FINAL TRANSCRIPT

Agnico Eagle Mines Limited

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PRESENTATION

Operator

Good morning. My name is Lara, and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Q2 2024 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 the *, followed by the number 2. Thank you.

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

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

Good morning, and thank you for joining us today. We are very excited to be reporting another exceptional quarter and to share with you some of the important work the teams are focused on to create additional value.

Some of the highlights this quarter include continued strong operational performance with excellent cost control. This focus on cost control has allowed us to deliver, for our owners, tremendous leverage to increased gold prices, as demonstrated by our third consecutive quarter of record free cash flow.

A significantly strengthened investment-grade balance sheet with over $900 million of cash at quarter-end and $250 million of debt repaid in July.

We continue our long-standing commitment to shareholder returns with $50 million in share buybacks in the quarter and almost $200 million paid out in the quarterly dividend, marking over 40 years of consecutive quarterly dividends.

Prudent, measured, and importantly economically driven reinvestment into the business, including approximately $50 million of supplemental exploration budget focused primarily on Detour, Malartic, and Hope Bay and based on exceptional ongoing exploration results.

And announcing the next steps to developing the Upper Beaver mine and expanding Detour to potentially over 1 million ounces a year of annual production, both investments based on exceptional projected, risk-adjusted economic returns.

We continued to deliver stable, reliable, consistent operational results safely and responsibly in the most prospective and the most politically stable jurisdictions in the world. With our strong first half results, we are very well positioned to reiterate our production and cost guidance for 2024.

However, before we get into the operational and financial details, I'd like to take a moment to talk about safety and sustainability. The safety of our people, our partners, our communities, and our environment is paramount. Nothing is more important.

I'm proud to say we had another strong quarter on the safety and sustainability front. This performance has been recognized by our peers, with our teams recently winning several industry awards, including, to name just a few, on the safety front from the Canadian Mining Institute—I'm sorry, from the Canadian Institute of Mining, Metallurgy and Petroleum, the John T. Ryan Safety awards for 2023 for Eastern Canada to Canadian Malartic, for the Prairie Provinces and Territories to Meliadine, and for Canada nationally to Goldex.

Our mine rescue competitions—at the mine rescue competitions, our mines won a total of eight awards, including five first place awards.

On the sustainability front, Agnico Eagle's LaRonde Complex was awarded the 2024 Towards Sustainable Mining Environmental Excellence Award, presented by the Mining Association of Canada.

And we also recently released our inaugural reconciliation action plan and our 2023 climate action report.

As Sean Boyd, our Chairman and long-time CEO, often says, it's not just what you do, but how you do it. So well done to the teams.

In our first quarter call earlier this year, with gold prices and our revenue up significantly, we chose in that call not to focus on the record cash flows we generated, but instead to focus on cost control.

We wanted to emphasize cost control because while we don't control the gold price, we can work hard to control costs. And it is our strongly held and fundamental view that the benefit of higher gold prices must go to our owners, not to higher costs and certainly not to bad projects.

Our performance in this second quarter demonstrates that this focus on cost control is real, and this focus is delivering results for our owners with Q2 cash costs at $870 an ounce.

I can tell you, with quite a bit of pride, that at every mine, at every call, at every meeting, the teams remain laser focused not only on cost control, but on continuous improvement to make our operations more efficient, more productive, and to offset cost inflation where we can.

And as we continue to deliver record cash flows and as we continue to accrue cash on our balance sheet, our focus is not only on continued cost control, but also on continued discipline when it comes to capital allocation.

This is your money. We remain as committed to disciplined capital allocation at $2,300 gold, at $2,400 gold, as we were at $1,800 gold.

In fact, the projects we will talk about today, Canadian Malartic, Detour underground, Upper Beaver, are exactly the same projects we talked about a year ago when gold prices were $1,800.

We are moving ahead in exactly the same manner, at exactly the same measured pace as we guided at the beginning of the year.

As a reminder, at Detour underground, we're investing in an exploration ramp and bulk sample to de-risk the project. At Upper Beaver, we are investing in an exploration shaft, a shallow ramp, and bulk samples to de-risk the project.

Again, these are the same projects and the same steps we guided in both February and April. Total spend for both of these combined is expected to be about $100 million a year over the next three years. This is a measured and responsible approach.

These are great projects with great economics, with tremendous upside to expand and extend mine lives. They are straight down the fairway of what we do and what we've done.

These are not new projects in countries we've never been to before. They are in our backyard, and we've done our homework. We have the people, the skills, the resources to take these projects prudently to the next level.

Again, we're talking about $100 million a year over the next three years.

Our goal is to deliver projects that not only have a great return on capital, but also a great risk-adjusted return on capital. That's what we mean by disciplined capital allocation and that's what we aim to deliver with these investments into the business.

And with that introduction and summary, I now turn the presentation over to our CFO, Jamie Porter, who will go over our financial results.

Jamie?

Jamie Porter — Chief Financial Officer, Agnico Eagle Mines Limited

Thank you, Ammar. As mentioned, we have had a very strong first half of the year, delivering consistent operational results and excellent cost performance.

In the current higher gold price environment, our focus has been on ensuring that the benefit of higher prices accrues to the bottom line and that we deliver strong financial results, and we've certainly demonstrated that this quarter.

We generated record financial results for a third consecutive quarter, with adjusted EBITDA of approximately $1.2 billion and free cash flow of over $0.5 billion in the second quarter.

One of the key drivers to our strong financial results has been our focus on cost control. Cash costs were below the low end of our guidance in the quarter, driven by the strong operating results and the benefit of the weaker Canadian dollar, which was partially offset by higher royalty costs, which are linked to the gold price.

With respect to all-in sustaining costs, we came in at $31 an ounce below the low end of guidance. This was driven by the lower cash costs, as well as deferred sustaining capital. We do expect our all-in sustaining costs to increase in the third quarter as we catch up on sustaining capital.

Our all-in sustaining costs are hundreds of dollars per ounce below our peers, and our all-in sustaining cost margin increased to 50 percent in the quarter, which is amongst the best in our industry.

Taking a closer look at our financial highlights, our revenues increased by 21 percent over the second quarter of 2023 to over $2 billion. Importantly, our adjusted EBITDA increased by 33 percent and our free cash flow increased by over 80 percent when compared to the prior-year period.

On an adjusted basis, net income per share was $1.07 in the second quarter, a 65 percent increase relative to the prior year. Overall, we had strong financial results for the quarter and first half of the year.

If we move on to Slide 5. During the quarter, we significantly strengthened our balance sheet, increased our liquidity to $2.9 billion, and reduced our net debt to under $1 billion, all supported by record free cash flow. We also increased returns to shareholders through $50 million of share buybacks.

In July, we repaid $100 million of senior notes on maturity. We also made an accelerated payment of $150 million on our $600 million term loan facility, bringing our total debt repayment, subsequent to quarter end, to $250 million.

We continue to prioritize returns to shareholders, with our dividend and share buybacks representing nearly 50 percent of the free cash flow we generated in the first half of the year. We plan to continue to strengthen our balance sheet, reinvest in the business, and opportunistically buy back shares.

If we move on to Slide 6. This slide really highlights our disciplined approach to capital allocation.

When comparing to what we budgeted at the start of the year using the $1,800 gold price, we now forecast generating an additional $1 billion of incremental after-tax cash flow. We expect that approximately 80 percent of that incremental after-tax cash flow will be allocated to continued strengthening of our financial position and share buybacks.

We also continue to reinvest in our business. We focus on projects with solid risk-adjusted returns and advance them in a phased, measured manner with incremental capital spending.

We are also providing a supplemental exploration budget of $50 million for this year based on the positive drill results we've seen at some of our key projects that Guy will go over later in the presentation.

While we continue to focus on our portfolio of high-quality internal growth projects, we complement this with our strategy of acquiring strategic toehold positions in emerging high-quality opportunities, which is something that Agnico Eagle has done for decades.

The theme of our first quarter conference call was cost discipline. This quarter, we want to highlight that we also remain very focused on capital discipline. We're taking a measured approach with our organic growth projects, again, to ensure that the benefit of rising gold prices accrues to our balance sheet and to our shareholders.

I'll now turn the call over to Dom, who will provide an overview of our operational results.

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

Thank you, Jamie. Good morning, everyone.

Today, I will cover all the operations highlights on behalf of Natasha and myself. I will also provide an update on Odyssey, and Natasha will provide an update … provide updates on Detour and on Upper Beaver pipeline project.

In Q2, an excellent operational performance all across the board, with the quarterly production close to 900 million—900,000 ounces at a cash cost of $870 per ounce and record operating margin of $1.3 billion.

Some of the highlights include at Canadian Malartic delivering another strong quarter with the gold production ahead of the plan, mainly with higher throughput at the mill, higher gold recoveries, and higher gold grade as we access higher-grade zone ahead of the schedule. So overall, an excellent quarter, an excellent first half of the year for Canadian Malartic.

LaRonde also benefitted from higher gold grade from a favourable mining sequence.

In Ontario, Macassa continued to ramp up its mill throughput, setting another quarterly record in Q2.

And at Detour, they achieved a new historical quarterly record about mill availability at 93 percent; budget was at 91.6 percent. The average mill throughput improved through the quarter with an introduction of new grinding media and some new controls, and they reached in June 81,000 tonnes per day average.

At Fosterville, the mine site focused on increasing mill and mining rate and they set also new records, so a quarterly record on the tonnes mined and a monthly record on the tonnes milled in June.

In Nunavut, Meadowbank, Meliadine continued to outperform. Both operations have made good progress to unlock the underground potential and it is paying off.

A strong performance is a key driver to our excellent total cash cost for the quarter at $870, which is below the low end of our annual guidance. But as Ammar mentioned, our cost performance is also driven by continuous focus on cost control and optimizing our operations. Here's some examples.

Our Nunavut sites deserve a gold medal. They have implemented a strong continuous improvement culture, setting stretch targets and beating them. And on top of that, both of them reached health and safety records in Q2.

The main gains are on the productivity improvement, which affected a very good cash cost performance. But also, they are benefitting from cost management discipline, focusing on what matters to them, like the supply chain, flight, sea lift, inventory, and also energy savings.

For example, more recently they took action to reduce their footprint by closing some buildings that were no longer required, saving on maintenance but also, more importantly, on energy costs.

What we've learned from it and what is the beauty about the Nunavut success is the way this has been done, 100 percent done by site management. It is so great to see the teams proud of their achievement. We believe this is the way to grow our talent and to achieve our business goals.

So overall, with our strong performance in the first half, we are highly confident that we can achieve our production cost guidance … production and cost guidance for the full year.

Next slide. With Odyssey project very well, it is developing on track, so record quarterly mining rate and gold production from the Odyssey South deposit. The ramp development was ahead of the schedule helped by more tele-remote scoop operations and the addition of the new 65-tonne truck for the hauling fleet.

At the quarter-end, the ramp reached the third production level at East Gouldie at 822 metres below surface. Shaft sinking is also advancing well, reaching 680 metres depth at the quarter-end.

Overall, Odyssey is developing as planned and is expected to be the largest underground mine in Canada, but stay tuned. We are ramping up the drills from 16 in the first half of the year up to 23 in the second half of the year. It is our biggest drilling program ever at Canadian Malartic.

On that, I will now pass on it to Natasha, who will discuss other projects, key value drivers, Detour underground, and Upper Beaver.

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

Thanks, Dom. And good morning, everyone. So I'll touch on the two projects in Ontario that we're pretty excited about because it's an opportunity. It's an opportunity to grow low-risk, profitable production in a province that, in my opinion, anyway, is one of the best mining jurisdictions in the world.

So the first project is Detour underground. We provided an update on this project in June, and it outlined a pathway for Detour to be a 1 million ounce producer annually for over a 14-year period, beginning as early as 2030.

Now if we were to use the current gold prices, during that time period we would generate over $1 billion in free cash flow per year from Detour alone.

The Detour underground project is not just a good return on capital. As Ammar mentioned, it's a good risk-adjusted return on capital.

Now Dom already touched on this from an operating standpoint, but I just wanted to highlight this again, and that's our focus on cost and capital discipline in all aspects of our business.

Now as Ammar and Jamie said, from a project perspective we're taking a pretty disciplined and phased approach to further de-risk the project with a measured investment of $100 million in capital over the next three years. And that's to develop the first development exploration ramp and then to collect a bulk sample and then, at the same time, facilitate infill and expansion drilling to convert and then potentially grow the current mineral resource.

And speaking of drilling, we continue to see positive exploration results from along the western plunge of the deposit, and Guy will discuss this later on in his presentation.

Now moving over to the Upper Beaver project. This is another low-risk opportunity to grow the production profile in a camp that we know pretty well. In fact, we expect this project to leverage and benefit from our technical expertise and our workforce at Macassa.

With the internal assessment that we've completed, we've outlined a stand-alone mill concept, but we continue to evaluate ore transportation options specifically at LaRonde. So based on this internal assessment, we see the potential for Upper Beaver to be a low-cost, long-life project with a solid risk-adjusted return and upside potential that supports moving us to the next phase.

And so like Detour underground, we'll be taking a steady and a disciplined approach to de-risk and optimize this project, starting with a measured investment of $200 million over a three-year period.

And this is to first develop an exploration shaft and then an exploration ramp and then collect two bulk samples: one in the upper level of the deposit using the exploration ramp to test the shallow mineralization in the basalt; and then the second bulk sample will be using the shaft to test the deeper porphyry mineralization that hosts a large portion of our resources.

As well, during this time frame we'll be developing underground drilling platforms to convert and then expand the current mineral resources.

But we don't just see the exploration potential at depth. We also see the opportunity for Upper Beaver to unlock the potential in the region.

And so with that, I'll pass it over to Guy to explain the potential a little bit more.

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

Thank you, Natasha, and good morning, everybody. To start with, I'm very happy to provide additional information on the Upper Beaver project.

Going on Slide 11. Since the previous PFS study in 2017, there's been a lot of work done by the exploration team on-site, by our technical services group, and by our project study team, integrating more than 225,000 metres of drilling and 440 drill holes completed over the year since the last study.

This additional drilling helped de-risking the geological model by infilling, but also by extending the resources base. The interpretation of the ore body was completely refreshed, and the updated mineral resources estimate for the new internal PEA study now total 3.4 million ounces of indicated resources, with an additional 0.4 million ounces of inferred resources.

These results show significantly higher potential than the 1.4 million ounces mineral reserve contemplated to be mined by the historic study in 2017. We now expect that a large portion of the new indicated resources will be brought to mineral reserves at year-end.

This new PEA study and the three-year advanced exploration phase that we are about to undertake will allow to further de-risk the project through the collection of the bulk sample that was described by Natasha, while we continue exploration around Upper Beaver deposit and the adjacent deposits in the camp, such as Upper Beaver—such as Upper Canada, Anoki-McBean, to develop the full potential of the Kirkland Lake camp that we now own 100 percent from the Macassa mine to the Upper Beaver project following the merger, with the ability of leveraging operational synergies, expanding our global mineral reserve and resources at the camp that already exceeds 10 million ounces in all categories, all of that within a camp that has over 100 years of mining history and more than 40 million ounces of historical gold production.

Next, we're also pleased to announce that following the exploration results received in the first half of '24, in particular in Canadian Malartic, Detour, and Hope Bay, that we're increasing the exploration budget by $50 million for the second half. We believe that this will lead to another successful year of growth in mineral reserves and mineral resources at our key value driver project.

At Malartic, on Slide 12, in the East Gouldie deposit at the Odyssey mine, recent exploration drilling continued to demonstrate the potential to grow the deposit laterally, with good results both on the eastern and western extensions outside of the current footprint of the mineral reserves outlined.

The results from the ongoing exploration program are anticipated to have a positive impact on mineral resources at year-end and continue to support our view to improve the throughput of the underground mine in the future as reserves and resources continue to grow laterally, and also supporting the potential to develop new underground mining areas. This is core to our fill-the-mill strategy in Malartic.

Moving to Slide 13. At Detour underground, infill drilling, as previously mentioned by Natasha, continued to deliver a high-grade result in the high-grade core of the deposit below, into the west of the reserve open pit. This continued to confirm good grade and continuity of the high-grade corridor that we described at our June update.

As demonstrated by recent results, which has 4 grams over 22 metres, 4.4 gram over 30 metres, 20 grams over 5.4 metres, all of that between 300 metres and 550 metres near the proposed exploration ramp recently announced in June.

Those results continue to support our view that the underground project first presented in about a month ago in June has great potential to continue to grow and will help at bringing Detour mine site, combining open pit, the underground, to the select club of 1 million ounces of gold per year producer for years to come.

And finally, on Slide 14. In the Madrid deposit in the Patch 7 zone, exploration drilling continued to return excellent results up to 17 grams over 25 metres estimated through thickness just at 400 metre depth, further confirming the larger thicknesses and higher gold grade in this new zone compared to the historical mineral reserves and resources at Hope Bay mine.

These results are expected to lead to a significant increase in grade and total mineral resources at year-end ‘24, supporting our view for the potential to develop a larger operation at Hope Bay in the near future.

In closing, Agnico Eagle has a strong pipeline of internal exploration projects with world-class exploration potential and, more importantly, around existing infrastructure in safe jurisdictions that we can leverage with our own internal expertise.

And on that, I will return the mic to Ammar for some closing remarks.

Ammar Al-Joundi

Thank you, Guy, and very exciting stuff. Great work to you and the team.

At Agnico Eagle, we strive to build a simple, high-quality business that generates great returns for our owners. The mandate our owners give us is simple.

Our owners want Agnico Eagle to be the best place to invest in the gold space. That means, one, giving them the best leverage to increasing gold prices and, two, giving them this leverage with a reasonable risk profile.

And the strategy we use to deliver on this mandate is the same strategy we've used for over 60 years.

One, we want to focus on low-risk mining jurisdictions, jurisdictions that have multiple-mine, multiple-decade geologic potential, and districts that have political stability for multiple decades. We want to focus on the regions we know well, and we want to have a simple, manageable business in those regions.

Two, we want to be the highest-quality senior gold producer that we can be. That means high ESG standards based on a multi-decade investment horizon. That means disciplined capital investments based on knowledge and experience in the regions we operate. And that means creating value through the drill bit and through technical expertise.

We feel we are uniquely positioned with robust land packages in core mining jurisdictions with the unique potential to leverage existing capital and existing assets.

We believe we have a competitive—we know we have a competitive advantage from over 50 years of operating in the regions where we are, and we believe we have unique mining experience and expertise in Nunavut and the Canadian North.

And finally, always focused on financial returns with an emphasis on per share metrics, maintaining a strong financial position to fund project growth, strengthen the balance sheet, and to return capital to shareholders, as demonstrated by over 40 years of continuous quarterly dividend payments.

So thank you, all, once again for joining us. And thank you, in particular, to all of our employees who delivered such a great quarter safely.

And with that, we end our presentation and open for questions.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press *, followed by the number 1 on your touch-tone phone. You will hear a three-toned prompt acknowledging your request.

Should you wish to decline from the polling process, please press *, followed by the number 2.

If you are using a speakerphone, please lift your handset before pressing any key.

Again, should you have a question, please press *, followed by the number 1 on your touch-tone phone.

One moment, please, for your first question.

Our first question comes from the line of Josh Wolfson from RBC Capital Markets. Go ahead, please.

Josh Wolfson — RBC Capital Markets

Thanks very much. First question on Upper Beaver. I'm just curious about understanding the economic decision to progress this on a stand-alone basis. On one hand, I guess I'm wondering is there any other opportunities to maybe leverage the infrastructure the Company's talked about historically across the Abitibi to reduce some of that CapEx? Or is this the best plan going forward?

Ammar Al-Joundi

Hi, Josh. It's Ammar. And thank you for that question. There is absolutely an opportunity to continue to consider leveraging existing infrastructure. As Natasha mentioned, we are still looking at the transport option to LaRonde, which would obviously materially reduce the capital that we would have to spend.

The numbers we've given, Josh, are based on an on-site mill because even with an on-site mill, the returns on this are quite strong. At current levels, it's in excess of 20 percent.

And so given, as you would know, that the longest driving factor is the shaft and given that the shaft is independent of where you have the plant, what we've decided to do is basically we've said, look, worst-case scenario, we build a mill, it still makes a lot of money for our shareholders, so let's get started on that shaft because it's a great investment.

But to your point, absolutely, we are still looking at transportation to LaRonde. And if we were to do that, obviously, it would be because it improves the economics.

Josh Wolfson

Got it. Thanks. Next question is on East Gouldie. In terms of some of the infill drilling that's been identified on what looks like a pretty large area and then the comments, I guess, much more clearly this quarter about the potential for a second shaft, I guess I'm wondering, given that the first underground project at Malartic was advanced with an inferred resource at PE level, would this resource extension give you the confidence to be able to progress or make a decision for a second shaft?

Or what sort of time frame could we have the information that we'd be able to advance that or not advance that?

Guy Gosselin

Hi, Josh. Guy speaking. We're still getting some strong results on both sides, both to the east, to the west, and both of them, west and east extensions, are not, I would say, tightly drilled enough yet to make those kind of—so this is some of the internal consideration we're currently having.

So by increasing the drill program by year-end, we want to tight fill that area where we've been getting some pretty high-grade ore and good thickness in the east, as well as to the west, and that's going to help further down the road at making up our mind about what needs to be done and where.

Ammar Al-Joundi

Yeah. I mean, to be sure, we are very excited about the results, Josh, and it's actually progressing probably faster and better than we had anticipated.

But as Guy said and where you put the shaft is pretty important, and that's going to be defined largely by the ore body, again, defined by drilling. So we're not at a position yet to say, absolutely, this is the right place to put a shaft. But certainly, we love what we're seeing.

Josh Wolfson

Got it. And if I can sort of tuck in one more. There's a bunch of projects the Company is sort of evaluating at this point; I guess, more recently, Detour underground and Upper Beaver; still a number beyond that in the pipeline. And then this quarter, there was a large equity investment made in a junior developer in the base metal space.

I just kind of want to understand what the Company's perspective here is on growth and internal versus external opportunities. And how is the Company going to manage capital with all these different options on the table? Thank you.

Ammar Al-Joundi

So I'll address that. So we keep emphasizing the phrase risk-adjusted return on capital and, of course, that is the return on capital and the risk adjusted. So by definition, we have more knowledge on internal projects, by definition. And we're able to make an assessment on risk much better.

So if I had an external project at 20 percent and an internal project at 20 percent, we would go with the internal project, again, because we would, in our view, have a better view on the amount of risk associated with it.

But broadly we look at a lot of things, which is what our investors want us to do. Our investors want us to make them money in this space. And the way we do that is we try to be in places that have good geologic potential, and we try to have a knowledge advantage there.

And so we are always looking at a number of things and it's actually a very good thing. I tell you—and I've been in this business for 25 years—it's fantastic to have the pipeline of opportunities that we have. But I will be very clear and we tried to emphasize this explicitly: We are going to continue to be disciplined in our capital approach.

I mean, Detour underground it's fantastic to get to 1 million ounces a year. It's a ramp and a paste plant. I mean, it's simple. This is stuff we do.

Malartic, we've been there a long time. It's the same mill. We're currently building a shaft. if we build another shaft, this is stuff we know how to do. Upper Beaver, we know how to do.

So clearly, some of the things we look at are more complex than others, but we are very comfortable that we have the resources, both financial and people, to move at the measured pace that we're moving forward.

And honestly, I love the fact that you're asking about which of the very many good pipeline opportunities are we going to prioritize because we have a lot of really good opportunity.

Josh Wolfson

Great. Thank you very much.

Operator

Thank you. Our next question comes from the line of Anita Soni from CIBC World Markets. Go ahead, please.

Anita Soni — CIBC World Markets

Hi. Good morning. First off, congratulations on a strong free cash flow quarter. My next question would be on Hope Bay. So what would be the next steps as we think about start-up time lines for Hope Bay? And what you need to see more there to make a go-ahead decision?

Guy Gosselin

Hi, Anita. It's Guy. Obviously, we need to continue drilling Patch 7. We are still not yet at drill spacing that allows to bring them indicated and into the plan. So our focus—and this is why we are accelerating the pace in terms of drilling—so the plan for us is to bring the core portion of that new high-grade zone, that we think are the needle-movers on the project, as quickly as possible to a drill spacing that will allow us to integrate them into the plan.

So I know in a year from now we should be in a much better position in terms of our understanding of the grade in Patch 7 and to integrate it … and start to integrate that into some scenarios.

Anita Soni

Okay. Thanks. And then just an operational question. Are there any shutdowns or maintenance in the back half of the year that we should be aware of at any of the major operations?

Dominique Girard

Yes. Hi, Anita. We had the one at LaRonde, which is over. We had 10 days the mill and 14 days underground at LaRonde have been done and successfully. And there's another one coming at Canadian Malartic, 10-day shutdown at the mill. It is to change the drive system at the tailings thickener.

Natasha Vaz

Hi, Anita. It's Natasha. And with respect to Detour, we have two more shutdowns coming up, one in August and one in November, and both typical shutdowns. We normally have four shutdowns a year.

Anita Soni

Okay. And then just again at Canadian Malartic, though. It's delivering pretty good throughput and grade. Should we expect that to continue for the remainder of the year? I think it's outpacing the guidance by a significant amount from the first half.

Dominique Girard

Yes. We should expect the tonnage to keep—we're going to keep a good tonnage through the end of the year. But the grade, we expect that it's going to be lower than the first half as in the second quarter we were mining two inner pits close to old workings where we had the upside on the grade.

But now, we're moving more to a phase that we need to move more waste than the low-grade ore. So we can have a good tonnage, but a lower grade than we had in the first half.

Anita Soni

Okay. I'll leave it there and let someone else ask questions. Thank you very much.

Operator

Thank you. Our next question comes from the line of Lawson Winder from Bank of America Securities. Go ahead, please.

Lawson Winder — Bank of America Securities

Thank you, Operator. Good morning, Ammar and team. Thank you for the update today. Always very helpful and wonderful to hear from you.

I wanted to follow up on the capital return theme. And just observing the very, very strong cash flow in Q2 and looking out to the second half and next year at spot and even lower than spot gold prices, that free cash flow generation will continue to be very robust, to put it lightly.

And with that as context when you look at the capital return program and the increased focus on the buyback recently, is there any thought internally to maybe shifting that back to the dividend with a potentially higher dividend? And when you think about paying a dividend, what's kind of a comfortable free cash flow payout on that dividend level? Thanks.

Jamie Porter

Lawson, it's Jamie. Thanks for the question. Yeah. No. I mean, I'll answer it just by focusing on the last part of your question. Our dividend payout ratio was 36 percent in this most recent quarter, and I think that's really a comfortable level. I mean, if you factor in combination of the dividend and the share buybacks, the $70 million in share buybacks at the first half of the year, we're running at a rate about 50 percent direct return to the shareholders the portion of our free cash flow.

So I think that the dividend's at the right spot where it is currently, representing about a third of the free cash flow that we're generating.

Lawson Winder

Okay. Very helpful. Wanted to also ask, just given the theme, Ammar, of your early comments on cost management and cost reduction—congratulations on the success there—in the recent past, so in the past sort of two to three years, there's obviously been a lot of labour and cost inflation in the industry, but particularly on labour. And it would be helpful just to get your comments on what you're seeing in the various regions today.

Is that continuing to improve, both with respect to labour costs, but also labour availability? Thanks very much.

Dominique Girard

Hi, Lawson. Dominique speaking. We see a stabilization in terms of workforce availability. We still have a very low turnover between 3 percent and 6 percent average in 2023 Quebec. Also, it's going good also in Ontario.

In terms of a salary increase, we just expect a normal year—I don't know—3 percent, 3 percent to 4 percent kind of. So there's no—we don't see a big issue on that.

And maybe while we're talking about inflation, there's interesting trending going on diesel, steel, and also cyanide that we see now—that's going to help—a bit more higher on the lime.

But other than that, it is stabilizing, maybe getting lower a bit.

Natasha Vaz

Hi, Lawson. Just on Ontario, yeah, we still have a tight market, but as Dominique mentioned, it is stabilizing. We have a low turnover. And at Macassa in particular, one of the reasons that our costs are lower is that we are focused in on internalization of our contractors. And we've seen good progress.

But overall, vacancy rates are pretty low.

Ammar Al-Joundi

And I'll just jump in by saying something I often say, which is the big driver of quarterly cost is quarterly production. When the teams do a great job, like they did this quarter, and they deliver good production, they almost always deliver great costs.

So it's just important to keep that in mind as well.

Lawson Winder

Okay. Yeah. Thank you, all, for the comments. And then just, Guy, you made some comments on Hope Bay and some of the other assets and the outlook for resource and reserve growth for year-end.

Maybe could we get just an early look on your thinking in terms of overall reserve replacement on a consolidated basis for Agnico heading into year-end? And then just any thoughts on whether there might be an update to the gold price assumption considered?

Guy Gosselin

It's a bit early in the year, I would say, to commit on a gold price assumption and are we going to move on, so that still needs to be seen. We are usually completing our analysis during Q3, Q4 to make up our mind early in the year, so too early for that.

Same as well (unintelligible) it's difficult. We've been basically running a couple of internal runs on some projects with just the Q1 results. I think we're in pretty good shape and I'm expecting, as I mentioned in my—so I think we're on a good position to replace what we mine this year.

I would say there's no major study to come, like when we added the Detour and East Gouldie last year. So we're not expecting a big bump associated with the major project updates. So we're expecting more kind of a flat replacement, as I see, but it's still early in the year.

Lawson Winder

Good. Fantastic. Thank you, all, very much and congratulations on a great quarter.

Operator

Thank you. Our next question comes from the line of Ralph Profiti from Eight Capital. Go ahead, please.

Ralph Profiti — Eight Capital

Thanks very much. Good morning. Ammar, when we look at this supplemental exploration budget, how much of this is strategic and geology driven? And how much, if any, comes from increasing cost pressures? Right?

So said another way, is there any performance carryover on what we're seeing on the operating cost discipline side into the exploration and discovery cost side of the business, especially when we look at this second half budget?

Dominique Girard

I would say to the contrary, we've seen some easing into our overall drill costs. So we managed to drill more, I would say up to 10 percent more than originally planned in our first half.

So the addition we're doing in the second half is very directed, as you heard, to Detour because along with the exploration ramp and I know eventually our desire to bring the upper part of the western extension of the deposit to reserve. So it ties along with the ramp develop.

And same in Malartic. In order to eventually commit on additional infrastructure, increasing the pace over there to get more clarity sooner than later—

Ralph Profiti

Mm-hmm.

Dominique Girard

—and Hope Bay with the great results we've been getting in order, again, to come back with some more clarity in '25 or '26. So better cost performance, better unit costs, some easing. The market is favourable. Currently, it's difficult for a lot of the smaller juniors—

Ralph Profiti

Mm-hmm.

Dominique Girard

—to get capital. Therefore, there's been sort of an easing and we've been quite pleased with our ability to renegotiate contracts and get better rates.

Ralph Profiti

Great. Excellent answer. Jamie, a capital allocation question on the private placement debt and the cost of that debt, as we're likely to see the outlook for rates come lower and we're seeing a step up in the gold price.

As these maturities come due, how are we thinking about the process of looking into either paying that off, partitioning, or rolling it forward?

Jamie Porter

Yeah. Thanks for the question. I'd say we do have the remaining $450 million on the term facility due in April of 2025. So we'll look to certainly repay that between now and then.

On the private notes, the terms are actually quite favourable. I think the average coupon is in the 4s in terms of what's outstanding, and they're spread out really over the next decade.

So I'd be happy keeping those in place and paying them off as they come due.

Ralph Profiti

Understood. Thanks, all.

Operator

Thank you. Our next question comes from the line of John Tumazos from John Tumazos Very Independent Research. Go ahead, please.

John Tumazos — John Tumazos Very Independent Research

Thank you. Could you elaborate on the mine safety awards won? LaRonde operates almost 10,000 feet deep, and you mentioned that there was a 4.1 Richter seismic event June 24th where no one was hurt. And Kinross sold Macassa for $5 million to Kirkland Lake after a seismic event severed the shaft at 5,700 feet and they couldn't go all the way to 7,250. They walked away and shut the mine.

But please explain how everyone goes home safely and you win all these awards when you're operating two of the tougher mines in Canada.

Dominique Girard

Yes. John, Dominique. Well, the awards are recognized from the mining industry and giving to the—based on the last year performances, and we're very, very proud that we won two regional and one national award.

On the LaRonde situation, we had a big seismic event at the 4.1. But on the overall, we did not have major damage. Our ground support did the work that they were supposed to do. And we had to shut down the mine, underground mine for two days to do the inspection. And after that, we went back there and we did some rework.

Our models we're expecting that one day we're going to get over 4, and we got one over 4. So it was as expected, and the team continued to develop their expertise, working with external expertise too, by understanding those mechanisms and protecting the workforce.

One part of that is also getting to more automation, so having the workers not close to the face, so using more mechanized and more tele-remote operation, which we are excellent in at LZ5 and also at LaRonde.

Ammar Al-Joundi

Maybe just—and thank you, John, for that question because we appreciate the question because safety is paramount. Maybe, Carol, I'm going to put Carol Plummer on the spot. She is our Executive Vice President and, broadly, safety falls under her. And she and her team have done an awful lot of work every day on this and maybe, just more broadly, on our philosophy on safety management, Carol?

Carol Plummer — Executive Vice President, Operational Excellence, Agnico Eagle Mines Limited

Yes. Certainly. So I think we can sum up our safety management philosophy by saying that we very much believe in safe work, that every job can be done safely every time.

And there's a lot of focus at all of our sites on ensuring that our people have the resources, they have the materials, they have the skills, and they have the knowledge in order to be able to work safely, and they're—in order to follow up and ensure there are people that are able to do this.

We have a big emphasis that's been placed over the last couple of years in what we call boots in the field or visible-felt leadership, depending on which sites you're at, but it's essentially the same thing where essentially not only the supervisors are out in the field with the workers, but management is also out in the field with the workers; so are the engineers. Pretty well anybody walking through has their eyes open, they're looking for risks, they're ensuring that the risks are controlled, and that our people are able to continue to work safely.

All of this doesn't prevent 100 percent of everything happening. So we also put a lot of emphasis on ensuring that we really understand what critical controls need to be in place to prevent accidents, and when an incident happens, whether it is a near miss, or somebody does actually get injured, really digging deep into that to understand the root causes to ensure that it not only cannot happen again at that site, but it also cannot happen again at any of our other sites by putting in the correct preventative measures for those things.

I think all these awards that our teams won over the last quarter, as Dom said, they're all based on the safety performance from last year. It was a record safety year for us across the Company, and this is really a celebration of the excellent work that our management teams, that our supervisors, and that our workers did over the course of the last year.

And we just continue to encourage them to do that every day with every job that they're doing.

John Tumazos

Could you elaborate on the steel or other ground support systems at LaRonde and how they're more than just a rebar or mine roof bolt or cement and how they were strong enough to survive and support at a 4-Richter event?

Daniel Paré — Vice President, Quebec, Agnico Eagle Mines Limited

So Daniel speaking. So our ground support has evolved over the past decade at LaRonde. So as we are mining deeper, we adapted our design and our ground support to resist those kind of events. So as Dominique mentioned, in that case we were expecting to have a 4-Richter magnitude at some point, which we did.

The good thing is that we understand where it is. So it was in a subparallel geological structure down at 2.9 kilometres. And at those depths, our level design is adapted, our ground support is adapted, and it shows a good result as it resisted the event that we had at the end of June.

John Tumazos

So 30 years ago, I went underground at a place called Elandsrand in South Africa that had 50 deaths a year, one a week. I didn't go back. I go underground with Agnico Eagle. Thank you.

Operator

Thank you. Our next question comes from the line of Mike Parkin from National Bank. Go ahead, please.

Mike Parkin — National Bank Financial

All my questions have been answered. Thanks so much.

Operator

Thank you. Our next question comes from the line of Tanya Jakusconek from Scotiabank. Go ahead, please.

Tanya Jakusconek — Scotiabank

Good morning, everyone. Thank you so much for taking my questions, and congratulations on a good quarter. Jamie, over to you first.

Can I ask about the Canadian dollar impact on your mines this quarter? Obviously, I think that helped a bit on the costing fronts. And just remind me your sensitivity. I think you budgeted at $1.34, but I just want to be reminded of the sensitivity for the remaining portion of the year on what we have.

Jamie Porter

Thanks, Tanya. Yeah. That's absolutely right. We budgeted $1.34 for the full year. Our realized FX in the second quarter was $1.37. So we are benefitting in a unique period where we have both the benefit of higher gold prices and a weaker Canadian dollar. The impact on our cash costs in Q2 was about $18 an ounce, so it is certainly helping.

But I will point out—and I think Ammar mentioned it in his remarks—in this higher gold price environment we do face higher royalties expense. So if you look at the benefit from the weaker Canadian dollar, it's more or less entirely offset by the higher royalties cost.

For the second half of the year, based on where the Canadian dollar is now, I'd expect a similar $15 to $20 benefit arising from the weaker CAD.

Tanya Jakusconek

Yeah. It's just that there are some views out there that this Canadian dollar's going to continue to go down versus the US and therefore Agnico is going to benefit. I seem to remember—and, Jamie, correct me if I'm wrong—for a $0.10 move in the Canadian dollar, it's about $50 to $55 per ounce on your cost structure. Am I in the ballpark?

Jamie Porter

Yep. That sounds correct.

Tanya Jakusconek

Okay. Thank you for that. My second question is for you, Ammar. I wanted to come back to two things. One is just the strategy and the capital discipline and, yeah, just wanted to look at the projects that you have. And then the second one has to do with this investment strategy in juniors.

So just on the first one, which is just the capital discipline. As we think about these projects, so you've got Detour on the go, potentially Canadian Malartic with another shaft, we now talk about Upper Beaver potentially coming in 2030 or thereabout, and then we have Hope Bay that Guy's telling us in a year from now will have some sort of outlook to where that can fit in.

Where do we see your total capital budget going to? Right now, it's $1.6 million to $1.7 million. Trying to just get a handle to where do you see this going longer term. Do we max at $2 billion as we phase these in? And that's my next portion is how do we look at phasing these in because you can't just bring them all in at once?

Ammar Al-Joundi

Yeah. Very, very good question, Tanya. I've spent most—I'm an engineer, but I've also spent most of my career on the finance side. So we start with just a very practical approach, which is are these good investments? And I know that sounds like an obvious question, but what sometimes gets big companies like ours in trouble are people are more focused on growing the business, or doing a deal rather than do they actually make money. So everything we do starts with, does it make money? And is it a good return for the amount of risk we're taking on?

So again, something like a Detour underground, again, it's a ramp, it's a paste plant, it's an extra 300,000-plus ounces a year for decades. Honestly, that's a pretty easy decision.

A second shaft at Malartic, we've got the mill there. We'll just build a shaft. When Guy and his team tell me I'm comfortable with the exploration, this is what's underground, this is what's there, honestly, that's a pretty easy decision.

So it depends, as you would expect, like any investment, what is the investment opportunity? I'm not skirting the issue. I'm just being honest. It depends on the investment opportunity.

Now you ask a very good question is it's not just financial capacity; it's human capacity. So we take that very much into account. We assess the people we have. We like to use our own people. I get a lot more confidence when it's Daniel Paré and his team building a project rather than an outside consultant who we've never used before.

So long answer is it depends on the project. But to your specific question, is there a total CapEx number in mind, we've said at current levels $1.7 million-ish. Could it get to $2 million? If it makes sense it could, but we are going to spread out both our financial requirements and our human requirements based on the capacities that we have.

Natasha Vaz

And it's just because, Ammar, we all remember a time when we tried to build several—five mines or thereabout—all in one go. And just those things are just hard on human capacity, as you know.

Tanya Jakusconek

Mm-hmm.

Ammar Al-Joundi

They are hard. You're absolutely right.

Tanya Jakusconek

Okay. So if we were to think of these four additional projects as we space them out on human capacity we may get to the $2 billion, but we try and keep that margin, $2 billion total capital, and then everything else would be available from an upside for our shareholders.

Would that be a good way to look at it?

Ammar Al-Joundi

That's a good way to look at it. Now the one thing I would say is everything we invest in is upside for our shareholders. That's the only reason we invest in these things is to make them money.

Tanya Jakusconek

Okay. Thank you for that. And just coming back to your strategy on investment. So you've got the exploration, which Guy gave us the rundown on. Maybe we could talk about how you're looking at the strategy of investment in these juniors.

Two things I'm trying to understand on that is, one, you usually run a portfolio I think it's about $150 million to $200 million or thereabouts, if I can remember. But what I'm noticing is that your investments are more in non-gold junior. So I have two questions.

Is it because they are—these non-gold opportunities are in camps that you're located in and therefore you can see your mining expertise helping? Or is it that you are going to be moving more into non-gold over the longer term?

Ammar Al-Joundi

No. We are going to continue to be the premier, at least in our mind, gold company in the world and certainly in Canada. So we're going to continue to be a gold company. We're going to continue to be a focused gold company.

That said, for example, our investment in Foran, that is a very good project. It is copper, but it's a large VMS. This is something we know how to do. We think it has potential. It's early.

But really, Tanya, it's more of what we've done historically, which is take an early position on things that are promising in the regions we operate.

And again, I want to emphasize what I said earlier. Part of our capital discipline is based on knowledge. And we have a pretty good knowledge of that part of Canada. We have a good knowledge of that project. We have a good knowledge not just of that project, but of that region. And we have a good knowledge on VMS deposits.

So it's driven by a knowledge-based assessment of investment potential.

Tanya Jakusconek

Okay. So we should think about this as areas that you operate in, opportunities, gold, non-gold, where you can add value and you have expertise? And do we have—this portfolio that you're working, as we have an exploration budget, do you have a budget on investments as well?

Ammar Al-Joundi

So first of all, I think you summarized it pretty well, so that was good. We agree with that.

We're pretty flexible. We're a little bit bigger. You're right. Typically, it'd been sort of between $100 million and $150 million. I'm looking at Jean Robitaille here. It's considerably—it's above that right now.

Part of that, frankly, is we made some investments that have done very well and they're kind of sizable. But as we grow, that has grown. But it's really it's just the same strategy we've always had.

Tanya Jakusconek

Okay. Well, thank you. I appreciate you taking my questions.

Ammar Al-Joundi

Well, it's our pleasure, and thank you, Tanya. Always a pleasure.

And with that, we are now past noon. So again, thank you, everyone, for taking time out of your day.

And for everybody at Agnico who's listening, thank you for all your hard work.

Have a nice day.

Operator

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

Have a lovely day.