Agnico Eagle Mines Limited

First Quarter Results 2023 Conference Call

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PRESENTATION

Operator

Good day. My name is Michelle (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Mines Limited First Quarter Results 2023 Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, 2. Thank you.

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. On this beautiful spring, late April day, it's a pleasure to have the opportunity to talk about our first quarter results. But before I do that, I'm in a room with a lot of my colleagues who will be dealing a lot with this discussion. But in particular, I'd like to talk briefly about two colleagues.

On my right, Sean Boyd, who mentioned to me that at this AGM at 11 o'clock will be his 40th AGM with the Company. You don't have many people in any business that committed for that long, who've created as much value as Sean has. So that's quite the milestone, Sean, and we'll make sure we point it out again on the 50th.

And on my left, Dave Smith, CFO extraordinaire and a good personal friend who today is his last official day as CFO. He has agreed to work with Jamie Porter over the next month or two to transition and then move, I think, happily into retirement. Good for you, Dave. But I just wanted to point that out.

So we're going to be summarizing the first quarter results. Really, though, the story is three parts:

One, strong operational performance, strong production, good costs, good safety, good environmental performance.

Two, very good progress on optimizing our assets. 2022 was a year of consolidation. 2023 is going to be a year of optimization. There’s a lot of work, a particular focus on the Abitibi Belt, but huge potential.

And then three, excellent exploration results; importantly, excellent across a number of assets. And Guy will talk about that.

But I want to start with safety. Our greatest responsibility at Agnico and, I would say, with any company, is for the safety of our people and the safety of our communities.

In the third quarter last year, I had the pleasure to announce that it was the safest quarter in the Company’s 65-year history. The last call, at the year-end call in February, I then had the pleasure to announce the safest year in the Company’s 65-year history.

And now, in the first quarter of 2023, I can once again—I have, once again, the pleasure of saying another record safety quarter in the Company’s 65-year history. That’s pretty fantastic.

So before we get started on the details, I would like to mention the forward-looking statements. There’s a couple of pages there. It’s important. A lot of what we talk about is going to be looking forward and our best estimates but, clearly, they’re estimates.

I am going to go through—this is how the call will go today. We’ll try to keep the presentation to a half-hour, then open it up to questions. I will quickly go over the highlights on the operations. But really, I want to focus us on the excellent things we’re doing to create value long term, and I’m going to be asking the people in charge of that to talk directly.

One, growth at Detour, and Natasha will be talking about that.

Two, growth at Malartic, and Dominique will be talking about that.

And again, Detour and Malartic, some of the biggest mines in the—gold mines in the world, some of the longest-life gold mines in the world, in the best jurisdictions, with a lot of growth.

Three, the consolidation work we're doing on the Abitibi Belt. There is a lot of work there. It's still very early, but we're making good progress, and Jean Robitaille will talk about that.

And then, four, as I mentioned, exploration, and Guy will talk about that.

So jumping into the presentation, just hitting the highlights, strong quarterly production and costs, record safety performance, production at 813,000 ounces, cash costs at $832, and all-in sustaining costs of $1,125.

Particular shout-out to the operating team. We've talked about inflation. We've talked about cost pressures. But as we've said before, what really drives costs are efficient operations, and the team delivered that.

Solid financial results with record quarterly cash flow. Adjusted net income of $0.58. Operating cash flow of $1.30 a share. There is a big accounting adjustment. I will let Dave talk about that later in the presentation.

Gold production capital and cost guidance maintained for the year.

Next page, please. We've had continued exploration success. That's impressive but, more impressive, it's been across the board, at Meliadine, at Kittila, at LaRonde, at Goldex and, of course, continued success at Detour and Malartic.

We closed the Yamana transaction on March 30th. We closed the joint venture with Teck on April 6th. Both of those deals, key strategic deals that position us well in some of the best mining jurisdictions in the world.

We released our ‘22 sustainability report. And a shout-out to our ESG team, who won the investor relations award for best ESG reporting in the industry, so congratulations on that.

Improvement across a number of indicators: safety, water, Indigenous employment, things that are important to our business, and a quarterly dividend of $0.40 a share.

Now before I flip, I do want to give a special congratulations to the team in Finland on the ESG side. The Kittila mine is transitioning to 100 percent clean nuclear power, starting effectively now. That reduces our greenhouse gas emissions for the entire operation by about a third. And so, our target across the Company is a 30 percent reduction by 2030; Kittila has effectively done that now.

And it’s also an opportunity to point out, again, that getting to the targets we need to get to are not just company-specific initiatives, they’re not just industry-specific initiatives, but they have to include broader industry and governments. And this is a perfect example of how much progress you can make when you have access to clean electricity—which, by the way, to repeat, virtually all of our electricity on Ontario and Quebec is clean as well.

Looking at just some highlights of the sustainability report. Again, 65 years, the best safety performance; I can’t say that enough.

I want to take a second to talk about the Dr. Leanne Baker Scholarship. I think a lot of you remember Leanne Baker, an exceptional individual. She was on our board for a long time, really an inspiration to young women as a very successful person on the financial world, on the technical world. And in that scholarship, we have 14 young ladies at Agnico with strong technical and financial backgrounds, very capable, and we are mentoring them as future leaders of the Company.

An increase in Indigenous employment, always important. A reduction in freshwater usage. And I'm very proud of this $1.5 billion in local procurement in 2022. That really does make a difference on the ground.

Next slide, please. So the rest of this presentation, primarily, is going to be focused on the key value drivers that are going to move this company forward for years to come, and I'm going to have the individuals talk about them.

Again, Natasha will be talking about Detour Lake, where we've had record throughput through the mill as Natasha and her excellent team continue to make progress there. And she will also talk about our long-term objective to get to a million ounces a year.

Dominique will talk about the Canadian Malartic Complex, the shaft sinking, the ramp construction, and some of the opportunities we see there.

And Jean will be talking about some of the initiatives to consolidate the Abitibi Belt that we've talked about, including Amalgamated Kirkland, Upper Beaver, and Wasamac.

So with that, I will pass it over to Natasha.

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

Thank you, Ammar, and good morning, everyone. So as Ammar said, I'll provide an update on Detour and our vision to get to 1 million ounces per year.

I'm on Slide 9. And I'll start with the mill expansion. So this has been a journey, as you can see from the top graph on this slide. The team has progressed quite a bit over the last few years in increasing throughput at the mill and have had tremendous success in achieving their objectives.

And in my opinion, anyway, since the merger, we’ve actually seen an acceleration of that because of the technical bench strength that came with the merger, and the ability for us to leverage the best—the sharing of best practices between Canadian Malartic and Detour. There was a lot of lessons learned here.

And so we continue to advance on multiple initiatives to increase and stabilize the mill throughput to 28 million tonnes a year by 2025, if not sooner. And as mentioned in February, the last major initiative in our plan to achieve 28 million tonnes a year was successfully completed towards the end of 2022 with the installation of the secondary crusher screens.

And so this quarter, as well as going forward in the year, the focus at the mill will now shift to optimizing the mill processes, to analyzing the wear and tear from the higher throughput to optimize maintenance practices and, as I mentioned before, basically improving the overall mill runtime so that the higher throughput becomes simply more and more consistent over time.

Basically, what we’re doing is tweaking the system now and aiming to improve the runtime, which is normal at this phase of the expansion process. And some examples of what I mean by tweaking the system is that we’re looking at small changes to extend the liner life. We’re tweaking the refeed system so that it operates more efficiently in the winter. We’re relocating some of the pipelines in the mill just to maximize efficiency of pipe replacement during shutdowns. Those are just a few examples from a list of things that the team is working on very hard.

And also, while doing this, we’re also evaluating a pathway to increase the mill throughput beyond 28 million tonnes a year. The second graph below on this slide shows that. It shows our current thinking of how we envision going beyond 28 million tonnes a year. And I’ll just take a minute to explain that.

First off, we feel that the infrastructure that we currently have in place has the potential to deliver more, once we optimize our mill processes and our maintenance strategy. And with that logic, we think that there is opportunity to gain somewhere in the order of maybe 0.5 million to 1 million tonnes per year just from that.

The next is implementing an expert system like we have in some of our other mills. We think that there's opportunity to gain some tonnage there, too.

And finally, we're testing the ability of increasing the percentage of pre-crush material to feed some more feed through the refeed system. And we're also testing the ore sorting capabilities.

So this is just a vision of where we see the potential to achieve higher tonnage beyond 28 million tonnes a year. And importantly, these initiatives that I just talked about come with limited capital expenditures. It's still early, though, but we do have an experienced team on-site working on this.

Now moving on to the second part of our vision to get to a million ounces at Detour, and that's the evaluation of the potential of the underground mine. Now the first portion of this study would be to complete an initial underground mineral resource associated with the mineralization that sits just outside of the final pit limits.

To that end, we are carrying out an aggressive drilling program, and Guy will expand on this shortly. But we do have more drilling to do and, once that underground resource is ready, this will be used as the basis for the underground mining scenarios that we'll be working on.

Finally, to end, I just wanted to say that the team at Detour has done an incredible job so far, and I just want to take the opportunity to thank them for their hard work, but also for their passion at continuing to look at ways of maximizing the value of such an incredible asset.

But also, to echo Ammar’s words, I just wanted to thank the rest of the sites for performing so well as you did this quarter. It’s just truly a testament to the calibre of the people that we have here at Agnico.

So thank you. And with that, I’ll pass the call over to Dominique Girard.

Dominique Girard — Executive Vice President, Chief Operating Officer, Agnico Eagle Mines Limited

Thank you, Natasha. For Canadian Malartic, maybe before updating on the project and opportunities, following the acquisition, we had many positive and happy meetings with the Canadian Malartic complex team and contractor to celebrate that good news. That was very interesting to get back with them. It is another important step to consolidate the strong teams and great assets in one of the best places in the world for mining operations.

For the Odyssey project, you can see on the map at Slide 10, we’ve reached the first—the first good milestone was the first production blast on March 20th. The Odyssey South ore body at Level 31st, so far, so good. We saw a positive reconciliation on tonnes on grade for that first stope. It is currently under mucking and processing at the mill, and everything is fine. There’s no problem. We are on line to do the 50,000 tonnes—50,000 ounces in 2023.

At the Main, the Main ramp reached the 54th Level, which is the bottom of the Odyssey South ore body, as well as the first access where the shaft is going to arrive.

In the first quarter, the team will focus—not in the first quarter, but in the coming quarter, the team’s going to focus on two things: to continue the infill drilling of the Odyssey South, as well as the Internal zone, to better understand those upside; and to push the ramp, the Main ramp, faster as we can to be at the middle station earlier than we think, to be able to—that’s going to be the first place where we’re going to have the loading station for the East Gouldie deposit. So this is the two focus.

On the surface, everything is built to support the shaft sinking, the headframe is ready, the waste silo, the Galloway is functional, and shaft sinking activities are underway. It is still an early stage. We need drilling and to do study, but the teams are also working on the conceptual second shaft. We're going to need a couple of years to develop that, and we are also evaluating other near-surface opportunities on the Canadian Malartic property, like Camflo and LTA.

So before transferring the mic to Jean, I would like to thank and congratulate the Canadian Malartic complex team for their strong health and safety performance in Q1.

To more specifically, the Odyssey team, which is, let's say, construction and operation teams—we're talking about 250 Agnico employees, 500 contractors—they've reached a triple zero, which is no lost time, no medical treatment, no modified work in a quarter. It's quite a good achievement for a site in development, in construction. Congratulations to all.

And so thank you for your time. We're looking forward to show you our great progress, and at the June investor, you're welcome to join us. Thank you.

Jean Robitaille — Executive Vice President, Chief Strategy & Technology Officer, Agnico Eagle Mines Limited

Thank you, Dominique. Next slide, please. And good morning, everyone. If you look what we did in the last two years with the consolidation of our land position with the merger with Kirkland and the acquisition of Yamana's Canadian asset, this provided us with the opportunity to leverage our existing asset.

You see on the map, presently, what we own currently between Macassa and Goldex. And considering our upcoming excess processing capacity at LaRonde Complex and Canadian Malartic, we have initiated multiple studies to identify the optimal approaches.

More than 10 studies are ongoing to be in position to integrate the best alternatives into our future production plan. We have identified potential to add up to 500,000 ounces by the end of this decade.

So currently, we are focusing on the near surface and AK. On this specific one, we have identified at this point, for the second half of ’24, up to 400 tonnes per day. The metallurgical test works are completed, and the milling options are already defined. It will be integrated in the mine plans of the different operations.

We are working on Upper Beaver, Wasamac satellite deposit and, for sure, everything around Canadian Malartic. We perceive substantial opportunity with the land position we have, with the road, the railway, and we will keep you posted as its dedicated effort to advance and optimize our asset.

On this, I will pass to Guy for the exploration part.

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

Thank you, Jean, and good morning, everybody. 2023, again, we have a large exploration program with over than 310,000 metres of drilling that was completed, and I would say safely completed, in Q1 by the 1,000 employees and contractors that are working into the various exploration sites, where we’ve seen a tremendous improvement into the safety performance.

And I would like to congratulate each of the sites for their excellent performance in the first quarter. That has been one of our first best quarters ever in the exploration for as long as we can track. And we expect those good performances and explorations on various sites to lead to some positive results in terms of addition to resources and reserve towards year-end.

And to go through a few of them, first start at LaRonde Zone 5. Drilling continued to expand the mineralization at depth, now extending the mineralization down to 950 metres, with highlight result up to 3 grams over 30 metres and 3.7 grams over 10 metres, which are above the current reserve and resources grade at LZ5. So quite encouraging results, and we expect those results to lead to an addition of inferred resources below the current limit of 770-metre depth towards 950-metre depth by the end of year-end 2023.

At Goldex, infill results in the South Zone continued to deliver extremely good results, much higher grade than the overall grade at the Goldex deposit, including results up to 9.8 grams over 50 metres, 6 grams over 12 metres, which are quite positive on the overall benefit on the head grade at the Goldex facility.

And also, some initial drilling in the W Zone, which is located approximately 200 metres to the west of the main Goldex deposit at Shaft No. 1, where it was some historical results. And recently, we've resumed drilling through our Level 27 exploration drift, where we got an intercept of 1.8 grams over 35 metres, in some mineralization that is similar to the typical Goldex GEZ and B zones. So quite encouraging results for the Goldex future.

At Hope Bay, we have nine rigs operating, split between Doris and Madrid. Highlights in the Q1 continued to return good results in the Doris deposit with, in the BCO fold hinge, 15 grams over 6 metres, and also extending the BCO fold hinge to the south a couple of hundred metres, with 17 grams over 4.8 metres. So continue to demonstrate our ability to grow the Doris deposit.

And also, an increase of activity at the Madrid deposit, where we are shifting towards a larger step-out along the mineral strand of the Naartok-Suluk-Patch 7 trend. And we're starting to see some primary results with 6.8 over 3.7 but, more importantly, recently, some nice visual intercept with nice mineralization and visible gold along the trend, with results that are pending.

In more detail, at Slide number 13 for Meliadine, I would say Meliadine now quite exciting. We now have access to our exploration ramp in the central portion of the deposit, which allows much better access to test the deep extension of the deposit.

And during the first quarter, in the central part of the Tiriganiaq-Westmeg, from that new exploration ramp, having access to drill a deep portion. Some pretty encouraging intercepts in the Tiriganiaq deposit, 17 grams over 4.9, and also another deeper intercept, 7.5 over 8 metres, at 890 metres, which is the deepest intercept reported to date at the Tiriganiaq property, demonstrating that the deposit remains open at depth and to the east. So quite positive results for Meliadine.

Shifting to Kittila, I would say the highlight this quarter would be to where in the Main Zone, in the Rimpi area, which is in the north part of the deposit, where we continue to see that the deposit remains open at depth, with typical kind of grade and width for that area, with 5 grams over 9.2 metres. And the deposit in the Rimpi and north Roura area continues to remain open to the west. So I expect it to continue to add on. It is outside of the currently known resources area, so very positive.

And last but not least, as introduced by Natasha, obviously, lots of drilling happening at Detour, where we currently have 10 rigs operating on the property that completed in excess of 65,000 metres in the first quarter, with a primary focus at testing in the Saddle and West pits, below the reserve pit, and also continue to extend the deposit towards the West.

So within the West pit and Saddle area, some quite nice grade over good thicknesses, 2.9 grams over 30 metres, 3 grams over 26 metres, 2.6. So this is exactly the kind of intercept we’re looking to incorporate it into our vision for the underground scenarios or interpretation of those higher grade intercepts within the deposit.

And exploration also continued to test the deep western plunge of the deposit that, as mentioned in the previous quarter, remains open with gold mineralization that extends up to 2.4 kilometres to the west of the current resources pit, so a number of positive results at Detour.

And on that, I will hand back over to you, Ammar.

Ammar Al-Joundi

Thank you, Guy. Good job. I'm going to ask Dave to talk about the financials.

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

Just looking at the pie graph on the right of the next slide, you can see that Agnico remains very well diversified operationally.

And to the left at the top, we've got the breakdown, asset by asset, very strong operating performance, as we've discussed.

And of course, when you have a good gold price and good operating performance on the cost side, that results in good cash flows. And in fact, this quarter was a record. In fact, we expect another record next quarter because we'll have additional production from the other 50 percent of Malartic as well. So from a production perspective, Q1 should, in fact, be the lowest gold production quarter for the year.

And I also expect a good gold price this year; certainly, even higher by the end of the year, is my opinion. So I think we're in a great position from a cash-generating ability.

On that note, I would just point out that Agnico's currently trading at about 10 times cash flow, which is a fairly low multiple. In fact, if you told me that you'd be in a good gold market, gold would be $2,000 an ounce, I would think that Agnico would probably be trading at at least 15 times cash flow.

So I've seen us trade north of 20 times cash flow for long periods of time in good gold markets. And I think, maybe, by the end of the year, we'll have that benefit of a stronger gold price and maybe multiple expansion as well, so pretty excited about that.

Just flipping to the next page. Just a couple of comments on our liquidity position. In the first quarter, we drew $1 billion on our credit lines to pay the cash component of the Malartic acquisition.

And since then, subsequent to quarter-end, we've actually entered into a term loan for $600 million with Desjardins and EDC. Very happy with that deal, as I know our partners at Desjardins and EDC are as well. That's a two-year agreement.

And additionally, we've paid from cash another $200 million down on the line. So, of that $1 billion that was drawn on the deal, there's only $200 million remaining drawn on the lines now.

So, we're heading into the remainder of the year in a very strong financial position and a great outlook, I think.

Ammar Al-Joundi

Well, thank you, Dave, and thank you, everyone. Next slide, please.

So just to summarize, everybody on the line here knows who we are and what our strategy is. And it's been a consistent strategy. We are not a go everywhere in the world to build a mine; we are very much a regional miner. We focus on the best places in the world to mine, based on geologic potential and based on political stability.

We are absolutely focused on per-share metrics. We don't care about the total size of the Company. We care about share price.

We are an important part of the community. If you want to be in a place for 50, 60 years, you can't just be a good miner, you have to be part of the community. That's important to us. It'll always be important to us and drives our ESG philosophy.

We have a long history of capital returns; almost 40 years of consecutive dividend payments. And last year, I think we returned almost $800 million to shareholders.

But I will finish on one important thought, which is this regional focus in stable jurisdictions has always worked well for us. I would suggest that it is more important now than ever. With what's happening in Ukraine, the East-West split is bigger than it's been since I was a little kid, and I'm 58 years old. And to be sure, China is flexing its muscles with a focus on minerals.

And so that positions, I think, for the next several years, an increased focus, not just on what you're mining, but where you're mining. And certainly, the strategy of being in good geologic regions with good political stability and, frankly, being the strongest miner in those regions, is a strategy that will do well for everyone, our communities, our employees and, certainly, for our shareholders.

And with that, Operator, we'll open it up for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by the 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request. If you wish to decline from the polling process, please press *, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

The first question comes from Fahad Tariq of Credit Suisse. Please go ahead.

Fahad Tariq — Credit Suisse

Hi. Good morning. Thanks for taking my question. Maybe for Dave, you talked a little bit about the balance sheet. I just wanted to get a sense of target leverage. And I know there's some moving parts with—there was the drawdown from the revolver, but then it sounds like there was a repayment subsequent to the quarter. Just trying to get a sense of what is the target net debt to EBITDA that you're comfortable with.

And considering there's a few projects, potentially, in the pipeline that require some CapEx, what would be like a high-level leverage that you're comfortable with? Thanks.

David Smith

Yeah. So from a very broad basis—because, of course, it always depends on market conditions as well, and what is going on at the Company at any given moment. But the way I've described it to the board is all else being equal, let's not touch 2 times net debt to EBITDA. And we haven't in a very, very long time.

We'd like to operate at less than 1 times net debt to EBITDA. And our current forecasts at spot pricing indicate that we would end this year at about 0.24 times net debt to EBITDA. So very, very conservative balance sheet and we intend for it to stay that way.

To quote Sean Boyd, who's been here for apparently 40 AGMs, one of the reasons that we've been around for more than 60 years is because we've never taken on too much financial risk. And we're going to keep that very conservative balance sheet and lots of liquidity to make sure that we can do all those big projects in the future.

Fahad Tariq

That’s very clear. Thank you.

Operator

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

Anita Soni — CIBC

Good morning, everyone. And firstly, Dave, congratulations on your well-deserved retirement. And congratulations on the quarter, everyone.

My question is with respect to the cost guidance as we look at it over the course of the year. So you came in below the low end of your cost guidance for this quarter. Can you talk about some of the moving parts over the course of the rest of the year, Q2 and into Q4, that may see you trend upwards?

And can you also talk about the inflationary pressures that you’ve seen abating?

David Smith

Hi, Anita. It’s nice to hear from you. The team did a great job on cost control and, first and foremost, it’s always the operations. When the operations do a great job, the costs are naturally in line.

We are seeing some relief, frankly, on the inflationary side. We were talking to our procurement team the other day, and we are starting to see from the—frankly, from the merger with Kirkland Lake, we said it would take a while for some of this to come through—some of that is starting to come through with some of the new procurement contracts. The team has been working exceptionally hard on that.

We’ve had some currency tailwinds that help us. So I think we’re very comfortable with the guidance that we have with costs. It’s clearly—given the volatility we’ve had over the last couple of years, it would be probably irresponsible to change it at this point, but it certainly is a good start, and most of the benefit goes to the operating team and the procurement team.

Anita Soni

Okay. I'll leave it there and let the next person ask. Thank you.

Operator

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

Tanya Jakusconek — Scotiabank

Good morning, everyone, and congrats on a good quarter and congrats, Dave, on the retirement. It's good to be back on the call after being restricted for a while as well, so. Okay. A couple of questions.

Can I just start on the—Anita started on the cost side, but I just wanted to get an idea. As I look at 2023, can you provide some guidance for the remainder of the quarters in terms of how do you see production, any assets that are back-end weighted, and where you have maintenance downtime, so I can get those correct in my forecasts? So let me start with that first.

Ammar Al-Joundi

Okay. Well, I will start with the big picture on the remainder of the quarters, and then, maybe, Dominique and Natasha, you can hit some of the specifics. And welcome back, Tanya. It's nice to have you back online now that you're not restricted.

The first quarter's going to be our lightest quarter with regards to production. That is simply because it doesn't include 100 percent of Malartic, which our numbers will, going forward. We don't see any particular problems with any of our production. We remain very confident.

I would say that it is probably normal to have glitches, but that's one of the benefits to have a diversified and multiple mines. And our team are as good as anyone in the business with dealing with these things. But maybe, Natasha and Dom, if there are any specific items?

Natasha Vaz

Just to add to that is, on my side, anyway, I see it remain pretty steady over the course of the next three quarters. We might have some changes in mining sequence here and there but, overall, quarter over quarter, should be okay. Maintenance downtime is—it's planned maintenance downtime. So we would expect to have one every quarter or so.

And Macassa, I would say that since we commissioned No. 4 Shaft, we should see—starting to see higher productivities in development, et cetera. And so we should see costs coming slightly down from that perspective, Tanya.

Tanya Jakusconek

Okay. So maybe, if I think about any downtime at Kittila for autoclave, should I—is there anything specific I should think there?

Dominique Girard

Hi, Anita. Yeah. Q2's going to be the lowest quarter because of the shutdown, our eight-month shutdown.

Tanya Jakusconek

Okay. Thanks, Dominique. Just on—so as I look at the year, is it safe to assume that all of Q2, Q3, Q4 are generally even, production-wise?

Dominique Girard

Yeah. Roughly.

Tanya Jakusconek

Effective?

Dominique Girard

Yep.

Tanya Jakusconek

Okay. So that's helpful. Thank you. And then, can I just ask about the inflationary pressures that you saw some easing? Maybe some examples of where you are seeing it? I understand productivity has been helping. But can you talk a little bit about where you're seeing—when you look at your cost structure, and you look at the labour, the consumables, fuel, other—can you just talk to us about where you're seeing the easing? And sort of a bit more examples as to what you're seeing?

Ammar Al-Joundi

Well, I'll go first. I mean, we are seeing easing—so for example, in Finland on electricity prices. They're not back to where they were, but they're probably half of what they were at the peak. And the prognosis looks good going forward.

Steel prices are down. Fuel prices are down. Some of the consumable prices are down. And we are getting through the worst of—and we've talked a lot about this—the worst of the lack of human capital. People were able to operate more effectively.

But maybe, Natasha and Dom?

Natasha Vaz

Sure. I can start. Maybe I'll just give you an example, Tanya. So for Detroit, for example, in the quarter, we saw diesel remaining flat in the first month or two and then starting to decline in March and definitely in April as well. Electricity for the quarter, our diesel, was down in comparison to where we assumed for budgeted levels. But in other areas, like cyanide and grinding media, on my end anyway, the unit rates remain flat.

Dominique Girard

And maybe the one which we still see pressure is mainly maintenance parts from the supplier. Those costs remain high, and especially the electrical material. We don't see decrease yet in those ones.

And as Ammar mentioned, workforce remains on the—let's say, didn't decrease, so we'll say stabilized, but it didn't decrease.

But maybe more—which is very important, too, is on the supply and the logistics. In the last year, challenge that we had, even though you would like to pay, if you don't have the parts, you're done. This year, this is going away. The supply chain is back on track. So this is very positive and contributing to do a good production which has, the end of the day, helping the costs.

And I see more and more contracts now from the procurement team, which are—Canada's or bigger contracts, where we have the merge together. And from that, there is, of course, opportunity by the volume, higher volume.

Tanya Jakusconek

If I was to think back to next (sic) year—and I think on your call, you had mentioned inflationary pressures up to 10 percent—would it be safe to assume that from that 10 percent, we've seen a couple of percent of ease? Or is it just still relatively flat? I'm just trying to get a magnitude of easing.

Ammar Al-Joundi

Well, I mean, if I give a forecast, the only thing I know is I'm going to be wrong. But it's probably not unreasonable, Tanya. Yeah. Maybe—I don't know, maybe 8 percent's better than 10. But you know—and there's so much volatility, take that with a grain of salt.

Tanya Jakusconek

I appreciate that. It's just to see if we've started to see it come off or just it's stabilized. So it seems as though you're saying it's come off somewhat.

Ammar Al-Joundi

A little bit, yes. Absolutely.

Tanya Jakusconek

Okay. And then if I could get one more in for Guy, just on the exploration news and the reserves and resources. I know, Guy, it's very early days. But as I think of Agnico and I think of getting to year-end 2023, I know that's still far away. Are we still on—is your target to replace reserves at operating mines? Do you think with what you have going, we can get there this year?

Guy Gosselin

It's always an excellent question, Tanya. Thanks for—

Tanya Jakusconek

I always ask it.

Guy Gosselin

You had to. No. I think we see positive indication at several of the mines. So we see that some of them are in a good position to completely replace. As you mentioned, it's very early days, although we're planning to deliver a couple of studies on key projects like East Gouldie, eventually, which some of that may turn to reserve by year-end. This is what we're aiming for.

So from a mixture of projects, key value-driver project update, and the good results at existing mines, we anticipate to be overall exceeding what we're going to be depleting this year from mining.

Tanya Jakusconek

That's good to hear. I'll leave it for someone else to ask. Thank you very much for taking my questions.

Operator

Thank you. Once again, ladies and gentlemen, if you do have a question, please press *, 1 at this time.

The next question comes from Mike Parkin of National Bank. Please go ahead.

Mike Parkin — National Bank

Hi, guys. Yeah. Just one kind of question that hasn't been asked is around depreciation. With the accounting change on Canadian Malartic, do you still see your guidance of about just shy of $1.4 billion depreciation? Is that still valid? Or kind of up for review?

David Smith

Yeah. It's exactly that, Mike. It's, let's call it, up for review because the purchase price allocation is absolutely preliminary at this point. We'll be working on it until at least the end of the year, so a lot of moving parts.

But that being said, I think you are probably correct that, as of right now, with no other changes, all else being equal, we probably will have increased DD&A going forward here from the write-up, but again, subject to change.

Ammar Al-Joundi

And that's an important point, and I'm glad, Dave, you brought that up. There is going to be bounce. That $1.5 billion is preliminary. And there may or may not be noise associated with it during the year. Just it's not a big deal, it's accounting, but just a heads-up on that.

Mike Parkin

And would that impact your expected tax rate for the year?

David Smith

Yeah. I guess if you have less net income, you have more taxes, less earnings. But again, it is too early to say where this is going to go. But let's review it, quarter by quarter, to see where we are on the PPA and see if we change our guidance, because we're very careful, quarterly, about making sure we update any of the guided numbers. And obviously, DD&A is one of those. So we'll get you next quarter if there's any change.

Mike Parkin

All right. Appreciate that. Dave, congrats on retirement.

David Smith

Thanks, Mike.

Operator

Thank you. There are no further questions at this time. Please proceed with closing remarks.

Ammar Al-Joundi

Well, thank you, everyone. It is a pleasure. And as I've said before, when the operating team does a great job, my job is easy. So we'll end it with that. And thank you very much.

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.