FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Third Quarter Results

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PRESENTATION

Operator

Good day, and welcome to the Agnico Eagle Mines Limited Q3 2014 Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Sean Boyd. Please go ahead, Mr. Boyd.

Sean Boyd — President and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Operator, and good morning, everyone, and thank you for joining our call this morning. We know it's a busy day for everyone, so we'll move through the slides and we'll be happy to take your questions at the end.

When we look at the quarter there certainly was some noise around the earnings. Some of that was due to our change from US GAAP to IFRS, which caused an increase in amortization. We actually had asset write-ups.

We had higher tax expenses in the quarter. That was also related to the change, partly related to the change in accounting.

We had increased exploration expense. That's a good thing because of the discovery at Amaruq, which we'll talk a little bit about in the presentation.

We had lower realized gold prices by about 3 percent less than average. That was due to timing on sales, so that created some noise around the earnings.

On the production side we had a tie-in in Finland on the expanded plant. We actually moved that about a month forward. That expansion was about six months ahead of the original schedule. That does set the production up to increase in Q4 and beyond.

And LaRonde we had the hoist upgrade on the drive system, so that affected the production and cost there. But on balance when we look at the production number, it was almost 350,000 ounces at costs where we expected them to be.

In fact, we saw good solid performance in Mexico; also very good performance in the Abitibi region at Goldex and Canadian Malartic, so a solid quarter. And as a result of the solid quarter, we see an upgrade in our production guidance for 2014, which is the second time we've done it this year.

We're now forecasting approximately 1.4 million ounces, and when we look at our entire business across all of the four main operating regions we also see a lot of strength going into 2015 in all parts of our business.

As we've said in the Abitibi we see LaRonde continuing to have more flexibility in the lower mine. We see more production coming out of LaRonde next year as the grade increases.

We see very good cost performance and production performance at Goldex—we'll talk about that as we go through the presentation—continued optimization at Canadian Malartic. We saw a quarterly mill throughput record, so the Abitibi will be a strong contributor for us going into 2015.

In Finland with the expanded plant we see increased production in Q4 and more production each quarter in 2015. In Nunavut we see a stronger production profile at Meadowbank as we access more of the higher-grade material next year.

In Mexico we see more production coming out of Mexico as La India ramps up. All of that will contribute to—has contributed to an increase in our production guidance for 2015 now at 1.6 million ounces. So from a production standpoint and from an operational standpoint even our costs were in line again this quarter with good cost per tonne performance at a number of mines, so from an operating perspective a very solid quarter.

We talked about the earnings and the impact on some of the accounting changes, but from a cash flow perspective we also had a strong quarter as well. So we've had a good solid nine months of cash flow, and when we look at our operations going forward we're in a bit of a unique position.

So gold price has weakened off here, but we like the positioning of our mines. We've got about 80 percent of our production coming out of Canada and Finland. If we are to see further weakness in the gold price based on a stronger US dollar, we would anticipate possibly a weaker Canadian dollar and a weaker euro. So we almost have a natural hedge here with a lot of our operations being focused, as we said, in Canada and in Europe.

I'll move on to the balance sheet and talk about the positioning on the balance sheet. Our net debt position was about $1.2 billion. We've got 800 million in long-term debt. The first payment of principal is not due until 2017. It's $115 million, so very manageable balance sheet.

We've got 500 million drawn under our credit facility with a syndicate of banks. The interest rate on that debt is a little less than 2 percent. We've actually extended the term on that debt. It's now a five-year facility with the ability to increase it by 300 million, so good flexibility on the balance sheet.

As we get to the assets we'll start in the northern business and we'll start at LaRonde. We talked about the hoist upgrade of the drive system, which was completed in Q3. That sets us up for more production in Q4.

We're expecting between 55,000 and 60,000 ounces in Q4. That's up from 37,000 ounces in Q3, and we've increased our flexibility in the lower mine.

We've got three operating horizons that give us access to the higher-grade lower level material, and several of those stopes in the lower mine are averaging 6 to 8 grams, so that's the type of flexibility we have going into next year, which will contribute significantly to our 1.6 million ounces of expected production.

At Meadowbank, very strong performance in the mill: 11,500 tonnes a day in Q3. Cost performance continues to be extremely good. We averaged CDN $74 per tonne, so the team up there has one of the best.

In terms of reacting based on the size of their operation on the cost containment side, they put a number of initiatives in place, and as you know, that mine used to have costs in excess of CDN $100 per tonne, so continued good cost control.

As we said, next year we expect a nice bump in production up from the original guidance of 375,000 ounces. We're looking to average about 100,000 to 110,000 ounces per quarter on average for next year, so that also contributes to the increased guidance at 1.6 million ounces.

We talked about some exploration success that we have had about 50 kilometres to the northwest of Meadowbank, and that's at Amaruq. We drilled 144 holes; over 31,000 metres of drilling.

Our budget increased from the original $1.5 million to $9 million; 7.4 of that was in Q3, which was a bit of a negative on the earnings.

We continue to work on preliminary engineering for the construction of an all-weather exploration road that would link the project to Meadowbank. We're also looking—working on studies to evaluate how this deposit can be incorporated into the mine plan at Meadowbank and possibly linked with the Meliadine project.

So we'll have further information on this project later in November as we get all of the assays. There's still about 5 percent of the assays we're still waiting for. We expect to calculate a preliminary resource on this project around the end of the year.

So it was an excellent year on the exploration front. This deposit has good thicknesses; very good grade; a strong geophysical signature. We've drilled a portion of that geophysical signature.

Our focus next year when we get back to drilling in March we'll be on the lake drilling the Whale Tail area. We've drilled the western and eastern sides. We've drilled a (unintelligible) hole under the lake. The structure appears to be there, but we want to do the drilling in between from the ice on the lake. And we think that will increase the resource base on that part of the deposit.

At Canadian Malartic, we had a quarterly record for mill throughput. Mine productivity is very good. In fact, our costs per tonne were $19.60, which was below the guidance of CDN $21.

Full year production now expected to be at the top end of the original guidance, which we put out about three months ago. The guidance was 510,000 to 530,000 ounces. We expect to be at the top end of that range.

And we in the press release have a number of—listed a number of items where we're working on to improve and optimize the operations. So far, so good, and we'll put out some more details on those optimization efforts in February with our year-end results.

At Goldex, we touched on it earlier, continue to have very good performance here. In the third quarter we averaged 5,800 tonnes per day at a cost per tonne of $32 per tonne, which is well below budget, well below the feasibility study, which was the basis for restarting operations on the satellite zones at Goldex.

We've accelerated ramp development into the D zone. We're also doing development around several satellite zones. We will be able to extend the mine life here of what's turning out to be a very good cash flow generator because it doesn't consume a lot of capital.

We're also looking to take advantage of about 2,000 tonnes of additional capacity in the plant, and we're working on the Akasaba West study, which is a satellite deposit in the Val-d'Or area, which could supply that additional 2,000 tonnes a day and allow us to boost production and leverage off of the infrastructure. And also leverage off of the experience at that site.

In the slide deck we have a longitudinal section which shows you the M2, M5, and E2 satellite zones, which we will bring into the mine plan. We expect to complete the study on the upper portion of the D zone later in 2015, early 2016.

We do expect to be mining at some point from the D zone, so it was the right decision to go back and reopen this. And the team has done an exceptional job under difficult circumstances getting a mine back in production that's now generating very strong cash flow for us.

At Lapa, very good production cost quarter. They produced about 25,000 ounces at a cash cost of around $600. So despite the fact that it's a short mine life and it's difficult mining, narrow width, small mining blocks, the team's working very hard at keeping production up and maintaining the cost.

At Kittila, as we said, we had the tie-in in Q3, essentially putting in the expanded part of the plant, connecting it with the main plant. Our throughput was down in the quarter as a result of that by about 23 percent, but as we've said, we expect stronger production not only in Q4, but as we move into 2015 we're looking for production out of Kittila for the next five years or so to be in the 190,000 to 200,000 ounce per year range. And that also will contribute to the upgraded guidance for 2015.

At Meliadine, continuing to work on the study. We expect to be out with the technical study in early 2015. We're also working on some additional studies to see whether we can tie in Amaruq to Meliadine. So we're reviewing the entire Nunavut strategy because of the exploration success at Amaruq and looking at a number of possibilities around improving the Nunavut business and the Nunavut asset base.

In the southern business, part of the increased production guidance for 2015 also comes from Mexico as operations continue to perform very well there. La India is ramping up, and we continue to get very good cost performance out of that business. The average cash cost for the three mines currently in operation there is about US $550 cash cost per ounce.

At Pinos Altos, again, another steady performance; very good cost performance; a little over 40,000 ounces at 545 cash cost. Shaft sinking is going well, on budget, and targeted to be completed in Q4 of 2015, which will give us more flexibility in the underground mine to allow us to increase the mining rate in the underground mine. And more importantly, from a mill standpoint, we saw record daily mill throughput in September. So we've successfully been able to ramp up the mill for very low capital.

Creston Mascota, it's done very well. We've added a new agglomerator and some conveyors that's given us some flexibility; good cash costs around the 550 level.

At La India, as we said, we're ramping up production there nicely. That will contribute to the increased guidance for next year. As we're starting to get more comfortable with that operation and it starts to mature, we're seeing good performance there.

And lastly, in our southern business we had a successful shareholder vote of Cayden Resources, who approved the transaction. Agnico will own 100 percent of Cayden, and the principal asset there is the El Barqueño property, which we expect to see continue to grow. We expect to see good drill results.

We have an aggressive exploration program planned at El Barqueño next year probably in the range of about $15 million. So when you combine the potential of El Barqueño and the potential of Amaruq, both of which we were not really factoring in to our future, that gives us some very good upside from an exploration standpoint and gives a couple of property positions that could become significant producers for our company as we move forward.

So we continue to be well positioned. We have a business that we can manage. We have a business that continues to grow.

We have a business that we can continue to manage the costs and generate free cash flow. We have a business that can withstand lower gold prices, as we've demonstrated many times over our history. So we're comfortable where we are, and we look forward to a stronger Q4 and a much more stronger 2015.

So on that, Operator, I'd like to open up the line for questions.

Q&A

Operator

Thank you. If you'd like to ask a question, please signal by pressing the * key, followed by the digit 1 on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

If you have signalled for a question prior to hearing these instructions on today's call, please repeat the process now by pressing *, 1 again to ensure our equipment has captured your signal.

We'll pause for just a moment to allow everyone an opportunity to signal for questions.

Our first question comes from the line of Stephen Walker at RBC Capital Markets. Please go ahead.

Stephen Walker — RBC Capital Markets

Great. Thank you very much. Sean, you mentioned that the business is prepared to react to lower gold prices or a structure that it can adjust to lower gold prices. Can you talk a little bit about what you could do and how you'd modify if we were say in, call it, a broader lower range, 1,000 to $1,200 gold versus kind of the 1,200 to 1,300 where I think most companies seem to be adjusting their business plan? Can you talk about how you would—

Sean Boyd

Sure.

Stephen Walker

And what you're doing in a sharply lower gold price environment to adjust your business model?

Sean Boyd

Sure. Most of that involves the decisions around capital allocation. Before we get to capital allocation, really on the revenue side we're seeing a significant uptick in our revenue perhaps (phon) in the change in the gold price just based on an estimated 15 percent increase in production, which is our guidance number, which is not our budget number, so with an ability to maintain cost, so that's number one.

I think the Canadian dollar if we're in a lower gold price environment has the potential to be lower, so it's really the Canadian dollar gold price that gives us a bit of a natural hedge to help us withstand a lower gold price environment, but the decision's on sort of sustainability. We've been through this many times before in our career and in our history at Agnico, and really it's all about pace.

And clearly the biggest capital projects would be the ones that would be most affected, and that would be something like Meliadine. And so we do have the potential to adjust the pace at Meliadine; we'd willing to adjust the pace at Meliadine. As we said, we've done that several times in our history, either LaRonde or Goldex or you name it, but I think the interesting wrinkle in Nunavut now is Amaruq.

And for relatively low capital compared to Meliadine we could still see an ability to maintain a production base up there and to generate free cash flow there. So I think that gives us some flexibility that we didn't have a year ago.

So that would be the approach, but we're still going through the budget process now. And we continue to work on a number of ideas and initiatives for not just optimization, but for a lower gold price environment.

Stephen Walker

If I may, as a follow-up, are there contingencies for care and maintenance? Is there a gold price level where you'll have to consider care and maintenance on the operations? And do your operations allow you to effectively adjust cut-off grades because of some of the underground mines may have more flexibility to do that? Or are you in a position where you can high grade and keep mines going longer at sharply lower gold prices?

Sean Boyd

Yeah. We wouldn't have to high grade to keep mines going lower. You look at our cash costs that are in the 650 range. We expect to be around that range next year. So the mines would be generating cash. It's a matter of reducing capital, and so we don't see us having to significantly alter any of the mine plans, given the robust nature.

If you actually look at the deposits in the mines you're going to see LaRonde go from sort of 200,000-ish to 350,000 over the next several years, and have an ability to produce gold in the 650 range. You're going to see Kittila go to close to the 200,000 ounce range from roughly the 150,000 ounce range.

You've got production in Mexico, which is over 300,000 at a cash cost in the 550 range. Meadowbank has a short life, but it can still generate good cash because the CapEx at Meadowbank is coming off substantially.

So the assets are actually quite robust, and we're seeing increasing production without having to invest significant capital. As we said, the only big capital number on the horizon would be Meliadine, and that still remains to be decided. And that will be driven largely on the price of gold.

Stephen Walker

Again, the moving item there would be sustaining capital. At what levels do you think you could reduce sustaining capital and continue to sort of operate your mines on a per ounce basis of sustaining capital and operate your mines on an ongoing basis?

Sean Boyd

Yeah. Sustaining capital is in the $250 million range. So at $1,000 gold we're generating $350 an ounce, let's say, on 1.6 million ounces next year. So we can cover that sustaining. We may have to tweak it a bit, but we're not having to cut significantly into the sustaining.

Stephen Walker

Perfect. Thank you very much, guys. Most appreciated, Sean.

Sean Boyd

Okay.

Operator

Our next question comes from the line of John Tumazos at John Tumazos Very Independent Research. Please go ahead.

John Tumazos — John Tumazos Very Independent Research

Thank you for taking my question. I apologize if I haven't comprehended the various details of your presentation. At LaRonde, Canadian Malartic, Kittila, and Meadowbank the cash costs were each considerably higher than the nine months. How much of that was influenced by IFRS accounting versus changes in grade versus changeovers, such as modifying the hoist in LaRonde or tie-ins at Kittila? And should we expect the costs to be at similar levels the next couple quarters in those locations?

Sean Boyd

Yeah. I can deal with them one at a time, and we dealt with some of this in the presentation. I think from LaRonde's perspective we had the hoist drive upgrade. So production at LaRonde in the quarter was 37,000 ounces. We expect it to be 55,000 to 60,000 in Q4, and average that into 2015. As a result, unit costs should go down. So at LaRonde, the bump in costs was essentially due to the hoist upgrade and the required shutdown around the hoist upgrade.

At Kittila, we had—it's actually a good problem because we were actually six months ahead of schedule in terms of completing the expansion infrastructure in the plant. We actually moved the tie-in a month earlier. So it was originally in the fourth quarter; we moved it into the third quarter. So what we had there was about a 23 percent reduction in our tonnage in the quarter because of having the shutdown to tie in the new components. As we said, we expect production in the coming quarters to be sort of 45,000 ounces plus, which would lower unit costs in Kittila.

At Canadian Malartic, the increase in the unit cost was largely the net smelter return because if you look at the cost per tonne they were actually below the budget.

So in those three mines from an accounting perspective, very little impact. It was really at the operational level, and those are things that are one-time, at least at LaRonde and Kittila. At Canadian Malartic it was really the NSR.

At Meadowbank, we have been saying for many quarters that the second half is just due to mining sequence; not a change in the mining sequence, but the actual mining sequence was going to see a two-quarter lower-grade cycle, which is what we're in right now.

And if you look at cost per tonne, cost per tonne was down to CDN $74. So we continue to get very good cost per tonne performance. We expect the Meadowbank production in 2015 to average 100,000 to 110,000 ounces per quarter. So you should see the unit costs come down accordingly, so again, no accounting impact.

John Tumazos

Sean, there were two conference calls at 8:30 a.m. and two conference calls at 10:00 a.m. and going all the way until 2:00 p.m., and it's hard for mining investors to digest things. And this morning your stock is down US 2.65. Do you think the Board would authorize a share buyback program in view of the considerable progress the Company enjoys and the different variations in market conditions?

Sean Boyd

It's not been discussed, and in our 57 years our preference is to pay a dividend, which we've paid for 32 years, rather than buy back shares. Would that be a topic at these types of levels? Possible. We have a strategy session in December, although we've not entertained that in the past.

So at this point I can't say yes or no, but the balancing factor there would be what investments do we have internally at our projects. We've got several of them that have a high rate of return, particularly at Goldex with the satellite zones. We like Amaruq; it's got a lot of upside potential, good grades, and good width.

Our preference would be to build our business, but it's a legitimate question. But at this point that hasn't been discussed.

John Tumazos

Thank you.

Operator

Our next question comes from the line of David Haughton at Bank of Montreal. Please go ahead.

David Haughton — BMO Capital Markets

Good morning, Sean and Tim.

Sean Boyd

Good morning.

David Haughton

Thank you for the update. Two ramp-up kind of questions for you, Sean. Just looking at LaRonde, I presume all those hoisting issues that you encountered during the quarter are now behind you. You're not expecting any other—anything to creep up?

Sean Boyd

That's correct. It's done.

David Haughton

Excellent. And thinking about the costs obviously higher in that quarter because of the various issues that you had, would you target unit costs of below $100 per tonne going forward? Is that your kind of target here?

Sean Boyd

Yes. It is.

David Haughton

Very good. And then just thinking about Kittila, you've now got the capacity to take it up to 4,000 tonnes per day. Do you have a time line as to when you think you might reach that run rate? And are all the pieces in place to be able to achieve that?

Sean Boyd

They're in place in the plant. For next year it's a drawdown of stockpile to get us there. We will require and have continued to accelerate the ramp development towards Rimpi. So it'll still take a couple of years, one to two years, to get up to roughly the 4,000 tonne a day mining rate. So we're still working through the budgets on that.

But next year we see the ability to produce 45,000 to 50,000 ounces per quarter with that additional capacity in the plant for next year largely on stockpile and in 2016 based on an increased mining rate. So there's more development to do next year.

David Haughton

Okay. So mine constrained rather than mill constrained...

Sean Boyd

Yeah.

David Haughton

For now.

Sean Boyd

Yeah.

David Haughton

Have you—at one stage you were thinking of possibly going beyond the 4,000 tonnes per day. Is that still part of your thought? Or are you just happy with the current levels?

Sean Boyd

No. That's not part of the plan.

David Haughton

Okay.

Sean Boyd

The next piece of infrastructure that's under consideration at Kittila would be a shaft. The team would like a shaft, but the shaft is really driven by our capital allocation decisions.

The deposit suggests that a shaft needs to be sunk there at some point. We feel that we have two to three years before that decision needs to be made. And that's really a decision around we expect to be in a position where we'll be mining predominantly below 700 metres beyond 2020/'21. And it would be nice to have a shaft in place roughly at that time to keep our costs down.

We could still mine with a ramp, but the costs would be higher.

David Haughton

Okay. Last question; you said something that I'm hoping you might be able to explain. Your current thinking is that you're looking at how Amaruq could be tied in or linked with Meliadine. What do you mean by that? Is that just for timing or logistics? Or what do…

Sean Boyd

There's a number of—yeah. There's a number of ideas there that we're working on, and we'll be in a position to talk more about that in detail in the February/March time frame.

David Haughton

Okay. So watch this space?

Sean Boyd

Yeah.

David Haughton

Okay. Thank you, Sean.

Sean Boyd

Thank you.

Operator

Our next question comes from the line of Anita Soni from Credit Suisse. Please go ahead.

Anita Soni — Credit Suisse

Good morning, guys.

Sean Boyd

Good morning.

Anita Soni

I have just a question on Malartic. Can you just clarify what the unit mining costs were? I think in the Excel file it was like $22 a tonne and in the press release it said 19.60, so I just wanted to know what was the correct one?

Unidentified Speaker

The operating cost, excluding royalty, was at 20.40 or somewhere around that neighbourhood for the quarter.

Anita Soni

Was that Canadian dollars?

Unidentified Speaker

Correct.

Anita Soni

So…

Sean Boyd

Yeah. Nineteen sixty without the royalties; it was 19.60.

Anita Soni

Without royalties.

Sean Boyd

Yeah.

Anita Soni

And then what would be the 20.40 number?

Sean Boyd

We're just looking at that.

Unidentified Speaker

That's an error, Anita. Sorry about that.

Sean Boyd

Yeah. We're just looking. We think that's an error, the 20.40, on the spreadsheet.

Anita Soni

Okay. And maybe that's converted or something?

Sean Boyd

We'll check that.

Anita Soni

Thank you.

Sean Boyd

Yeah.

Anita Soni

Thanks. I'll leave it there.

Sean Boyd

Okay. Thank you.

Operator

Ladies and gentlemen, as a reminder if you would like to ask a question, please press *, 1 on your touch-tone phone.

There are no further questions. Please continue.

Sean Boyd

Thank you, everyone; thank you, Operator; and if there's any other questions, feel free to give us a call. We'd be happy to help you out.

Thank you.

Operator

Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line, and have a great day.

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