drilled most of the area in the Saddle and the West Pit to the similar spacing as what you see in the Main Pit, and so should be able to evaluate for open pit. We would be looking at closer space drilling probably going forward, which might help the underground, because we do see a lot of the higher grade is in smaller lenses. I think there's not so much exploration in the pit area, but it would be whether we need higher definition.

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

Jackie, maybe I didn't totally understand your question. But certainly, to the extent—so if you look at those low-grade stockpiles—and I don't know the number off the top of my head, I'm thinking it's about 0.35 grams or something like that. To the extent that you are putting through some of the additional exploration that, even if we go through what we've currently got at closer to, say, 0.97, that obviously roughly triples the production in those years, which would put you closer to—especially if you have a little bit of underground.

We've given some very high-level numbers, and these are very high level at this point. But to the extent you're able to supplement some of the throughput through an underground at, say, 5,000 tonnes a day, let's say, between two and three grams, you can see that that really gets you much closer to the sort of million-ounce target that we're talking about.

Again, these are very high level, but the concept clearly is you would be—as you find more gold that is similar to the type of gold that you've got in the mine plan, you're able to defer, effectively, by adding to the mine life. You're able to defer the throughput, the milling of the low grade, and replace it with higher grade.

Jackie Przybylowski — Analyst, BMO Capital Markets

Thanks. You did understand my question, but I just wanted to make sure I understand the answer fully. In terms of open pit mineable ore, the Main Pit and Saddle Zone are pretty well defined already. So, maybe could you—or I guess, if I understood what the comment was, where would the opportunity be for adding new open suitable ore at this point, is that the west?

Eric Kallio — Executive Vice President, Exploration Strategy and Growth, Agnico Eagle Mines Limited

Well, to the west is one of the main targets for sure. This could be for either open pit or underground, depending on how close it is to surface and, of course, the widths and grades that you get. But we're not finished exploring to depth below the West Pit or Saddle either. There's still more drilling to be done there. We have some inferred within the pits. Those could be still converted. But really, we have—the other thing is, we are looking at holes that could be under North Wall, the North Pit area as well. There's some—there's a various number of areas, I guess. Looking at, but...

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

It's important to understand, too, that they're not necessarily sequential, the open pit and underground. In fact, we would target—and again, Jackie, we're working on this. But to the extent you can make the underground contemporaneous with the open pit, that would be part of the plan as well. Does that help?

Jackie Przybylowski — Analyst, BMO Capital Markets

Yes, absolutely. No, that's super helpful. Then, if I could maybe ask a little bit more colour on your hedge book. You've obviously been really successful this year in managing your operating costs. Can you give us a bit of colour on what your strategy is for hedging inputs or FX, or whatever it is, for next year, if you've kind of gotten started at this point? Thanks.

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

Yes, sure. The most important input we have after gold is the Canadian dollar. We're about 30 percent hedged in 2023 already on the Canadian dollar at a much better-than-budget rates. The budget rate is $1.25, and this would round out to about $1.29 so far. We actually believe that we'll have the opportunity in the short term to continue to add to that position.

It is effectively an insurance policy. We don't know for sure what the Canadian dollar, U.S. dollar, etc., are going to do in the future. But it does give us some comfort on our cost guidance when we have hedges at better-than-budget rates. I think one of those opportunities is kind of right now, and we'll continue looking at that going forward.

People are always asking about diesel. It's a much smaller impact. It's only about 300 million litres per year. The current spot rate is about CA$1.20-ish per litre. We are 26 percent hedged for 2023 at actually worse-than-budget rates, but much better than spot rates. So, not a bad position there, too, but a much, much smaller input than the Canadian dollar. That is for sure.

Jackie Przybylowski — Analyst, BMO Capital Markets

That's super helpful. Thanks, Dave. That is it for me. Thanks.

Operator

Thank you. The next question comes from Lawson Winder of Bank of America Securities.

Lawson Winder — Analyst, Bank of America Securities

Hi, Ammar and Dave. Thank you very much for the update. I'd like to just commend you all, given Agnico's stand out on managing costs in the current inflationary environment. I think it's very impressive.

I just wanted to sort of start with cost and ask about both Finland and Australia. Last quarter, you highlighted Finland as the region that was most impacted by cost inflation. I wanted to ask if that was still the case. Then, if I look at your numbers for Q2 on a cost-per-tonne basis, I mean, (audio interference) costs are up year over year, which actually doesn't seem that bad. Are you finding ways to offset the cost inflation in Finland?

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

Well, I'll go first, then maybe Dominique.

Finland is still the most challenging from an overall inflation perspective, and it's natural given the environment there. They have had a very good quarter, relatively speaking, efficiency wise. I think that's the biggest thing that they've been able to do. Again, it's a combination of things we can do to control costs. But at the end of the day, efficiency drives a lot of that.

Dominique.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. You're right, Ammar. Let's say, they did good improvement on drill and blast and all the underground mining, which is a good cost. There is also a positive impact on the exchange rate with the euro, which is also giving a positive input on that.

Lawson Winder — Analyst, Bank of America Securities

That makes a lot of sense. Similar question on Australia. Just, I mean, regarding that region, I mean, your peers are highlighting pretty significant issues with labour inflation and availability. But again, I mean, based on your cost per tonne, it looks like you're managing very effectively. I mean, maybe you could speak to Agnico's experience with respect to labour inflation and availability in Australia.

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

Yes, go ahead.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Sure. Hi, Lawson.

Yes, in terms of our employees in Australia and Bendigo, specifically, majority of our employees reside in Bendigo, and the turnover has been low. So, we haven't too big of an impact from a labour perspective.

Yes, in terms of our cost per tonne, we are seeing a slight rise, but that's just a function of where we are with the mine sequencing, grade has offset it. We have higher grades. Our cash costs are in line, if not better.

Lawson Winder — Analyst, Bank of America Securities

Okay. That's great. Quite remarkable. On Detour Lake, among many of the opportunities that you highlighted to enhance the operations there, some seem to me like they make sense to go ahead with in fairly short order; for example, like trolley exits, or maybe increasing automation with the haulage truck. But then there's this study, which these are all part of, that's coming out in 18 months. I mean, could some of these enhancements perhaps be implemented before that initial assessment is ready?

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

We're looking at a lot of things. The answer is some may come in sooner than later. We always tend to look at things in a bigger, holistic perspective, Lawson. But, absolutely, some of them could come in earlier. I think as Natasha showed with regards to Detour, we gave the details on the current mine plan of 28 million tonnes. But she and her team have been working on that for a long time, and we are well progressed on it.

Lawson Winder — Analyst, Bank of America Securities

Okay. Then if I could just ask one more question, just on Odyssey. Now that Odyssey's underground development is certainly well progressed, could you maybe provide some comments on how you're finding the ground conditions versus expectations? Also, note just what depth have you now been developing. Thanks very much.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Hi, Lawson. Dominique speaking.

In terms of ground conditions, they are excellent, very good comments from the team. We're reaching our metres. We're on schedule and on budget. We're still heading to have the first ounces coming in Q1 next year. Everything is going as planned there.

Could you just repeat your last question?

Lawson Winder — Analyst, Bank of America Securities

Yes. I was just asking to what depth you've now developed at Odyssey.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

I need to double check. I'm not sure. We're going to come back on that.

Lawson Winder — Analyst, Bank of America Securities

Okay, great. That is it from me. Thanks a lot, guys. Great quarter.

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

Thank you.

Operator

Thank you. The next question comes from Anita Soni. Please go ahead.

Anita Soni — Analyst, CIBC World Markets Inc.

Good morning, everyone. Thanks for taking my questions. Congratulations on good cost control in this environment.

Most of the questions have been answered, but I do have a couple of ones on Akasaba. Goldex satellite deposit. I'm just looking at the ore feed. I think, you said it was 1,500 k tonne that Akasaba is going to add. Is that over and above the current mill feed, or is that within the current mill feed? I just noticed the Goldex grades are 1.6. I was wondering why you would feed—substitute the 0.84 versus the 1.6.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. The current licence we have at Goldex is 9,500 tonnes per day. We're currently with the Goldex at 8,000 tonnes per day. We already have space into the mill. Not clear. Let's say, probably we need some modification, small modification, to do like over 9,000 tonne per day, but we think we're going to end up in between 8,500 to 9,000.

The other aspect is we are going deeper at Goldex, below 1.2 kilometre with Deep 2. That's going to give us flexibility if throughput—or throughput will probably decrease gradually with time. We're going to be able to top up the mill with the Akasaba.

Just maybe at a high level, the value of the tonnes from Akasaba are quite the same of the Goldex ore. Akasaba also has copper. It's a 0.5 percent copper. At the end of the day, we're going to top up the mill with Goldex and/or Akasaba just to have the good cash roll out of that.

Anita Soni — Analyst, CIBC World Markets Inc.

And that CA$50 million that you're going to spend, that will help figure out how to process that copper? I'm just wondering. I was going to ask about that.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

The CA$50 million, it is mainly mining cost. It's minimal infrastructure as we're going to process it at Goldex, and the concentrate is going to be sent at LaRonde. It's really mainly stripping costs through the next two years. First production is going to be in 2024.

Anita Soni — Analyst, CIBC World Markets Inc.

Okay. I think that's it for my questions. Well, actually, no, LaRonde. You've had—I think you talked about resequencing of the mine in the second half of the year. Will that reverse back to what the original plan was with the guidance that you had put out in February? Should we still be modelling what we had expected in 2023, or should we sort of modify our assumptions to account for this resequencing and dealing with, I guess, a higher ground condition protocol?

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

We are still in between the guidance range that we gave. It's going to be going a bit lower than the middle point, I guess, because we need to have—we have more protocol in place, again, mainly in the east mine. But that's going to be compensated from LZ5. Currently, we're mining 3,200 tonnes per day. They're looking to go at the 3,400 tonnes per day at LZ5 to compensate.

Maybe also another interesting aspect with Akasaba coming into play, we're going to provide higher copper grade to LaRonde Mill, which is going to provide them more flexibility to introduce, eventually, more satellite deposit. The exploration drills were progressing well. We don't have yet results from the drilling, but we started to drill at level 215 and level nine recently, and eventually, I don't know, next year, we should see coming interesting results and potentially bringing the other satellite deposits at LaRonde. We're in the same situation in Goldex where we have a mill that could take more. So, teams are looking to add satellite zones to the mill.

Anita Soni — Analyst, CIBC World Markets Inc.

Okay, thank you. That's it for my questions.

Operator

Thank you. The next question comes from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes — Analyst, TD Securities

I just wanted to ask Natasha about the mill capacity growth at Detour. Taking it to 28 million tonnes (inaudible) taking now and likely to get more than that through that plant. Are you building in some contingency, and say you get 10 percent, 15 percent more? And if you do, that would get you up to close to 22 million tonnes without doing anything additional.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Good question, Greg.

Right now, we are targeting 28 million tonnes. We commissioned the 610 refeed, and it is operating as per design. The high-intensity blasting in the toque feeding has shown some improvements, but we need a little bit more time to quantify it. So, for now, we're targeting the 28 million tonnes.

Greg Barnes — Analyst, TD Securities

What would then be the likelihood of an increase in the permit level above 32? I think it's 32.8 million tonnes?

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Right. Yes. It's a strong likelihood, I would say, because we went from the 75,000 tonne per day limit up to 32.8 million tonnes a year. So, there was a step-up on an annual throughput. I don't anticipate any issues.

But maybe I'll pass it over to Mohammed to provide any more clarity on that.

Mohammed Ali — Vice President, Sustainability and Regulatory Affairs, Agnico Eagle Mines Limited

Sure. Thank you, Greg.

In terms of the likelihood from a permitting and regulatory perspective, we don't see any challenges to get to that number. As Natasha earlier mentioned, we were able to increase that throughput earlier, and we would be going through that same process.

Greg Barnes — Analyst, TD Securities

Okay. Just a final question, again, for Natasha. You talked about the ultra-high grades coming in Q4 at Fosterville. What are we talking about in terms of grade cadence over the year?

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

In terms of Q4, we expect higher—yes, we plan on sequencing—just based on sequencing, we have a few high-grade stopes coming in. I would say probably—I don't have that information handy, but I would say probably in the 20-gram range, if not slightly higher.

Greg Barnes — Analyst, TD Securities

Okay, thank you.

Operator

Thank you. The next question comes from John Tumazos of John Tumazos Very Independent Research. Please go ahead.

John Tumazos — Analyst, John Tumazos Very Independent Research LLC

Thank you for the great results.

I have two questions related to the West of Detour and West of Malartic deep drilling successes, 1.2 miles west of the of known reserves or resources. From a share buyback compliance legal standpoint, are you able to buy back shares, given that you're drilling, you're getting great results, the return on assays is a little bit unpredictable, transportation and labs are problematic?

The first question is, does it change the windows for buybacks, or make them very short? One could also take the point of view that you have so many reserves already at Detour and the Malartic underground resources that you're adding things for the 2050s at Detour, '60s or 2040s at Malartic, and maybe it isn't material.

Then the second question after the legal issues on buyback windows is, for your own planning, are these results good enough to change the mining sequence and mine these new zones first, or if they're 20 to 40 years out in the production plan, they're kind of lesser NPV ounces?

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

Well, Chris, why don't you answer the first one, and then I can address the second?

Thank you, John.

Chris Vollmershausen — Executive Vice President, Legal, General Counsel and Corporate Secretary, Agnico Eagle Mines Limited

Yes, sure. Thanks, John.

You're correct. If we're in possession of material, nonpublic information, we're not able to execute under the discretionary buyback plan. But we do have an obligation, obviously, to promptly disclose any material information. So, if those results were, in fact, material, we would have to put them out via press release promptly.

But, as you sort of know, in general, any given drill result for a company of our size is unlikely to be material. Beyond that, as part of our NCIB, we also do have the automatic plan in place if we choose to use it. And so, if we do that, we can give instructions to the broker, after which our discretion is removed and the broker executes those instructions. We can only change those instructions if we're not in possession of material information.

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

John, with regards to our ability to mine the drill results sooner than anticipated. So, the mining sequence is going to be a function of the drill results and where the ore is. The good news is some of these step-outs show the vastness of these orebodies. The bad news, I guess, is that they're quite a distance away from existing infrastructure.

What I would say, though, is if, for example, we have some exceptional results at Detour at a decent depth, we could, and I'll emphasize again, we could start the underground development to access those much more quickly. It doesn't have to be sequential with the open pit. But it will just be determined by the drill results, and then we would optimize the mine plan based on that.

John Tumazos — Analyst, John Tumazos Very Independent Research LLC

If I could ask a different follow-up question. Thank you for the clear responses. At Amaruq, how much did the second quarter out-produce the geologic model: 10 percent, 20 percent? Presumably, there were top cuts in area of influence conservatisms. Do the second quarter results create a scenario for potentially underground mining if there's zones that are so good that you can spoon feed some brown sugar to the Meliadine mill, if the Meadowbank mill is too big?

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

To answer the question about the grade. First, let's say, John, it's Guy.

There was known pocket of super high-grade mineralization known at Amaruq. The pleasant surprise we had is that they came a bit earlier, and so couple of bands higher than expected, maybe due to some folding feature. We know for a fact that we're running into that. As the mine plan was also—there was higher—bigger than…most of the ounces were coming in the second half of the year.

We saw some of that came earlier in the second quarter. That's basically the add-on. But now moving forward, we consider that those zones high-grade are well factored in the plan. We can still see some pleasant surprise, some reconciliation about top cut and everything, as you discussed. But so far, it's just a nice add-on, additional high grade that came earlier in the second quarter.

John Tumazos — Analyst, John Tumazos Very Independent Research LLC

Maybe we shouldn't add extra years to our models, but we could have 5 percent or 10 percent above your projections for the next few years if we think that the sweet spots are going to recur?

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

I'm not sure I well understood your question. But certainly, if we can continue, and we're still exploring at depth with the intention of can we extend the life-of-mine, can we build on. Now, what I mentioned is that, yes, there was a bit more tonne of that high-grade material that came earlier in the plan. But for the upcoming couple of years, we're back on track, and we may—again, we haven't yet mined too much of those. Maybe we are a bit conservative on our estimation of the grade in that high-grade material. Still, it needs to be proof is the pudding. We'll see in the upcoming couple of quarters what's the performance when we mine those high-grade parts of the deposit.

John Tumazos — Analyst, John Tumazos Very Independent Research LLC

I'm sorry if I was implying a second guessing of the projections, but we know you're conservative, and we might want to hope for a little bit better. We dream. Thank you.

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

Thank you, John.

Operator

Thank you. The next question comes from Tanya Jakusconek, Scotiabank. Please go ahead.

Tanya Jakusconek — Analyst, Scotiabank

Good morning. I think that's me. Thank you for taking my questions.

Ammar and team, can I just go back from Detour, just the mine plan. Thank you for giving us some of the assumptions that went into that mine plan. Just missing the oil price assumption that you used, just over a long period of time, so just trying to understand what oil price you used.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Hi, Tanya.

For the short-term model, we used $1.10 per litre. The long term, I can't remember exactly the cost per litre, but it was based on our forward-looking curve. I believe it was increased by $0.10 a litre compared to the previous plan.

Tanya Jakusconek — Analyst, Scotiabank

Okay. I'll take it offline and maybe just get a sensitivity from someone to just sort that. It's a long period of time, and if you know fuel changes, that gives you some relief. So just trying to get a sensitivity there.

Natasha, now that I have you on, maybe just to talk about this mine plan, which, in 2042, we do drop down with these stockpiles. Based on what you're seeing today, which you are seeing exploration success to the west, you see a potential for an underground. But where could you see the underground coming in? Like towards the end of this decade, or would you see it coming in the early '30s. I'm just trying to see when could you see an underground come in at the same time you have the open pit and potentially before the stockpiles come in.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Right. Tanya, good question. We are working on doing the exploration drilling. We're working on studies into the future. We anticipate definitely the viability of the underground plan will bring it into sometime sooner than the 2040 mark. Looking at mining the underground as we mine the open pit.

Tanya Jakusconek — Analyst, Scotiabank

Okay. So, before the stockpiles come onboard? So, before 2042. So sometime in the '30s, would that be reasonable?

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Sounds good. Yes. That's right.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Then, just from a bigger picture, I think I heard that there's going to be a potential to increase the resource at this asset at year-end. Maybe someone can just share with me, is this going to be in the inferred category? And from what areas are we seeing this increase in resource?

Eric Kallio — Executive Vice President, Exploration Strategy and Growth, Agnico Eagle Mines Limited

I think we have potential to add resources, both the open pit and underground, probably most likely near the west end of the West Pit, and also in areas that may be on the North Wall or below the West Pit. We have almost 80,000 assays now, even since the last time we closed the database in February 5. By year-end, we're going to have closer to maybe 150,000. A lot of them are going to be in that area.

Hard to say what category this will all go in, but I think a lot of it could still be in inferred, but there will be at least some indicated.

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

Tanya, that gets to the question, why are we giving—we're sort of anticipating being able to give a fulsome update at the end of next year. A natural question is, well, why does it take you that long on the mill. It's not just the mill. It's also taking into account all of this exploration. There's a lot of work to be done. It is quite remarkable, the amount of drilling we've done. But there's a lot of potential, but there's a lot of work to bring it all together.

Tanya Jakusconek — Analyst, Scotiabank

I know. Ammar, thank you. I appreciate it, and I know—we focused on the mill a lot. I was just trying to conceptually see a bigger picture for this asset to try and see, okay, if we can't get the mill there, which looks like it can be done—I shouldn't say quite easily. These things aren't easy, but it can be done. It's just then looking at the mine plan and trying to see how you sequence all of these areas in to get to that million ounces, and sort of when can we see this—the stockpiles can be pushed out and can we supplement 2042 from just the open pit and underground for another decade or so before we hit the stockpiles again. I'm just trying to understand that. That's all.

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

Yes. Tanya, those are exactly the right questions, 100 percent.

Tanya Jakusconek — Analyst, Scotiabank

Oh, thank you. I'll look forward to getting more information on that mine plan.

If I could ask just another question, and it's going to come back to just the inflationary environment again. I wanted to circle back to, we've seen a lot of high turnover and issues at isolated mines, so fly-in, fly-out mines around the world. Obviously, you have that situation up in Nunavut. Can you talk to me about what you're seeing with your labour in Nunavut in terms of turnover and/or inflationary pressures? We've just seen a lot in various other mines. I'm just trying to understand how this is impacting you.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Hi, Tanya. Dominique speaking.

Yes, we see also that the pressure, especially, I would say Quebec, Abitibi, Nunavut, where a lot of our workforce also is coming from. But so far, we're able to mitigate it. Again, we have a good relationship with our employees. They like to work with us, and let's say they usually they stay with us.

But I will say, also in Nunavut, last quarter, we've added 50 Nunavummiut to our workforce, which is also we continue to hire as much as we can locally. After COVID, we had—or yes, we had to Nunavummiut back to home. But now we are just getting back to where we were before. This is compensating or helping also to mitigate that aspect.

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

But you know, Tanya, it's a good opportunity to re-emphasize. For example, at Odyssey, we're able to get employees because we've been there for 60 years. We're able to get employees who are our employees, our engineers, our mechanics. It's a lot tougher if you're building a brand-new mine in a brand-new region. Again, we are benefiting from that.

Tanya Jakusconek — Analyst, Scotiabank

What type of labour inflation would you be seeing in Nunavut compared to some of your other operations? It's just like I've heard as high as 8 percent, 10 percent in some areas that are isolated. I'm just trying to understand where you are on that in Nunavut.

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

Yes. I think we negotiate with our employees in I think it's November of every year. The last negotiation, if I recall, was 3.5 percent to 4 percent. We're working with the team and with our employees to try to figure out what the number is. But we'll probably have a better idea on that, Tanya, later in the year. But for now, we're largely covered by what we negotiated earlier.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Perfect. Then, maybe if I could just still ask about inflation. I mean, another area we've seen stresses on, strains on have been in shaft sinking. You're going to be starting the Odyssey shaft sinking in October, very shortly. I'm just trying to understand from you, what can you share with us that helps us understand that some of the issues that we've seen in other companies, you're able to—how comfortable are you with your budget for that shaft-sinking portion of the shaft in your Canadian Malartic? I think it was $1.2 billion CAPEX.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. We have the opportunity at Canadian Malartic to be in, let's say, a good area, close to 117 in EBITDA, where, let's say it's easy, it's a good place to mine and to work. We also have—we're finishing the shaft sinking in Kittila and also at Macassa. There's part of the workforce that also is going to transition to Odyssey. We're currently staffing those teams, and we still expect to start to do shaft sinking in Q4 this year.

Tanya Jakusconek — Analyst, Scotiabank

Okay. Are you saying that it's some of your own employees that you're bringing back? Was it contractors that you're bringing back to help and located in the Canadian Malartic, so close to home to work on the shaft sinking and, i.e., not being isolated in a camp?

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. We have that advantage at Odyssey. Let's say it's a sexy place to work right now.

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

I'm not sure about sexy.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Well, it's a good place to work. All the shaft-sinking employees are going to work through the contractor. But this is a small world, and from one contractor to the other one, this is usual that the shaft sinkers' employees are getting to the best place, and they're going to be hired through the contractor.

Tanya Jakusconek — Analyst, Scotiabank

Okay. If I could just ask, for Dave, just on the inflation estimates or inflation pressures you're seeing. Can you just review with us again? And I ask this on every call, I understand we've seen a bit of relief in fuel. We're all seeing that and some other oil-based products. But can you just let us know where you're seeing the most inflationary pressures coming through? We talked about your labour at Kittila, but maybe anything else that you want to share with us where you're seeing more pressure, or maybe you've seen relief in some areas. Any insights would be appreciated.

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

Yes. First, I'll get back to you on the Detour study assumptions on oil. The first three years are CA$1.10 per litre, and then after that it falls back to CA$0.90. I'm probably not the best person to talk about the inflation that we're seeing in the business, because, of course, I'm watching most carefully the financial. Thankfully, everything is working as it should, and the Canadian dollar is relatively weak at the moment, really helping us out.

But maybe Natasha or Dom might be best to talk about where the biggest components are.

Dominique Girard — Executive Vice President and Chief Operating Officer, Nunavut, Quebec and Europe, Agnico Eagle Mines Limited

Yes. Tanya, we see inflation on the region and steel product, stuff like that. But overall, as Ammar mentioned, we are working to optimize the cost on productivity with different aspects on automation, fleet management, ventilation on demand, which is offsetting that inflation. This is what we control and what we work, and we could see it in our results right now. We expect, again, to stay into the guidance through the end of the year.

I don't know, Natasha, if you’d like to add something.

Natasha Vaz — Executive Vice President and Chief Operating Officer, Ontario, Australia and Mexico, Agnico Eagle Mines Limited

Yes. No, it's similar, Dom.

Tanya, we are seeing a slight increase in our mill reagents, seeing it in grinding media. We're seeing it in, of course, diesel. But, like Dom mentioned, we are looking at optimization efforts. I can give you a perfect example is at Detour. Right? Diesel, we are definitely exposed on that end. But we're looking at payload optimization and seeing how we can optimize our payloads on our 795 trucks to see how often we can park them and better utilize, so, yes.

Tanya Jakusconek — Analyst, Scotiabank

Overall, would you say your inflation, and within what you're seeing in your own cost structure, everyone has a different number, but would you be in the 7 percent to 8 percent range?

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

I think that's as good a guess as anything, yes, Tanya.

Tanya Jakusconek — Analyst, Scotiabank

Thank you so much. I will leave it to someone else to ask.

Operator

Thank you. We have time for one more question, and that question will come from Mike Parkin of National Bank. Please go ahead.

Mike Parkin — Analyst, National Bank

Thanks, guys. Congrats on the good quarter.

Can you just give us an update in terms of where you stand with Detour with respect to IVAs with the First Nations, as well as are you fully permitted now for what you're pitching with this life-of-mine plan update, or is there any revisions to permits or completely new permits that you would require to move ahead with that?

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

Mohammed?

Mohammed Ali — Vice President, Sustainability and Regulatory Affairs, Agnico Eagle Mines Limited

Thank you for the question, Mike. It's Mohammed here.

With regarding your questions on the twofold with the agreements in the Indigenous communities, and then the permits, as you stated, it is in that order. At the moment, we have all the necessary agreements to proceed with the expansion. Then with the expansion itself, our consultation process is just beginning, and then we'll be going through the permitting process, which is going to be very similar to the permitting process we went through for the West Detour expansion. There shouldn't be any other surprises that we're worried about. We'll be following the same process. Does that help answer your question, Mike?

Mike Parkin — Analyst, National Bank

Yes. No, that's perfect. Thanks very much, guys.

Mohammed Ali — Vice President, Sustainability and Regulatory Affairs, Agnico Eagle Mines Limited

Thank you.

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

Well, with that, I think I’d just like—I know we ran over time. Thank you, everyone, for being on the call and for your help. Again, the key takeaway, great quarter operationally. But really, the story, I think, is the development projects and the exploration that are going to set this Company forward for years to come.

Everyone, have a nice, long weekend, and thank you for your time.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.