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FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Q3 2024 Conference Call

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PRESENTATION

Operator

Good morning. My name is Vincent (phon), and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Q3 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 *, then 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, Operator, and good morning and thank you for joining our call today. Before we begin, may I ask you to please take note of the forward-looking statements.

I'd like to start this morning by thanking our entire team at Agnico Eagle, at all sites and across all functions, for delivering another solid operating quarter, for doing it safely, for doing it responsibly, all while contributing to the communities in which we operate.

This consistent and reliable operational performance, with an emphasis on cost control and capital discipline, has allowed us to deliver tremendous margin expansion for our shareholders and to deliver record financial results for the fourth consecutive quarter, including record operating cash flow and record adjusted net income, all while strengthening the balance sheet, buying back shares, and paying a strong dividend.

We firmly believe the benefit of a rising gold price should go to our owners, not to increased costs, not to poor capital deployment, but to our owners. With this in mind, during this call, we will talk not only about our record financial results, but also about our record operational results at our mines, in our mills, and throughout the organization, from exploration to procurement to treasury and beyond, all as a result of continued efforts to optimize our business.

As you see on the chart to the left, 75 percent through the year, we're at 76 percent of our midpoint—of the midpoint of our full-year production guidance. It's impressive to be within 1 percent of midpoint of guidance, as this demonstrates not only strong operational capabilities, but also strong planning and forecasting.

We remain confident in meeting our production and cost guidance this year. I'm pleased in particular with our cost control. Our year-to-date costs are at $897 an ounce, which is $3 below the midpoint of our cost guidance. That's pretty good, considering that the increased royalty payments associated with the higher gold prices year to date versus our budget assumption of $1,800 has added approximately $20 to our reported cash costs.

One of the best measures of cost control is cost per tonne in local currency. I looked at this number this morning. Our company-wide average cost per tonne in local currencies has not moved in over a year. That's impressive, and congratulations to the team.

In a year of record gold prices and record financial margins, we have not grown complacent. Rather, we have reconfirmed and accelerated our efforts on operational improvements.

Next page, please.

You will all have seen our results in our press release, and we'll go through them in more detail over the next 25 to 30 minutes. But really, there are three key messages we want to leave with you: one, strong financial results and returns to shareholders; two, continued optimization of our operations; and three, exciting exploration and pipeline projects.

On financial results, the increase in gold price, along with solid production and cost control, has led to expanded profitability and cash flow.

Year to date, we've returned approximately $700 million directly to our shareholders through dividends and share buybacks. Year to date, we've returned approximately $1 billion indirectly to our shareholders through reduction of net debt, representing a roughly two-thirds reduction of net debt since the start of the year. Jamie Porter, our CFO, will go through some of those numbers in more detail in a moment.

On continued operational optimization, we're not standing still. Dom and Natasha will discuss not only our operating results this quarter, but also some of the many initiatives our teams are working on to continue our focus on improving our operations.

On exploration and pipeline, we're leaving significant amount of time for Guy to talk about some of the continued outstanding exploration results we're getting at Detour, at Odyssey, and at Hope Bay, but also at Macassa, at Meliadine, and at Fosterville. Outstanding exploration results, all at existing assets, leveraging off existing infrastructure and existing teams in safe jurisdictions.

Next slide, please.

But before I turn this presentation over to Jamie, I'd like to spend a moment on safety.

Safety is always our most important priority. And on this call, I'd like to take the opportunity to congratulate our Nunavut Mine Rescue Team who, last month, won the 2024 International Mine Rescue Competition in Colombia against 21 other mine rescue teams from all over the world.

Winning the title of overall champion is impressive on its own. But it's not just what you do, but how you do it. Our team shared a lot of specific rescue knowledge with several teams from other countries, a share of knowledge that could well mean lives saved in some of those countries at some point in the future.

Remember, these mine rescue teams are the teams that miners depend on when things get difficult. These are people who devote hundreds of hours of their own personal time to train and who are volunteering, by definition, to go into dangerous environments under dangerous conditions, should the need arise, to save the lives of their workmates and their friends. That's an important job. That's an important responsibility. So a big congratulations and an even bigger thank-you to our mine rescue teams.

And with that, I will now ask Jamie Porter, our CFO, to present our third quarter financial results.

Jamie Porter — Chief Financial Officer, Agnico Eagle Mines Limited

Thanks very much, Ammar, and good morning, everyone.

Our results this quarter really demonstrate a track record of reliable operational and cost performance that continues to translate into very strong financial results.

If you recall, earlier this year, the theme of our first quarter conference call was on cost control. In the second quarter conference call, we focused more on capital discipline, reinvesting and growing the business at a steady and measured pace.

This focus on cost control and capital discipline is clearly paying off, with the third quarter being characterized by record financial results across the board. By keeping costs in check, we are ensuring that the benefit of higher gold prices translates into higher margins that ultimately accrue to the benefit of our shareholders.

I'm pleased to report record adjusted EBITDA of approximately $1.26 billion and record free cash flow for the fourth consecutive quarter of $620 million.

Revenues increased by 31 percent over the third quarter of 2023 to approximately $2.2 billion.

Importantly, our adjusted EBITDA increased by 64 percent, and free cash flow increased nearly sevenfold compared to the prior-year period.

We are also reporting another record quarter of adjusted net income of $1.14 per share, which is another significant increase relative to the prior-year period.

Apart from the gold price, a key driver of our strong financial results is this continued focus on cost control and continued optimization.

If you look at our cash costs, we came in at $921 per ounce in the quarter, within our cash cost guidance range.

Cash costs were slightly higher relative to prior quarters, driven by lower production volumes, as was planned, and higher royalties, as Ammar indicated in his comments. On a year-to-date basis, we remain below the midpoint of our cash cost guidance range at $897 per ounce.

With respect to all-in sustaining costs, in Q3, we came in at $1,286 per ounce, driven by higher sustaining capital spending, again, as expected. We were $1,169 in Q2, and in our Q2 call, we discussed that we needed to catch up on sustaining capital in the third quarter, and we did that. On a year-to-date basis, however, we remain within our guidance at $1,234 per ounce.

Our all-in sustaining costs continued to be hundreds of dollars per ounce below those of our peers. During the quarter, our all-in sustaining cost margin was 48 percent, which is amongst the best in the industry. And on a year-over-year basis, the gold price has increased approximately 30 percent, while our all-in sustaining cost margin has increased 70 percent. That is exactly the leverage that our investors expect.

With respect to operating costs, we definitely benefit from our regional approach. We are the employer of choice in many of the regions in which we operate, which helps to keep employee turnover low. Over 80 percent of our gold production is in Canada, where we benefit—we are currently benefitting from a relatively weak Canadian dollar. And we're very focused on continuous improvement to increase productivity and make our mines as efficient as possible, and Dom will touch on that shortly.

These factors all contribute to very strong cost control. For the full 2024 year, we expect to be within our guidance range for costs, which is $875 to $925 per ounce, and $1,200 to $1,250 per ounce for all-in sustaining costs.

Overall, we've had excellent financial results for the quarter and first nine months of the year.

If we move on to Slide 6, we significantly strengthened our balance sheet and reduced our net debt in the quarter to $490 million from $1.5 billion at the start of the year. So we've improved our net debt position by over $1 billion in the first three quarters of 2024, all supported by record operating margins and free cash flow.

In July, we repaid $100 million of senior notes on maturity. We also made accelerated payments totalling $275 million on our $600 million term loan facility, bringing our total debt repayment in the quarter to $375 million.

We also continue to prioritize returns to shareholders. For the first nine months of the year, we've returned approximately 45 percent of the free cash flow that we've generated through the dividend—we've returned back to shareholders through the dividend and share buybacks. We plan to continue this, to continue to strengthen our balance sheet, continue to reinvest in our business, and be opportunistic with respect to buying back shares.

If we move on to Slide 7, this slide presents a good overview of our continued disciplined approach to capital allocation. As can be seen on the pie chart, we're ensuring that the record free cash flow that we're generating ultimately accrues to the benefit of our shareholders, again, directly through dividends and share buybacks and indirectly through the strengthening of our financial position.

With that, I'll turn the call over to Natasha, who will provide an overview of our consolidated operational results.

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

Thanks, Jamie, and good morning, everyone.

Today, I have the pleasure of covering the operational highlights on behalf of Dominique and myself.

So in the third quarter, our regions delivered another solid operating and cost performance which, along with the higher gold price, led to record operating margins of $1.4 billion for a fourth consecutive quarter.

Now you can see on the table here that our operating—our gold production was 863,000 ounces for the quarter, and the total cash costs were at $921 per ounce. Both are in line with our expectations, and they reflect the planned shutdown and a lower-grade sequence at Canadian Malartic and at LaRonde.

Now in terms of the operations, I'll start with Nunavut. They performed really well this quarter again, with record throughputs at both sites and the costs that came in lower than expected.

Meadowbank also reached an impressive milestone. They produced their fifth millionth ounce of gold in September. So a big congratulations to Meadowbank and, in fact, both operating teams in Nunavut for a solid quarter.

Moving to Macassa and Fosterville. They were also strong performers this quarter. Macassa had another solid quarterly production of 71,000 ounces of gold, largely driven by productivity improvements at the mine. The focus now at Macassa is to transition to mill optimization.

Fosterville. They set another record for quarterly ore tonnes mined. Very proud of the team here as well. They also had one of their best quarterly mill throughputs in their operating history. This focus on productivity and cost control are paying off as the site continues to work on its full potential model.

Last but certainly not least, I just want to say a few words about Detour. They set a record quarterly throughput rate of approximately 77,000 tonnes per day. This is ahead of the targeted rate of 76,700 tonnes a day. This performance was largely due to a stable mill run time at around 93 percent for a second consecutive quarter, and also due to a number of small optimization initiatives conducted during the planned shutdown in August.

If you look back at the first nine months of 2024, our sites continue to show a strong operational and financial track record. And as Ammar mentioned, year to date, we have produced 76 percent of the midpoint of our full year gold production guidance, and our cash costs remain within guidance range. As a result, we feel confident to meet our gold production and cost guidance for 2024.

So to conclude, I just want to highlight and want to recognize, again, the multiple performance records set at multiple sites. These records are a direct result of the continuous focus and commitment on increasing operational efficiencies and cost control at all of our sites. So, thank you. Thank you to all our sites for your efforts in achieving our objectives to date, but also your focus on business improvement, not just on costs, but on all fronts, including safety.

And with that, I'll pass the call over to Dom to present some of our improvement initiatives.

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

Thank you, Natasha. Good morning, everyone.

Today, I will present our approach to continuous improvement at our sites, as well as some of the positive outcomes we've achieved.

On this slide, you can see many examples, which are led by the sites, that are positively impacting our costs. They are direct8 cost-reduction initiatives, like on procurement, listed on our right, but the main gains are coming from productivity improvements listing (phon) in the Mining and Processing columns. As you can see and you hear from Natasha, many sites are improving productivity.

Looking at some of our successes, like Meadowbank, is a clear success story. That started, as an example, in 2023. They identified the long-haul trucking as a bottleneck for the operation. For Meadowbank, long-haul trucking is like a shaft for an underground mine, transporting the ore from the mine to the mill, located 80 kilometres away.

With the team and focused approach involving truck drivers, mechanical maintenance team, road maintenance team, and training department, they improved the trucking by 18 percent the first three months—or the first three quarters of 2024, compared to the same period last year. They also achieved a quarterly record production underground, and at the mill, they set a new record of 529 tonnes per hour this quarter. So more tonnes mined, more tonnes transported, and more tonnes milled.

All these initiatives are securing Meadowbank's 2024 gold production target of 480,000 to 500,000 ounces at the better cost than planned.

Our other Nunavut operation, Meliadine, is also performing very well, both on mining and milling front. In Q3, the Nunavut platform generated over $0.25 billion after-tax free cash flow.

Our Nunavut success showcases our ability to mine in remote Arctic conditions. It contributes to extending Meadowbank and Meliadine life of mine, and it is also positively impacting our Hope Bay project, which could become our next 400,000-ounces-per-year mine in Nunavut. Guy will provide an update on the recent positive exploration results later in the presentation.

On procurement, by consolidating contracts across Canada, we've been able to leverage our size, by ensuring the availability of materials and services, and to control input prices.

Finally, on workforce, we benefit from having low employee turnover, as well as a low contractor ratio. It is difficult to put an overall dollar value on this, but it provides more stability to our operation, helping our continuous improvement efforts. For instance, at Detour, we've internalized work for equipment rebuilds, truck maintenance, tire service, and tailing construction work, resulting in a saving of over $17 million.

Thank you to our operating and technical teams for their commitment to realize the full potential of our assets through optimization. You make the difference as we continue to focus on delivering strong operational performance and cost control.

Moving now to Odyssey and Canadian Malartic, next slide.

At Odyssey, the development rate continues to be better than expected. The ramp has now reached the depth of 873 metres. Shaft sinking is also advancing well, reaching the depth of 839 metres at the end of September. And in Q4, the shaft will pass the ramp to become deeper than the ramp.

The work at the level 64 temporary loading station is on target and is expected to be commissioned in mid '25. And on surface, construction is also advancing on schedule, with a focus on main hoist building and operational complex. Overall, the construction of the mine is on cost and on schedule to become the largest underground gold mine in Canada by 2028.

But what gets me more excited about this project is the huge geological potential. So I will now pass on to Guy to present some of the results from our largest exploration program ever at Odyssey and Canadian Malartic Complex.

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

Thank you, Dominique, and good morning, everyone.

I would like to start by thanking all of the exploration team and drilling contractors across our sites as we are advancing well into this very large 2024 exploration program.

We have in excess of 100 diamond drill rigs in operation at our various sites. And we have recorded, so far in 2024, our best health and safety performance ever since we started tracking those indicators.

And also, thanks to our exploration team, our drilling excellence team, and our procurement team. We have worked very closely with the drill contractors, and we are very pleased that we've seen an overall unit cost reduction of 8 percent compared to our budget and 16 percent lower unit cost compared to what we experienced in 2022 after COVID, demonstrating our ability to control cost while maintaining high health and safety performance. So thanks to all of you that are making it happen every day.

Then moving to key specific driver projects at Page 12. In Malartic, at the Odyssey mine, we continue to see strong exploration results.

First of all, we have extended the East Gouldie Zone in the upper eastern extension of the deposit, and we see those results having a positive potential significant impact for near-term resources and reserves and the development of a new mining area, improving the ramp-up of the—in the upper portion of the East Gouldie deposit, considering their proximity to the infrastructure. And in the eastern extension at depth, we continued to see very strong exploration results up to 700 metres outside of the mineral resources.

Actual case, by example, in drill hole 316, where that returned 3.4 grams over 16 metres into the main East Gouldie Zone, but also very interesting results into a parallel zone that is continuing to shape up, that returned 3 grams over 51 metres, estimated through thickness at around 1,400 metres, demonstrating the potential to continue to grow the main East Gouldie deposit and the potential to add significant additional mineral reserves and resources in those parallel zones to the East.

At Page 13, at Detour Lake mine, we continue to see strong results in the area we are infilling, that is part of the advanced underground exploration project that was communicated in June, at the June update.

Strong infill results, up to 15 grams over 19 metres and 22 grams over 13 metres not only confirm the presence of wide, higher-grade mineralized corridor within the large mineralized envelope, but we also—but I'm also very pleased to see how they confirm the continuity of the zone previously drilled at the larger drill spacing.

As we continue to integrate those new results into updated mineral resources and mineral reserves, we see the potential for those recent results and the overall underground project addition to the current open-pit mine to bring the Detour Lake mine to our vision of a 1 million ounces of gold-per-year operation in the future.

Then at Page 14, at Hope Bay project. In the Madrid Zone—in the Madrid deposit area, the Patch 7 Zone continued to deliver some excellent results, up to 16 grams over 27 metres through thickness at 430-metre depth. We anticipate that those results will have a significant impact on the mineral resources at year-end, and we continue to see this new discovery at Patch 7 to be a real needle-mover for the economics of the project.

And with the support of our permitting team, I would also like to highlight the fact that we recently managed to complete a 2.3-kilometre exploration track towards Patch 7 that will now allow to continue to aggressively drill this area during Q4 at Hope Bay, where weather transition to winter has historically limited the surface exploration capacity.

We anticipate those results, along with the ongoing exploration work in Q4 and Q1, that they will allow to enhance the project development scenario currently being studied. And in light of those recent results at Patch 7, we continue to see a potential project update by the end of 2025 or early 2026.

Finally, at Page 15, positive results at several other operations, such as Meliadine, Macassa, Fosterville, where we continue to see the potential to extend the deposit at depth and laterally.

All of that shows the potential for a bright future for exploration upside, as we are in a process of preparing our 2025 exploration program and developing a long-term strategy to maximize the value of those existing infrastructure, in addition to our strong project pipeline presented in the previous slide.

So thanks to all of our exploration teams that continue to create a lot of value through the drill bit in a cost-efficient manner, as part of an important reinvestment in our business and, even more importantly, with the best health and safety performance ever for our exploration group.

And on that, I would like to return the microphone to Ammar.

Ammar Al-Joundi

Thanks, Guy. And thanks, everyone. And congratulations, Guy, not only on the exciting drill results, but for the tremendous cost-control efforts and, most importantly, on the safest quarter ever as we're measuring safety in our exploration team. So well done on that.

I’ll conclude by saying that Agnico, we’re going to continue the same strategy that has, for over 60 years, delivered consistent, reliable operating performance with an emphasis on growing per-share value.

And we do that, one, with our regional focus. We focus on regions that, A, have the geologic potential for multiple mines over multiple decades and, B, have the political stability to allow us to operate multiple mines for multiple decades; and through that, to establish a competitive advantage in the areas we operate and, to the extent possible, better cost control and less volatility. And we’re seeing that in this environment.

Two, we want to be the highest quality gold company that we can be. We are focused on quality, on per-share metrics, more than we are on size. For us, that means not just excellent operational performance, but the highest ESG standards.

We all do the best job we can, but if you plan to be in a place for 60 years and build your second, third, and fourth mine, you take a much longer-term approach to environment, to the communities you’re in, and to good governance.

We have disciplined capital investment. That disciplined capital comes largely from a knowledge advantage. In the areas we operate, where we’ve been, we typically have a very good insight into the investment opportunities. It’s much easier for a person like me to make a decision to invest in a place where I have people, where we’ve been operating for decades, than it is to invest in a country I’ve never been to, in a place where we really don’t have any particular skills.

We believe we are uniquely positioned. We are in good regions. We have good assets, good long-life assets. And we have demonstrated an ability to leverage off those assets to, not only return good return on capital, but excellent risk-adjusted return on capital.

And then finally, consistently, for over 41 years, we've paid a dividend. We believe in having a strong balance sheet. We believe in per-share metrics. That's always what's driven us. So that's the strategy we've had since 1957. It works for us, and we're going to continue to do that.

And so with that, Operator, let's open it up for questions.

Q&A

Operator

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

Your first question comes from Ralph Profiti with Eight Capital. Please go ahead.

Ralph Profiti — Eight Capital

Thanks, Operator. Good morning, everyone. Two questions. Maybe, if I could start with Guy, just on Detour exploration.

That long section showed some strong intercepts below the 600-metre horizon. My understanding was that future targeting for resource updates were going to be sort of above the 600-metre level. Just wondering, is that still the case?

And how are you thinking about sort of the depth extent of the three-year program announced in June? And thanks.

Guy Gosselin

Yeah. Excellent. Thanks for the question.

I would say we are working on those, obviously, from surface. We're going to be focusing on the 0600 metres. And as we're going to be progressing with the ramp, we're going to be moving forward at infilling the drill spacing to the desired spacing for indicated resources classification. So we are doing a little bit of the shallow portion. And we're going to continue to do large drill spacing for the deep extension to the West.

But for us, following the delivery of our study in June, we really want to increase level of confidence into the resources that were part of the PEA that was produced in June to support the underground project.

Ralph Profiti

Gotcha. Okay. Yep. Helpful.

And then just following up, for Dominique or Natasha, on the prepared comments on Macassa mill optimizations as the constraints move from mine to mill. Just wondering, is this a de-bottlenecking effort looking at higher throughput?

Are you looking to sort of increase baseline mill availability? Or increase recoveries? Just a little bit on that would be helpful.

Natasha Vaz

Hi. Thanks for the question, Ralph.

Yes. So with the mill, so we are optimizing—we're continuing to optimize the mine. We have the new infrastructure at Macassa with the shaft, the ventilation, so now, the bottleneck is moving more towards the mill.

And with that, we're looking at maximizing or squeezing the towel with the infrastructure that we currently have at the mill, so the grinding efficiencies. We're working on the secondary—or sorry, the tertiary mills, looking at upgrading conveyors, crushers, just to see—tweak the system to see how much we can put through the mill at Macassa.

Ralph Profiti

Okay. There are no, say, hard targets on recoveries or throughput in terms of what we could be looking at?

Natasha Vaz

No. No. We're still targeting 1,650 tonnes—

Ralph Profiti

Gotcha. Okay. Thanks to the team. Thank you.

Natasha Vaz

Thank you.

Operator

Your next question comes from the line of Lawson Winder with Bank of America Securities. Please go ahead.

Lawson Winder — Bank of America Securities

Thank you, Operator. Good morning, Ammar and team. It's very nice to hear from you all and thank you for today's update.

Could I ask, on cost inflation and just with respect to some recent cost inflation news in the industry, specifically on labour, are you seeing any above-average labour inflation?

And then, could you split out the labour inflation you're seeing between your employees and contracted labour?

And it would also be very helpful if you could remind us, what is the split at Agnico between employees and contracted labour? Thank you.

Jamie Porter

Hey, Lawson. It’s Jamie here. Yeah. So maybe I’ll start and take the first part of the question with respect to our workforce, then I’ll turn it over to Dom or Natasha to talk about what we’re seeing on the contractor side.

But we’re in the middle of our budgeting process now. We’re assuming in around a 3 percent increase, which would be consistent with Canadian CPI on labour.

And then I’ll answer the question in terms of the percentage of our workforce that’s labour versus contractored. We’re about two-thirds are Agnico employees and one-third contractors.

Dominique Girard

Yeah. Overall, let’s say on inflation, we see the same inflation on our employees and the contractors. In Canada, where we operate, there’s no, let’s say, significant increase on the contractor side. We always try to maximize or to—sometimes, we’re moving in the percentage of contractors at site, depending of the site, how it’s going.

I mean, if we’re, let’s say, closing a site, we might increase more the contractors. But when we have—we’re in operation, it is lower. Overall, we’re 35 percent in operation of a contractor base.

And just on that, the contractor base we’re having—a contractor for me, it is like an Agnico employee. It is the same people, and in fact, our contractors are often the kids of our employees because it’s the way to start and to get into the business and, with time, with experience, where we hire them. So on the safety side, and the way we treat them, at the end of the day is to work together to be more productive and to get the results. So no issue with contractors.

Lawson Winder

Okay. Fantastic. And then, Jamie, can I just clarify the point you made? The 3 percent, is that looking into 2025? Or is that what the realized experience has been for 2024?

Jamie Porter

Yeah. So from 2023 into 2024, we were closer to 4.5 percent going into 2025. Again, we're currently budgeting 3 percent. That doesn't mean that we'll end up exactly at 3 percent. It could be 2.5 percent to 3.5 percent. But we're currently forecasting a 3 percent increase, 2024 going into 2025.

Lawson Winder

And that's just labour? Or is that overall inflation?

Jamie Porter

So that's labour. And as Dom said, we're seeing the same on the contractor front. So about 45 percent of our cost structure is labour and contractors. So on that 45 percent, we're forecasting, again, in around a 3 percent increase.

Lawson Winder

Okay. That's perfect. And if I could also just ask on Hope Bay; really, really exceptional drilling results. I'd be curious to know how that's informing your latest thinking on the project. Are you seeing any change to the timing that the construction could start? Or even the scope of the project? Thanks very much.

Dominique Girard

Yes. Lawson, Dominique speaking.

Well, it's quite a positive news. The Patch 7 is a game changer, and now we just need to resize or refocus on the project. For example, now with this in place, should we move the mill to Madrid? It was not the plan, but the time that—the team needs a bit of time to reassess and to do some trade-offs on this.

It is easier to mine. It's going to require less development for, let's say, more ounces. It is large zone, higher grade, slightly higher grade than the other one that we have. And as Guy mentioned, we're looking end of '25, beginning of '26 to get it into a formal study and an announcement on construction, potentially.

Lawson Winder

No. Sorry. What was the timing on the construction there, just to be totally clear?

Dominique Girard

Late '25, early '26.

Lawson Winder

For a start of construction? Okay. That's great. Yeah. Thanks for those comments, guys.

Dominique Girard

For a study.

Lawson Winder

For a study? Okay. Gotcha. Okay. No. That's great. Thank you so much for the colour today and solid quarter.

Operator

Your next question comes from the line of Tanya Jakusconek with Scotiabank. Please go ahead.

Tanya Jakusconek — Scotiabank

Great. Good morning, everyone. Thank you for taking my questions and congratulations on the Detour coin that uses your gold for that coin. That's exciting. I have three questions, if I could.

The first one, I just want to follow up on Lawson's question on that labour. So thank you for that. Looks like 15 percent of your cost structure is contractors. Just want to just review a few things on the—on your costs.

Number one, can you just remind me, Jamie, you've assumed 3 percent or thereabout inflation into 2025 costs for your budgeting. Can you just confirm with me that that's—also, you're not seeing any major changes in consumables and others because that's about 25 percent of the cost structure? I just want to—

Jamie Porter

Yeah. And—sorry, Tanya. I just want to clarify first your comment. I think you said that 50 percent of our workforce was contracted. That's incorrect.

Tanya Jakusconek

No, 1-5 percent. So—

Jamie Porter

One-five percent?

Tanya Jakusconek

—forty-five percent—yeah. Forty-five percent is labour, and then a third of that—

Jamie Porter

Yeah. Yes.

Tanya Jakusconek

—is contract? So that—

Jamie Porter

Yeah. That's—

Tanya Jakusconek

—puts you at 1-5 percent?

Jamie Porter

That's correct. That's right. So on—

Tanya Jakusconek

Yeah. Mm-hmm.

Jamie Porter

—that 45 percent, if you factor in labour and our contracted workforce, on that 45 percent of our costs, we're, again, forecasting about a 3 percent increase.

Tanya Jakusconek

Mm-hmm.

Jamie Porter

If you look across the rest of our cost structure, I mean, we have seen lower energy prices. So there's actually a bit of a decline with respect to diesel and power, which is another 12 percent of our overall costs. On everything else, the consumables, inflation's running around kind of 5 percent.

But again, we're in the process of going through our budgets currently. If you look back to what we did in 2024, inflation was running closer to 6 percent to 7 percent, and our guidance was up 3 percent.

So that's our job to try to make the mines as efficient as possible, to combat cost inflation where we can, and we'll work to do that going into 2025 as well.

Tanya Jakusconek

Mm-hmm. And just on your labour contracts, can you just remind me, at some of your key mines, do you have any up for renewal in 2025?

Dominique Girard

Yes. In fact, Tanya—Dominique speaking—we are renewing contracts every month. It's not the one-shot deal, so depending of the contractors. Last year, it was—or two years ago, it was more to put together, including former Kirkland Lake division. This year, we see more, including Canadian Malartic division.

But there's no specific date. Each contract is different. And for example, this month, I saw two of them coming on my desk and nothing major in terms of inflation.

Tanya Jakusconek

Okay. And I guess just the final off—just on that because, obviously, another thing that impacts cost, of course, is cutoff grades. So I have to ask on the reserves and resources. As you think about the year-end gold price and cutoff grades and input costs, just maybe from high level, how are we looking at in terms of the grades going in? Are we keeping our cutoff grade constant?

Guy Gosselin

Yep. That's the plan. I would say we are, as discussed with Jamie and Dominique, fine-tuning our operation costs, so the OpEx, and our plan is to maintain cutoff grade stable.

Obviously, in a higher gold price environment, should we add spare milling capacity at some of the operations, we may take the advantage of adding. But the plan, our plan remains always the same, maintain cutoff grade, send the right tonnes, the right grade to the mill and, when we have excess capacity, try to leverage maybe opportunity.

Tanya Jakusconek

Okay. And just to conclude on the cost, if I could, and then I'll just ask one more question, which is on tailings.

So, Jamie, if I was to think of it from a very high level and assume, let's say your costs of $900 an ounce total cash costs, and you've got that 3 percent, 4 percent inflation on that sort of cost structure into 2025 and make adjustments on the gold price, so every $100 is $3 per ounce on your royalties, would I be—is it a reasonable assumption, assuming no change in cutoff grade, no volume, and no Canadian dollar change? Would that be a reasonable assumption?

Jamie Porter

Yeah. Tanya, I'd say again, we're right in the middle of our budgeting process. The way I look at it, similar to what we did last year, right, inflation was running 6 percent, 7 percent, and we did better than that. So we're seeing, if you factor in the higher royalties and everything else, our costs are up maybe 5 percent, year over year—

Tanya Jakusconek

Mm-hmm.

Jamie Porter

—and we'll try to meet that or do better.

Tanya Jakusconek

Yeah. Yeah. No. I appreciate it. Thank you. And just my final question is just on tailings, if I could. Just if someone could just review with me, just as you look at your tailings, I know you spend a billion dollars in CapEx or thereabouts. Can someone just remind me how much of that is just for your annual tailings?

And do you have—do you see any of your operations coming above and beyond tailings expenditures in the next couple of years? I know that we were at Canadian Malartic and Detour; we have enough tailing capacities at both of those operations. But just wondering if you're seeing additional spending on your tailings. Thank you.

Jamie Porter

Yeah. Tanya, on that, I don't have the specific breakdown in front of me, but I'll ask Jean-Marie or Ria (phon) to get back to you with that information.

Tanya Jakusconek

Okay. Perfect. Thank you so much.

Operator

Your next question comes from the line of Josh Wolfson with RBC Capital Markets. Please go ahead.

Josh Wolfson — RBC Capital Markets

Yeah. Thanks. First question is on Fosterville. Looks like there's been some very good progress with these higher volume efforts. When I look at the production rate today, it looks like around an annualized over 250,000 ounces, versus the guidance going forward for 150,000. At one point, there was discussion of updating a mine plan or providing kind of new information on what the forward-looking expectations are there. When can we expect that information?

And would it be reasonable to extrapolate some of the results we've seen year to date?

Natasha Vaz

Hi. This is Natasha. Thanks for the question.

So with Fosterville, yes, they're continuing to work on the full potential model or the study associated with it, and this is where some of the productivity improvements are coming in. So they're working to maximize what they can do with the mine and building that into their mine plan, latest and greatest life-of-mine plan. So we expect to see those results sometime in early 2025.

Josh Wolfson

Okay. And then a question, maybe, on some of the recent equity investments and some of the media speculation on M&A in the third quarter. Yeah. I'm wondering if there's some commentary that can be provided on what the criteria is the Company looks at for transactions? How that's evaluated against the suite of development projects Agnico already has?

And then, as it relates to the most recent deal, how the Company frames that investment with its historical emphasis on its established mining regions, with this one being a new one. Thank you.

Ammar Al-Joundi

Hi, Josh. It's Ammar here. We're pretty consistent in our approach to capital investment, whether that's organic or external. Our capital investment is always, as you would for your own personal account, what gets you the best return on your investment with the least risk.

And so for us, there's always an advantage. And we've said this, and you can see by our strategy, there's always an advantage to organic growth in that you have, in most cases, already spent a lot of the capital, you can leverage off existing capital, and you have a much better level of confidence with regards to it. And so that's always worked for us.

The other thing we always do—and this is tied to your second part of your question with ATEX, is we—to the extent it's external, we have a long history of taking small, strategic positions to learn more about what we've got. And sometimes, we'll have a position for years, and it's, again, to get that knowledge advantage so that we can make a more disciplined capital investment.

To us, a big part of discipline isn't just saying it's going to be a 15 percent return. It's actually doing the homework and getting the knowledge. So our investment at ATEX, think about what we do. We want regions—first of all, we look for high geologic potential, and then we look for political stability to be able to operate.

Now we're a gold company, but we are focused on making our shareholders money. And in the space of copper, based on geologic areas that have a long history of being able to operate—let's face it, Chile is on top of the world—well, literally up in the Andes. But it is the best place and has been for decades.

It would be a new jurisdiction for us. But it is a good jurisdiction. But let me be clear, we are not building anything there. We don't plan to do anything. This is an early-stage investment. And we'll see where it goes from there. But I just want to be clear. It's not like we're rushing in to build a project at the top of the Andes.

Josh Wolfson

Got it. Thank you very much.

Operator

Your next question comes from Mike Parkin with National Bank. Please go ahead.

Mike Parkin — National Bank

Thanks for taking my question and congrats on the solid quarter. Just a question for Guy.

The Lower Phoenix Zone, you've got it there in your presentation, very high-grade hit, quite deep. But is that in a zone—the Cardinal structure that you're highlighting on Slide 15, is that a zone that's kind of new to you? Or what's your thoughts on that? Is that—got you excited that there's smoke with a high-grade hit?

And then, just kind of thinking around, like is this maybe the signs of another Swan Zone? Or any kind of commentary you can provide there would be appreciated.

Guy Gosselin

Okay. Thanks. Well, as you—if you know the deposit quite well, it's a structurally controlled deposit that goes along that plan. And there's splays that are developing through the system. It was part of the reality into the upper part. And then at depth, while looking at the Lower Phoenix, the bottom of the Swan Zone, at certain point down into the Swan, we started to see that parallel splay that started to develop.

That is a couple of tens of metres away from the typical—our understanding of the typical (unintelligible) Swan and extensions of the main deposit. But this is completely normal for that kind of deposit. There's kind of an echelon structure down plunge. We're quite pleased to see those kind of results.

And we see that and, at some point in time, you're understanding that an echelon feature, maybe the main structure, could end up moving into that splay. So therefore, our interest and then, obviously, that recent result with 72 grams over 5 metres is quite exciting. And within it, there was a wide—a narrow, I would say, couple of tens of centimetres with super high grade at 1,300 grams, that has sort of similar look than the Swan. It's a bit smaller yet.

So we continue to see here and then some—here and there through the deposit, some smaller version of the Swan. And it's still early days. And it just shows that the system remains open at depth, and we're going to continue to pursue the investigation of that going down the plunge of the ore body.

Mike Parkin

And is that the first kind of drill hole with that kind of grade in that? Or I forget, off the top—

Guy Gosselin

No. No. We—

Mike Parkin

—of my head, what use case was that—

Guy Gosselin

Yeah. No. We've been getting—sometimes, we got some 10 grams over 10 metres in the previous quarter.

So if you look backward into our, I would say six most recent press releases, we've been reporting intercepts that were specifically identifying to the Cardinal splay. And it's continued to shape up as we continue to go at depth. And locally, there will be some higher-grade hotspots into the system like that. It's one of the good ones from a factor grade thickness standpoint, but there's been some other pretty good ones.

Mike Parkin

Okay. Thanks very much, Guy. One last question, I guess probably, Ammar, or maybe some of the more Ontario-Quebec focused leadership.

In terms of staffing, we've seen, obviously, a couple new mines in Ontario come online and ramping up. We're hearing there is still fairly decent labour tightness, recognizing you guys are winning from being the employer of choice.

But can you speak to, is there any programs or discussions being had with government officials where we're seeing an immigration policy bring what seems like fairly vast numbers, but more into the urban centres and not—is there any kind of program to bring them north into the resource extraction industry?

And if there is, what's the kind of barriers? Is it housing like it is down here? Skills they're lacking? Any kind of comments there would be appreciated.

Ammar Al-Joundi

I mean, that's a very good question. What I'd like to do is I'd like to ask Natasha to talk about some specific things we're doing. And then, maybe, I'll talk about the latter part about—because it's a good question—are you also looking at urban areas to see if you can resource there, and the answer is yes. But I'll let Natasha go first.

Natasha Vaz

Yeah. So yes, Mike, thanks for the question.

So yes, we are still seeing a tightness in the market. But on the other hand, because we are the employer of choice, our vacancy rates are relatively low.

We are—the market's particularly tight on trades. And so what we are looking at is—I think we had mentioned this earlier, but we have a pilot program ongoing. It's a targeted immigration program with our colleagues in Mexico. We've brought 12 families over earlier this year to evaluate how the conditions in Kirkland Lake and if they'll integrate well. So far, it's going really well. We were on site a month ago talking to the team; really appreciated they come with a lot of skills, a lot of ideas, and it's really going well.

On the government side, we're working with them actively on the critical infrastructure, like you mentioned, focusing on the housing, particularly in the Cochrane area, in the Kirkland Lake area, medical care, specialized facilities on that end, and just educational centres for children.

The other side of it is, earlier this year, we received a Skills Development Fund from the government in the order of $10 million to help with the development and training of individuals in the North.

Ammar Al-Joundi

And then, Mike, just with regards to urban, it's not just the mining industry. It is a, by and large, trades deficit in Canada. And we are working with others in urban areas to look at opportunities to take young people who may not want to go down the postsecondary education track but are frankly kind of lost with what they want to do. We're working to see if we can get them interested in the trades, which would certainly help Agnico, but would help a lot of other industries in Canada.

Mike Parkin

Great. Happy to hear that things are happening. So thanks again and congrats again on the good quarter.

Operator

Your next question comes from Daniel Major with UBS. Please go ahead.

Daniel Major — UBS

Hi, there. Yeah. Thanks very much. Just a few from my side.

Just on the operational side, Fosterville is quite strong throughput, even though kind of grades are coming off. Can you give us a sense of profile, Q4 and into next year, in that operation?

Natasha Vaz

Hi, Daniel. So with Fosterville, as with the other sites, we're just working on our budgets and life-of-mine plans. So we'll be in a better position early next year to provide more guidance.

Daniel Major

Okay. No worries. Second one, we talked quite a lot about labour and operating cost inflation. Can you make any comments on CapEx? You seeing any pressures there?

And then again, if we think about the positive drilling results you've seen and the project pipeline, any steer on the directional shape of CapEx into next year?

Ammar Al-Joundi

Yeah. We're not seeing any particular unusual inflation on the CapEx side. It's more in line with everything else. We have had some good results on the drilling side, but we are going to be disciplined and spread out how we spend the capital.

If you take a look at what we're doing with Detour Underground and Upper Beaver, we're spending, for both, total, about $100 million a year over the next three years to kind of de-risk those.

The big issue for CapEx always is, have you done enough engineering? And it's better, one, to have a good team and to, two, take your time to get the engineering right. Otherwise, it'll just cost you way more than any inflationary impact. And our team does a pretty good job of that.

Daniel Major

Okay. Thanks. Just a couple more, if I could.

If we think about the quarter, the cash flow was relatively strong, benefitted to some degree from some working capital, I think, particularly the $96 million of the tax variance. Can you give us a steer on where you would expect that to head in the fourth quarter with respect to the working capital and the free cash flow?

Jamie Porter

Yeah. It's Jamie here.

It’s really hard to predict what our working capital change is going to be for the fourth quarter, so. Often, in the third quarter, working capital’s actually a use of cash, just given some of the spending required for our Nunavut operations. It worked out to be the other way in Q3, but hard to provide you with any specific—a guidance on where we’ll be for Q4. Depends a lot on the timing of tax installment payments, accounts payable, and everything else. So yeah, we’ll see.

Daniel Major

Okay. Thanks. And then just one more, if I could.

Is there any update on San Nicolás discussions there?

Natasha Vaz

Hi, Daniel. No, nothing new to update. We’re still working on permitting and the feasibility study.

Daniel Major

Okay. Thanks a lot.

Operator

Your next question comes from John Tumazos with John Tumazos Very Independent Research. Please go ahead.

John Tumazos — John Tumazos Very Independent Research

Congratulations on all the good things. I noticed that the grades fell at 10 of the 12 mines, and 5 of the mines, the grades fell by over 10 percent. And instead of having a $100 cost hike from lower grades in a large production fall, you milled 18,000 tonnes per day more across the Company with five of the sites having mill throughput records.

How much more can you raise the mill throughput at Fosterville or Meliadine or Macassa? How did you get 18,000 tonnes a day more without spending $0.5 billion or $1 billion for a new mill? Were the prior capacities understated? Or walk us through the process. It looks like you saved—you bypassed a $100 cost hike by milling more. And kudos for the good work. Thank you.

Dominique Girard

Hi, John. Dominique speaking. I will take a part, and maybe Natasha could take the other one.

But where we have capacity, as you know, the main one, the biggest one is Canadian Malartic, where throughput is now in the 60,000 tonnes per day. And we're going to get more capacity as we move to underground. We have two-thirds of the mill capacity available, and we're working on that. It's a lot about the exploration.

But the one, maybe, current operation, I would say Meliadine, has some capacity that we're looking to—we just started the new vert mill and the new filter press. And we see that we've reached 6,500 tonnes per day. Now we just need to make it happen on the calendar day. But there's opportunity at that site. Meadowbank, well, since 2020, they are increasing it year after year. So we're going to continue pushing on that.

The other one about—

Natasha Vaz

Yep. Yeah.

Dominique Girard

—Fosterville, Detour, we'll let Natasha talk.

Natasha Vaz

Sounds good. Thanks for the question, John.

So with respect to Fosterville, in June—we had a great quarter in terms of throughput. But in June, we actually hit a record about—we're averaging about 2,700 tonnes per day, really strong on that end, and more than what we had expected that, that mill can do. It taught us a few things, and we're learning a little bit more to see what we can do to sustain it.

With Macassa, as I mentioned earlier, we're targeting the run rate of 1,650. But again, here, we're looking at what we can do with the existing infrastructure to squeeze it. So it's still early days, but the team is developing a plan to see if we can do anything more than that.

And then at Detour, this was as per planned. We had targeted a run rate equivalent to 28 million tonnes a year towards the end of this year. We're here. We're getting there. Now we just need to continue to maintain these rates for more than just one quarter. And we keep on working to increase it.

So as we released in our technical report, we are working on increasing that to 29 million tonnes a year by the end of 2028. And so we're looking at modifying the VFDs or installing VFDs on the secondary crusher, putting in Malartic-style discharge box for the SAG, advanced process controls like we have at our other mills. So there's still a little bit work to do there. But again, we're progressing, and we see there's potential.

John Tumazos

Fosterville is particularly complex with the white quartz-free gold and the black sulfides that require the heated bio-leach. How did you get so much more capacity so quickly at all the different aspects of the Fosterville mill?

Natasha Vaz

Hi. So with respect to it, we did have a little bit of capacity. Overall, we're running at the rate that the mill—that the site did expect. Because June was a bit of an anomaly for us, we are investigating that further and understanding it. But if we were to potentially increase beyond the 950,000 tonnes a year at Fosterville, you're right, John, we would have to increase the capacity at the BIOX circuit.

John Tumazos

Yeah. Get those bugs gone. Thank you.

Operator

Your next question comes from Martin Pradier with Veritas. Please go ahead.

Martin Pradier — Veritas

Thank you. Very good quarter. My question is mainly on the capital allocation side.

Would you continue reducing debt? Or do you think debt will end at the end of the year?

And now that you have almost $500 million just of net debt, are we going to see a higher dividend going forward? Are we going to see more share buybacks?

Jamie Porter

Yeah. It's Jamie here. Thanks for the question.

I do think we will continue to strengthen the balance sheet. We have $325 million outstanding on the term facility that's due in April of next year. We may consider repaying some of that on an accelerated basis in the fourth quarter. We'll work to—I think, at current gold prices, we've got a shot at actually being in a net cash position at the end of this year. But the focus in the near term is on continuing to strengthen the balance sheet.

With respect to dividends and share buybacks, I mean, a significant portion of our cash flow is being returned to shareholders, based on our forecast. It's about 45 percent of the cash that we're generating for the year will flow directly to shareholders through dividends and share buybacks. We'll continue to pay a strong dividend, and we will look for opportunities with respect to the share buyback, really intended on minimizing dilution.

Ammar Al-Joundi

The one thing I would add, and then maybe—I guess we're running out of time—is this is our—the money belongs to our shareholders. It belongs to our owners. And we are not going to take—even if there's excess money, we're not going to take our owners' money and spend it on something that doesn't make sense.

We are going to continue to be disciplined. We're proud of 41 years of dividend payments. And at these gold prices, if it continues, I would expect an increase in return to our shareholders over time.

Martin Pradier

Great. Thank you.

Ammar Al-Joundi

And maybe—sorry, Operator. Maybe one more question and then we'll wrap it up.

Operator

Sure. Your next question comes from Anita Soni with CIBC World Markets. Please go ahead.

Anita Soni — CIBC World Markets

Hi. Most of the questions have been asked, and I think the last one with capital allocation was my last remaining question. So congrats on a good quarter. That's all I had.

Jamie Porter

Thanks, Anita.

Ammar Al-Joundi

Thanks, Anita.

Anita Soni

Okay.

Ammar Al-Joundi

Happy Halloween, everyone. Thank you for joining us. And maybe, Operator, with that, we'll end the call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.