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Agnico Eagle Mines Limited

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CORPORATE PARTICIPANTS

Sean Boyd
Agnico Eagle Mines Limited — Chief Executive Officer

Yvon Sylvestre
Agnico Eagle Mines Limited — Senior Vice-President, Operations - Canada & Europe

Alain Blackburn
Agnico Eagle Mines Limited — Senior Vice-President, Exploration

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

CONFERENCE CALL PARTICIPANTS

David Haughton
CIBC — Analyst

Mike Parkin
Desjardins — Analyst

Stephen Walker
RBC Capital Markets — Analyst

John Tumazos
John Tumazos Very Independent Research LLC — Analyst

Steven Butler
GMP Securities — Analyst

Tony Lesiak
Canaccord Genuity — Analyst

Don MacLean
Paradigm Capital — Analyst

Tanya Jakusconek
Scotiabank — Analyst

Steve Parsons
National Bank Financial — Analyst

PRESENTATION

Operator

Good morning. My name is Carol (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Fourth Quarter Results 2016 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 # key. Thank you.

Mr. Sean Boyd, you may begin your conference.

Sean Boyd — Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Operator, and good morning, everyone. And thank you for joining our Q4 2016 conference call.

And before we begin the presentation, just like to remind everybody that this presentation will include forward-looking statements. And there's material in the slide deck that covers that and you can read at your leisure.

What we'd like to do today is cover the operations in the quarter, but more importantly, talk about the future and our plans for investment and improving the quality of our business and creating value for our shareholders.

We've positioned ourselves strongly through a strategy of investing in exploration; investing in project development over the last several years that has allowed us now to continue to invest and grow output and grow reserves from the existing asset base in areas where we've had a tremendous amount of success over many, many years.

So our history has demonstrated that our strategy of building mining platforms for long-term value creation in areas that have excellent mineral potential and areas that have an ability to do business works very well. So our plan is to continue to follow this straightforward, relatively simple, but effective approach to building value per share.

As we look at our quarter and our year and our positioning, our operations continue to perform extremely well. They are exceeding targets, and they're generating significant cash flow.

Our reserves are growing, and that's largely due to a commitment to exploration not just at our existing mines where we're seeing those deposits grow, but also in the project pipeline where we're also seeing deposits grow that will form future important parts of our mine plan as we move forward.

Our production profile will see us producing 2 million ounces in 2020, with an ability to grow those assets beyond 2 million ounces. All of that growth comes from assets that we already own—some of them are already producing—and the growth will be funded by the cash that we have on hand and our operating cash flow. And as you recall, over the last two years we've worked hard at doing two things: moving key projects forward and exploring those projects, as well as improving the balance sheet by reducing our net debt position.

I think one of the important aspects of the growth plan is it's from existing areas that we operate in and have success in, so low political risk. Execution risk from our perspective is low. This growth is coming from increasing mining rate at existing assets and taking advantage of unused processing capacity coming from accessing in regular mining sequence order higher grades that exist at these deposits. And also building out the Nunavut platform, and that's a region that we've been operating in for 10 years.

As we said, this pipeline has the ability to add value beyond 2020; we'll talk a little bit about this. And I think most importantly, when we set out 10 years ago or so to diversify away from our sole reliance on LaRonde, not only have we developed additional sources of production and improved the quality of the business and done it in a way that improved net asset value per share and also increased our shareholders' exposure to production per share, we've developed a really broad range of technical skills and experience, which allows us to continue to move forward with this growth plan.

As we look at the operating results, another very strong production quarter exceeding our estimates, and as a result we posted the fifth consecutive year where both production and costs have come in better than guidance.

If we look at Q4 earnings, slightly below consensus, largely due to lower sales volumes primarily because of a late gold shipment coming out of Meadowbank due to weather. The good thing is is that the 31,000 ounces or so that didn't get sold in the fourth quarter were sold in January at higher gold prices than what we were seeing in December.

If we look at our full year production at 1.66 million ounces, it drove unit costs down to a very competitive $573 on a by-product basis, so below our targets. And we also had very strong performance on all-in sustaining cost at 824, below our guidance of 860.

As we indicated, we're moving forward on our plans to develop the Amaruq satellite deposit and our plans to complete construction on our Meliadine project. Both of those have favourable economics exceeding our internal rates of return, and as we see our development at Nunavut, we just see it consistent with our strategy of going into regions where you can do business where there's extensive mineral potential; we tie up large land packages; we become one of the dominant players in the region; and we take a long-term view of value creation.

So this is very much not just about adding ounces in the short term, but building a long-term value where we can create value on a per share basis.

Our four-year production guidance for the next two years, 2017 and 2018, is unchanged from guidance that was put out a year ago at 1.55 and 1.5 million ounces. In 2019 we're forecasting 1.6 million ounces, and in 2020 we expect to be at about 2 million ounces. We're certainly looking and continue to look at opportunities 2018 beyond to do better than this guidance. And we would, again, term this guidance as very solidly achievable.

As far as the cost guidance, really no change in the cost guidance going forward. But as we look out, given the high-quality nature of the ounces we're adding to the production profile, we expect to see a decline in our unit costs as we move through 2020.

As we mentioned, we've been reducing net debt steadily for the last two years. And we've put our balance sheet in a position where we can fund this growth from cash on hand, from cash flow that we expect to generate over the business in the next two to two-and-a-half years, and if needed, depending on the gold price, we could draw on our credit lines, which are 1.2 billion and totally unused.

As we mentioned, we've seen an increase in our reserves of 5 percent. We see the increased commitment to exploration over the last few years. We’re yielding positive results across the board at many of our projects.

We've seen an increase also in our inferred resource, so if we look at our total resources now at roughly 33 million ounces, of particular note is we've seen initial resources on Odyssey and Barsele, and we've put out our relative proportion of that based on our ownership interest. But I think the results in the recent quarter that have got our people most intrigued is our drilling on the western side of LaRonde 3 at a depth of about 3.1 kilometres where we’re seeing extremely high-grade gold results, as well as the reemergence of a massive sulphide lens. We're still doing our interpretation and relooking back at earlier holes that were drilled above this area which encountered massive sulphide as well. And that's going to be the focus of exploration drilling as we move forward.

So we're currently working on studies, as you know, about mining at LaRonde below 3.1 kilometres.

In terms of the actual contribution from the mines in the quarter, across the board very strong contribution not just from a production standpoint, but cost standpoint, which generated significant margin.

If we look at the total margin generated from our mines in 2016, 1.1 billion, this is the type of margin that we see as we move forward that will provide the vast majority of the funding to complete the growth projects.

Looking at our balance sheet, as we said, we've reduced net debt down in 2016 by a little over $340 million. We have a debt repayment schedule that's very manageable, even in the context of the additional investment that we're putting out to grow our pipeline and build a new emerging platform in Nunavut.

We've got cash on hand, over 500 million at the year-end, and as we said, with a fully undrawn credit facility at $1.2 billion. And as we always like to point out, we're in our 60th year of operations, and we only have 225 million shares outstanding.

And I'd just like to note in that context of shares outstanding, and we talk about our ability to create per share valuation, and we did have an outside confirmation of this that came in late last year by the Harvard Business Review that essentially ranked 1,200 companies. And they cover 70 percent of the world's market cap; it covers 32 countries. They rank companies based on 80 percent shareholder return and 20 percent on sustainability and corporate governance. And they publish the top 100.

And there was only four mining companies on that list. There were only four Canadian companies on that list. And the period in which they study that return, compare those returns, is essentially the tenure of a CEO, so a bit of a commercial. Not that I want to pat ourselves on the back, but it says a lot about the effectiveness of the strategy over time.

We were ranked 55 out of 1,200, putting us as the top company in Canada in terms of the return metrics, and one of four mining companies that made the top 100. And it's interesting to look at the four mining companies: Randgold, Agnico Eagle, Grupo México, and Southern Copper. Four companies that stick to a region, stick to a strategy that works, and that works over time.

And that's why I think it's important when we look at this in the context of our Nunavut strategy, it's really just a continuation of what we've done for decades, which is get in early, drill; build; drill some more; and build some more and allocate capital. And do it in a way where we're not diluting our existing shareholder base.

So look for more of the same from Agnico because it's clearly worked over a long period of time, and we look to employ the same strategy for a number of years.

As far as the earnings and financial highlights, we talked about the sales not occurring late in 2016 and the impact, but we also had an impairment reversal under IFRS of $81 million net of tax, which is about $0.36 per share. And that was the result of having to reverse a part—partly reverse an impairment on the Meadowbank mine due to the success we've had in adding value at Amaruq and also in part reversing a past impairment on Meliadine due to the success of the study and the robustness of the economics on that project.

We talked about the four-year guidance, getting to 2 million ounces in 2020, and allowing us to manage our unit costs down over time. I think it's important to note that as we invest this year and next year, we expect the Nunavut platform to begin to start in third quarter of 2019 and ramp up quickly thereafter to the point where both Amaruq and Meliadine will be producing 400,000 ounces plus.

So this is another key component of not just the strategy to add value, but also as part of the strategy to continue to keep this business manageable and continue to allow us to hit our targets.

And one of the things that’s emerging here with our business is the chunkiness of the asset base. And we've talked about LaRonde, our ability to access better grades; our ability to ramp up production.

We've also made a decision at the board level yesterday to move forward on the initial base case at the Bousquet Zone, which we're now calling LaRonde 5. That will bring the LaRonde complex over 400,000 ounces.

And as we said, Amaruq will ramp up and get to 400,000 ounces. Meliadine will average 400,000 ounces for a number of years.

Our Malartic mine, in partnership with Yamana, our 50 percent is over 300,000 ounces. And we're currently working on plans in Finland, which could see the mine at Kittila approach 300,000 ounces. That's a very chunky business; assets and in regions that we know well and had a tremendous amount of success. So that's a big part of our strategy.

There's details on the next slide about the ramp up in production and the production over the next three years. I think what's important there is we're seeing the emergence or reemergence of LaRonde. It set record production this year. Its best days are ahead of itself.

We're seeing good, solid performance out of Malartic. We're seeing steady performance out of Kittila. And we're seeing the continued solid cash-flow generating business in Mexico.

As we talked about at the start, we have a number of opportunities to improve our production profile as we move forward, not just between 2018 and 2020, but also in 2020 and beyond.

Just to make a couple of points. Goldex, our development underground is a bit ahead of schedule, so we're hopeful that we can do a bit better at the Goldex mine.

Our guidance in 2019 at both Amaruq and Meliadine is we would call it conservative based on the fact that we're starting new mines. From an Amaruq perspective, the timing's really driven by permitting, but we're confident based on what we've seen so far, and our discussions with the regulators and authorities that we will meet that permitting time line.

And Meliadine we are confident that we can meet that time line and possibly maybe do a bit better. We worked hard in 2016. We spent additional funds late in the year to not just position the barge season that comes up this summer and get critical items on that barge, but also to prepare the surface for construction.

In fact, we did some construction from August on as we moved into the balance of the year. So this project is certainly well in hand, and as you know, for many years we've been advancing the underground ramp system at Meliadine. And there's significant investment going to happen over the next two years to add to that.

As we look at 2021 and beyond, I made reference to Kittila. We expect that mine to do better. And as we look at Meliadine and Amaruq, both of the current studies on those deposits are only incorporating approximately 50 percent of the overall currently known mineralization. So we certainly look for an ability to maybe tweak those up, but also to have long-life mines in an area that has tremendous mineral potential.

We touched on the mineral reserves and resources. I won't spend—the growth there. I won't spend time on that slide.

I'll move quickly through the next several slides and briefly just touch on some of the key operations.

As we said, LaRonde set a record in terms of production. They exceeded budget. This development performance was 5 percent better than planned; tonnage from underground, 4 percent better than planned; its safety performance was the best ever with the fewest lost-time accidents; and as we said, the complex at LaRonde with the Bousquet material is heading to over 400,000 ounces.

At Malartic, we saw the fewest lost-time accidents since it started production. We saw record tonnage through the mill, and we saw record gold output, so good steady operations there.

In terms of the permitting, we would expect to get the approval to move ahead on the Barnat shortly, so everything is moving according to plan there.

At Goldex, good, solid full year production above budget; costs better than budget.

At Lapa, that mine continues to generate cash flow. The mine has taken it upon themselves as it sort of nears the end of the life to extend it as best they can and generate positive cash flow from the operations, which they continue to do.

They extended production right to the end of 2016, which wasn't part of the original plan. They've got production set for the first quarter of this year, which is in our guidance.

The expectations now is they can likely take that production to the middle of the year. So that's a bonus for us.

But we should commend the Lapa team for continuing to put forward an effort in an environment where they're seeing a mine closure. And not only that, they had record safety performance and they're being recognized as one of the safest mines in the Province of Quebec, so a shout-out and congratulations to our team at Lapa.

We mentioned the drill holes that we're seeing on the western side of LaRonde. So in the slide deck you see a long section. I think this has got Alain Blackburn, Guy Gosselin, Marc Legault, who were all chief geologists at LaRonde in the early years when these zones were developing, excited to see the core.

We'll have the core with us at the next big conference, which is in Fort Lauderdale at the end of the month, and people can get a sense for the geology, the rock.

What we're seeing across the core is mineralization in all the intervals. These high grades aren't carried by one section with a splattering of visible gold. We're seeing heavily mineralized across the sections. And when we're into massive sulphide we're seeing high-grade gold; we're seeing grades of copper over 1 percent; we're seeing grades of zinc 2 to 3 percent.

So this is reminiscent of material that we used to see earlier on when we were starting at LaRonde. So this could be a very positive sign as we look to the deep development of the LaRonde mine.

At Canadian Malartic, we've put an initial resource on Odyssey; I would call it conservative. We put mining parameters around it. There's a lot more work to do and drilling to do, but we've got some very wide intercepts; some grading over 3 grams.

The model for Odyssey in our mind was always something similar to Goldex. So this is—some of these drill holes are demonstrating Goldex-type thicknesses, but also better grades than what we're seeing at Goldex. So we continue to drill; we continue to work on it with our partner, Yamana, to see if we can put this at some point into a mine plan.

We talked a bit about the LaRonde Zone 5 project. As we said, we're moving forward with the base case, which will see us producing about 45,000 ounces through to 2026. But the base case is really designed to not just produce those additional ounces and generate cash, but also to get a feel on whether the 700,000 ounces in indicated resources can also be put into a mine plan.

This is the type of approach we took when we restarted Goldex: go with base case; get back in; get underground; have a look; do some more drilling; get a sense of the cost structure; and determine whether we can continue to add value out of something that essentially has cost us nothing, and is basically a kilometre from the LaRonde processing facility.

In Finland, a very solid quarter of production. Good solid year there: 200,000 ounces. It wasn't long ago that that mine was producing under 150,000. And as we said, we continue to drill the Sisar Zone; we continue to look at opportunities to increase the mining rate; we have unused processing capacity in the plant.

And as we look at the potential to open up a third source of ore underground in the Sisar Zone, that is all being worked on with the possibility of moving Kittila closer to 300,000 ounces than 200,000. So this has the potential to become another key cornerstone asset for the Company.

At Barsele, we put out an initial resource. That resource would have mining parameters on it, so it's not a resource where we're promoting the exploration potential. So it's one of our conservative resources. It will continue to grow, and we continue to work on that as an eventual operation that would have some similarities to Goldex based on mining thicknesses.

In Nunavut, Meadowbank, very strong quarter; continued excellent safety performance better than their targets; production over 300,000, which we expect to grow in 2017.

We expect that production in 2017 at Meadowbank will be 320,000 ounces, and in 2019 there may be a possibility that we continue with production from the Vault pit. So we pushed Meadowbank already from the third quarter of 2018 to the end of 2018, and we're currently studying the ability to maybe push that into 2019.

When we look at Nunavut, at the start we talked about a strategy that takes a long-term view. And we've been in Nunavut already for 10 years. Time has gone very quickly, but we first got involved with the Meadowbank project back in 2007. Since that time, we've increased our land package by 10 times. So again that demonstrates a long-term view of value creation for us, so very large land packages covering three major greenstone belts.

As a result of those 10 years in that region we've earned our stripes, as they say. We've got extensive arctic experience. We've built up very important relationships in the community and with local businesses. That's an important part of this next phase of growth.

We also have a key logistical support in planning base in Val-d'Or. That's been a key factor of our success in Nunavut. It helps to keep our costs down, and is really an important part of the logistics and the planning and has been for the last several years on this eventual step to build Amaruq and build Meliadine, so very much in keeping with a steady progression on how we do things at Agnico Eagle.

Specifically at the Amaruq project, road construction is advancing well. We expect to be completed the road by the end of 2017. We have the permit for ramp construction; that's been received. We expect to start that ramp later this year once we get set up with deliveries on the barge season or from the barge season.

We have—the permits and licences for Whale Tail are in progress. We expect to receive them by the third quarter of 2018, and we've seen no negative surprises throughout that process. In fact, that's moving very steadily forward, and that's really driving our timetable for Q3 2019 start of production.

In that permitting process there are several blocks of time that are allocated to different regulatory bodies and authorities. And our experience up 'til now is when we've sort of entered these time blocks, the specific authority or regulator has taken less time than they're generally allocated. And we would see that hopefully continuing to occur as we move forward. So maybe there's some additional slack in that system.

As we've said, we plan on the initial phase to extract 2 million ounces of production through to 2024. And that represents less than half of the currently known mineral resource, which is now over 4 million ounces. Good recoveries, we expect, 93 percent.

Our cash costs we're looking over that roughly six-year period of being about $770 an ounce. As we move into the latter stages of that six-year period we'll have much better knowledge and feel of the V zone and how it could impact the grade profile and the production profile there. And the V zone is a big part of our exploration because it's higher grade and it's still wide open.

Initial capital costs sort of in line with our expectations, about $330 million. We'll be using existing Meadowbank infrastructure; mining equipment. We'll be using the processing facilities; tailings; the camp; the airstrip.

What we will require is new haulage trucks to haul along the road to deliver the ore to Meadowbank, and also some straightforward modifications to the mill, gravity, and regrind circuit. So there's still potential to do better here, to extend the life as we bring in the known resource that's not in the current plan into the plan. And we believe we're going to be able to extend Whale Tail.

If we go to the long section on the next slide, it's still wide open. It's still open at depth. The open-pit resource grew in 2016 from roughly 1.9 million ounces to 2.2 million to 2.3 million ounces. The total resources we said now exceeds 4 million ounces.

As we said, still open the deposit, so we're spending about 22 million on exploration in 2017. We're focused on infill and expanding the mineral resource at the high-grade V zone. We're focused on evaluating the underground potential of Whale Tail. We're looking for possible westward extensions of the Whale Tail deposit, and we're also looking for additional near-surface deposits on the large land package that exists there.

At Meliadine, as we've said, it's fully permitted. Our study expects to extract 5.3 million ounces of the 10-plus million ounces currently known reserve and resource, so similar to Amaruq, about 50 percent.

We certainly would expect, given the way we have calculated resource in the past, to extract the full mineral reserve and resource outlined. It's a phased approach starting with underground transforming into a combination of underground and open pit.

And as we've said, there's extension underground development already in place. We've been actually advancing underground ramp system for several years now where we spent, as we've said, 130 million to prepare the project for this year's barge season and to prepare the surface for continuing surface construction.

So we look at this project as very low risk, given a couple factors: our extension experience in Nunavut; the fact that we've had this project for seven years. We've been working on it extensively in terms of studying it for seven years, but we've also been working on it extensively in terms of bulk sampling, drilling, and underground access, and in 2016 getting surface facilities prepared for the next two years of construction.

Initial capital costs of $900 million we would estimate sustaining of about $50 million a year. It's a big mine; big, solid producer producing about 400,000 ounces at extremely good cash costs of around $600 an ounce. And it's a project that's still wide open. Look at the long section.

So we'll continue to drill. In 2017, in fact, we've got an extensive drilling program of 26,500 metres planned for 2017. We've got 5,600 metres of underground ramping planned, including the start of a second ramp.

We'll be putting in underground ventilation and heating. We'll be building a fuel farm in Rankin, but I think importantly our camp complex will be finished in Q2, and we expect to have our process facility and power plant enclosed before the end of the year, which would set us up nicely for 2018.

Next slide just shows the extensive land package. As we said, our overall reserve and resource outline exceeds 10 million ounces. We've got an 80 kilometre coverage of a major greenstone belt, so there's a lot of regional targets that we have not focused on over the last few years as we focused on the study and moving the project forward. So we'll get out to those targets and test them over the next few years, and we would certainly expect to be able to add additional ounces to our platform at Meliadine.

In our southern business, as we said at the top, a business that continues to run extremely well and generate significant free cash flow for us; some good solid operations at Pinos Altos. At Creston Mascota our plan is to expand that deposit, extend it with the Bravo and Madrono properties. We'll talk a little bit about that in a minute.

La India grew its resources and reserves, and that was really a function of starting drilling in the vicinity of the mine. We expect to continue that strategy, and our expectations is that should continue to grow that deposit.

At Creston Mascota, we see a site map and we can see the proximity of Madrono and Bravo just to the south. Madrono was recently acquired. We had been aware of that for several years. It was owned by the family that sold us Pinos Altos. We were recently able to make a deal there.

We continue to drill it. It's got mineralization on surface, so fortunately for us with our exploration team's focus on the vicinity between Creston Mascota and Pinos Altos, we have uncovered areas that will be able to augment our mine plan and extend the mine life at Creston Mascota.

At La India, we've got an extensive land package in the Mulatos district, and we've been adding to it over the last couple of years. And as we've said, we just started to sort of move away from the mine area and drill in the vicinity of the mine. And we've had success in adding to reserves and proving our resources, so we expect La India to be a strong producer for many years.

Barqueno, we've continued to drill that project. We still expect to be producing from at least a couple of pits there at some point. I think a recent important note is our drilling at Olmeca. We've been talking about that for the last couple of quarters.

We had been drilling that, but there were some surface rights that we had to acquire, which we've done. And of particular note is the bonanza-style grade. So it's almost 1 kilogram per tonne of silver over 16 metres, so that's an area of focus for this season's drill program. And we've got 14 drill holes—or drilling machines going there right now.

So just to wrap up, we've made an important step today to continue moving the Nunavut platform forward. We've done that on the back of extremely strong operations that have generated significant cash flow, and have allowed us to improve our balance sheet over the last couple of years. That will drive production growth to 2 million ounces in 2020, but also set us up as we expand those platforms for additional growth beyond that.

And we've discussed many times about the importance in our view of how important the Nunavut platform is. As we've said many times, we just see it as a place where you can get business done and you can also build and develop mines, but you also can take advantage of what is an area which has tremendous mineral potential. And we're seeing that as Meliadine grows, and we're also seeing that in Amaruq and the ability to grow that in a short period of time to over 4 million ounces.

So our exploration continues to deliver on many fronts. That's been a key part of our strategy, and will remain a key driver going forward. Our balance sheet is positioned to fund this growth, so again that ties into our strategy of not diluting our shareholders and to focus on per share metrics. And 2017 will be our 35th year of paying a dividend.

So I just want to reinforce that the core of our strategy is really getting into emerging regions or getting into deposits early; gaining knowledge; acquiring more ground; investing in exploration; using our extension mine-building skills to turn these early stage opportunities into meaningful cash flow generators for us; and over time we look to become significant players in these regions.

And we look to take sort of a multiyear approach to creating value over the long term basically through more drilling and building, as we said, and taking advantage of new opportunities that our people and our teams are able to surface in these regions.

We've done this very successfully in Quebec for almost 50 years, and we are focused now on duplicating this success in Nunavut. And we see the next two to two-and-a-half years really just as a continuation of a plan that was put in motion back in 2006 when we began to diversify our production base away from LaRonde.

And I think our approach was really unique because there's been a lot of examples in this industry where people have taken world-class deposits, and over time have added lower-quality assets and done it in a way which hasn't added per share value. Well, we took an asset that wasn't known to be world-class and our team made it world-class.

We've mined 5 million ounces of what will be ultimately over 10 million ounces. Our best years are still ahead of us. And what we added were quality assets to it. And we did it in a way which actually added per share net asset value and resulted in our stock price outperforming and being one of the leaders in the industry. So it's a strategy, as we said, that's worked and it's a strategy that we'll continue to employ.

And I'd like to take some time now to—I know we have a number of employees certainly in this room. We have a number of employees on the line that tune in and listen to these calls. And I just want to thank them for their efforts over the years in building a great business and making it a great place to work. But also delivering for our shareholders and also, most importantly, for putting us in a position where we've got a bright future and we've got a platform which is well-matched to our skills, well-matched to our experience, and this ability for us then to create more value for our shareholders.

So, Operator, I'd like to now turn it over for questions.

Q&A

Operator

Thank you. And as a reminder, if you'd like to ask a question, please press *, 1 on your telephone keypad.

And your first question today comes from David Haughton from CIBC. Please go ahead.

David Haughton — CIBC

Oh, good morning, Sean and team. Thank you very much—

Sean Boyd

Good morning.

David Haughton

—for the update. I guess my questions are really focused in on Meliadine. We haven't seen numbers for a while; you provided quite a bit last night. Just wondering if you can give us a bit of an explanation of the CapEx profile of the initial 900 mil? I saw that you've got expectation in 2017 of 360 mil. Wonder what to expect beyond that?

Yvon Sylvestre — Senior Vice-President, Operations - Canada & Europe, Agnico Eagle Mines Limited

Well, breakdown in CapEx—this is Yvon here—breakdown in CapEx is surfaces for structure are typically around 550—it's not an exact number—underground portion about a little more over 200, and the rest is basically owner’s costs.

David Haughton

Yes. I guess I didn't ask the question all that clearly. I was looking for a split between '17, '18, '19, et cetera, in each of the successive years.

Yvon Sylvestre

Well, the CapEx for 2017 is 358 I think and the CapEx for '18 is slightly over that at close to 400 million, and the rest will be spent in 2019.

David Haughton

Okay. And you've got the open pit starting up in year four. What sort of CapEx should we be thinking about for that?

Yvon Sylvestre

Mostly stripping and mostly with the phase two expansion of the mill. I don't have the exact number, but probably in the neighbourhood of about 200 million.

David Haughton

Okay. And in the expected production of 3.5—sorry, 5.3 million ounces, what would you expect the split to be between open pit and underground?

Yvon Sylvestre

Well, it’ll probably most likely be somewhere 75, 80 percent from the underground and the rest from the pits.

David Haughton

Okay. And final one on this topic, just looking for a little bit more detail. Are you able to provide expectations of your mining costs for open pit/underground and what your milling costs might be on a unit basis per tonne?

Yvon Sylvestre

Well, these costs were provided in the press release.

David Haughton

Okay. Must have missed it with the several hundred pages I was reading last night.

Yvon Sylvestre

Well, the total costs were provided, but the detailed costs were not. And if you want more details, talk to Brian.

David Haughton

Okay. Great. Thank you.

Operator

Your next question comes from Mike Parkin from Desjardins. Please go ahead.

Mike Parkin — Desjardins

Hi, guys. Just a follow-up on the Meliadine; the CapEx to develop it at 900 million, that seems a little higher than what we were maybe expecting, given the last kind of budget. Mind you, I guess the internal scopes obviously made it a bit bigger. Could you give the an explanation of what's changed from the last kind of stale numbers, I'll admit, but where you came from that number to the number that you've got out there last night, plus what you've spent to date?

Sean Boyd

Well, we were always sort of forecasting in that sort of $1 billion area, so there really isn't much difference from what our expectations were. And we would point out that's the same for Amaruq, which we said somewhere above $300 million. So it really isn't too much different than what we've been talking about for the last year or so.

Mike Parkin

Okay. That's it for me. Thanks, guys.

Operator

Your next question comes from Stephen Walker from RBC Capital Markets. Please go ahead.

Stephen Walker — RBC Capital Markets

Great. Thank you and good morning. I've got a number of questions. First of all, LaRonde you talked a little bit about it earlier, Sean. With the new exploration discovery in the high-grade material that has been identified, could you or Yvon give me a sense of when you could incorporate that in the mine plan? What is the infrastructure like; the decline down into that region? And just sort of, as I said, the potential timing to see that material go through the plant?

Sean Boyd

Yeah. It's still early. And as we said, we are interestingly enough working on those studies below 3.1 kilometres. So the timing is actually pretty good to get some sense of what's materializing on the western side of that deposit.

And so I think Yvon's going to provide some update on the infrastructure, and then Alain will provide a sense of the exploration and what we're seeing in the rock.

Yvon Sylvestre

So we've done scoping studies basically up 'til 2016. '17 will be focused on completing the exploration program. Towards the end of '17, early '18 we'll come back with more clarity on the study precision.

And basically we'll provide updates at that time. And what the typical development timing for all of this, or production timing for all of this, is we've been thinking about seven or eight years roughly to put it to production.

Alain Blackburn — Senior Vice-President, Exploration**,** Agnico Eagle Mines Limited

This is Alain speaking. Maybe I can give you more colour about the deposit itself. When you're looking at the long section you can see two legs. And the first leg to the eastern part, the right side, is original deposit, is over 3 kilometres long. And it's a massive sulphide, polymetallic high-grade gold that is a unique situation. You can see that high grade in the Bousquet camp and around camp. But what we discover when we drill below the 3 kilometres that this is a new massive sulphide that it was recognized in the past, but the people thought it was the same deposit.

Now we think it's the second centre that opened the idea (phon) that is completely open to the west and down dip. And when looking at the gold grade and the base metal grade is a unique situation that we did not see happen on that type of deposit and seen 28 gram and 14 gram and 1.3 percent copper, above 1 percent copper, 3 to 4 percent zinc.

I cannot see a lot of deposit like that in the world, but when looking at that type of grade you have to follow hard on the next drill hole that we will drill to the west and see what happened about the size.

Stephen Walker

Great. Thank you for that, Alain and Yvon. Just maybe changing track a little bit; Tim Haldane, if you're available, first of all like to congratulate you on your contribution to the southern business and the hard work that you put into that region and the success you had. Could you talk a little bit about El Barqueno? I think it looks like you've got the land tied up that you need; you've got some more complications with respect to different minerology types and types of mineralization. Can you talk a little bit conceptually what you think the timing could be on development? And what you're looking at there with plant or combination of plant and heap leach?

Sean Boyd

Yeah. We're just having—Guy will answer that.

Stephen Walker

Okay. Thank you.

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

Okay. So basically as we speak, as you saw in the presentation, you know we've been stepping outside of the main deposit area getting access to more land by securing some more surface rights. And we're seeing some pretty good higher-grade number in the Olmeca area, as you can see with the grade we got out of the Socorro vein was above 2 grams, which is way higher.

And we're kind of advancing at the same time the study on what type of eventual processing could be put in place by running more metallurgical tests. So we've been this year taking a more conservative approach on the recovery for kind of cutoff assumption.

But as you saw, the outcome is that the grade that we came out with is significantly higher than last year; slight increase in the overall amount of ounces, but significant increase in the average grade. And we are now going to be considering the higher-grade nature and some copper and some portion of deposit and silver; we're going to be looking at other option. Maybe heap leach is not the only option that we should look at.

So we continue to get access to more ground. We're testing additional targets, and we are advancing in our understanding of the eventual conceptual development of the project.

Stephen Walker

Great. Thank you very much, Guy.

Operator

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

John Tumazos — John Tumazos Very Independent Research LLC

Congratulations on so many good things.

Sean Boyd

Thanks, John.

John Tumazos

When and roughly how much of Amaruq do you think you'll put into proven and probable reserves? Is that a 2017, '18, or '19 thing? And when will more of Meliadine come into proven and probable reserves?

Sean Boyd

Alain's going to—

Alain Blackburn

John, it's Alain. Talk about Amaruq. As you know, we have—to transfer the reserve we need to get the study in hand, and we're working on the study. And now what we have in hand is the indicated resource at 2.1 million ounces on the open pit.

And based on the—what we're doing with the results, in fact, we are designing in-pit as well, and for underground we're designing stoping as well. We're more closer to the designed one we show our result on the estimation. And probably the 2.1 million ounces open pit you saw in the press release will be probably 90, 95 percent will be moved to the reserve if you take that number.

But because you have to drill as well and we saw an opportunity on the well data to drill to the west, and we have a chance probably to add another 200,000 ounces based on the result. That show you around probably, say, around 2 million ounces reserve one day.

Sean Boyd

Meliadine?

Alain Blackburn

Meliadine. As you know, we have all categories 10.3 million ounces, 3.3 million as reserve, and continue to drill and fill. And we bring the 5 million ounces or more probably in the next couple or three years.

John Tumazos

If I could ask one more? What is the difference in the rate of return of Meliadine between a C$0.75 and the C-dollar you use in your economic studies? The Canadian dollar has been consistently a little bit weak.

Sean Boyd

Yeah. There's not much difference in if we actually look at the Canadian dollar gold price we're using. So we're using a $1.25 exchange rate, which gives us a $1,500 Canadian gold price. So the exchange rate right now is about 1.30 or so. So there's a little bit of cushion in there, and it makes a couple percentage point difference on a small move, so maybe 2 percentage point difference.

So it's not that significant between what we've used, and what the current number is in the market.

John Tumazos

Thank you very much.

Operator

Your next question comes from Steven Butler from GMP Securities. Please go ahead.

Steven Butler — GMP Securities

Oh, good—jeez, guys, it's still good morning. Question for you on Meliadine; in terms of the updated study, obviously the big change, guys, was the higher level of the mineable resource. What other optimizations did you apply to this study versus the feasibility study from last year or '15?

Yvon Sylvestre

Well, I think there's a few steps. I think the advancing higher grade into the mining plan was one. We've bumped up the production rate in the early years in the underground production.

We've basically optimized the scope of phase one construction; try to minimize the amount of quality in the original infrastructure because we're going to be operating—going to phase two. So some of the phase two spending was maybe a bit stripped down in phase one.

And then basically the rest is all around the construction strategy mainly optimizing the schedule; trying to bring our costs down.

Steven Butler

Okay. Next question, guys, was just on Amaruq. Obviously it's still a—it is a—the project remains open as you said, Sean, and look forward to more results over time; perhaps Western Whale Tail. Question about the V zone; does the V zone need a fair bit more drilling before it can convert itself into an open-pit mine plan as well?

Guy Gosselin

Hi. It's Guy here. Yeah. It needs some more drilling. We've already undertook last year a little bit of tighter spacing drilling in the pit, but that's basically what's going to be our focus in the first half of '17 as well. So we are expecting that most of the open-pit portion of the V zone will be having the adequate drill spacing to eventually get classified into indicated.

So as we speak, as you know, there's close to 0.5 million ounces of inferred in V zone and 0.25 million ounces still inferred in Whale Tail. And this is what we are focusing on to add those to the opportunity to get a better picture of the entire open-pit component of the project.

Steven Butler

Right. And then, Guy, maybe for you or others. The inferred grade at sort of midyear late '16, I guess, was around 6 grams in the open pit, and now it's fallen to 3.88 grams, respecting that that's a fair bit of dilution and maybe cut upgrade. Can you maybe quantify the level of dilution that you've applied in the resource and the impact of the cutoff grade on the assumed head grade? Thanks.

Guy Gosselin

So basically the resources which used to be all inferred, both open pit and underground, with an average of 6, but the open pit portion of it was at about 5.4. So by adding through applying for, let's say, packet approach and mining perimeter in the pit we've been adding some, of course, internal dilution, plus approximately 15 percent of external dilution, which brings the diluted grade in the open pit at Whale Tail at 3.9.

Steven Butler

Okay. And so the internal and external dilution was bigger than 15 combined?

Guy Gosselin

Yeah. Well basically, as you know, we're kind of taking a packet approach to try to incorporate what's going to be the real output of the pit, what we're going to be able to mine plus adding 0.75 metres of dilution on both sides of the ore zone, which totals or averages 14 percent dilution for Whale Tail.

Steven Butler

Okay. Thanks, Guy.

Operator

Your next question comes from Tony Lesiak from Canaccord Genuity. Please go ahead.

Tony Lesiak — Canaccord Genuity

Good afternoon, Sean, everyone. Could you discuss the underground potential at Amaruq? I mean the grades appear supportive.

Sean Boyd

Yeah. We're just getting the mic set up.

Guy Gosselin

Yeah. Sorry. So yeah, so that's of course something we're going to be looking at. It's still open. And so as I mentioned previously, we're going to focus our energy in the beginning of '17 into enhancing and increasing the amount of (unintelligible) in the pit, but we continue to chase the down-plunge extension of the deposit.

We saw interesting signs last year of additional kind of fold nodes or folding in the system at depth, which can continue to build up, but it's—so we are currently considering to do some more directional drilling and focus on those favourable geological areas of the down-plunge extension.

So it's still open, and we're going to put some energy on it, but we also would like at the same time to continue to focus on adding some more open pit-able near surface to add to that underground component.

Tony Lesiak

I mean is this a concurrent option? Or is this more for mine life extension in your opinion?

Guy Gosselin

Well, it would need to be concurrent with some adding that because by the time we mine the pit we know that based on our experience that Meliadine will need a couple of years to establish the ramp, which we're going to be as well taking decision to get underground just over (phon) from the deposit (55:14); do some infill drilling. So it will come later down the road compared to the pit.

Tony Lesiak

Okay. I'm trying to reconcile the 165,000 ounce production guidance for Meadowbank in 2018. It appears you've got enough reserves already for at least another full year of production in that year.

Yvon Sylvestre

Yeah. That's correct. We're still trying to deal with the gap between the production at Meadowbank and Amaruq. And presently we're seeing some opportunities that we're going to be looking at adding on our current April life of mine, and we'll keep you posted as the information becomes available.

Tony Lesiak

Okay. I mean what's the, I guess, the difficulty in accessing those additional reserves in 2018?

Yvon Sylvestre

No specific difficulty; it's more a question of sequencing at this stage.

Tony Lesiak

Okay. Maybe moving back to Amaruq, can you give us a sense of the strip ratio there that you assumed? And maybe mining and trucking costs?

Yvon Sylvestre

Well, strip ratio is quite high; it's over 10. And then what's the question on the truck side?

Tony Lesiak

Yeah. Trucking costs and mining costs?

Yvon Sylvestre

Well, trucking costs in the studies are around $11 a tonne.

Tony Lesiak

Got it. And mining?

Yvon Sylvestre

We haven't published these numbers; we just put it the little package. If you want more details, talk to Brian.

Tony Lesiak

Okay. I mean I guess we could assume Meadowbank is a good proxy?

Yvon Sylvestre

Say that again?

Tony Lesiak

Would Meadowbank be a good proxy?

Yvon Sylvestre

Well, the costs will certainly be a little bit higher at Amaruq than they are overall at Meadowbank.

Tony Lesiak

Okay. And then finally on Meliadine, I didn't catch it, but did you publish an IRR at 1,200?

Yvon Sylvestre

No, we did not. No.

Sean Boyd

No. One of the challenges there is we have a 43-101 that's filed, and because our internal study incorporated some resource we're not really supposed to be putting out an IRR once there's a study already filed based on the reserves.

But it exceeds our 15 percent hurdle rate.

Tony Lesiak

Okay. Great. Thanks very much.

Operator

Our next question comes from the line of Don MacLean with Paradigm Capital. Your line is now open.

Don MacLean — Paradigm Capital

And I guess it is this afternoon, guys. Thanks for taking the call. Maybe could we get a bit of a sense of the tax situation from Meliadine what the existing pool is? And when it might become taxable in the—if we're using today's type prices or the prices you were assuming?

Unidentified Speaker

Can we get back to you on that, Don? We want to look into the actual pool for that specific asset.

Don MacLean

Okay. Sure. That's fine. And my other question was pretty much along the lines of Tony's about Amaruq, but basically just giving us a sense of what the opportunity and what's involved with from an exploration, but also cost perspective to extend the Amaruq's life beyond 2024? Because that looks like it is a pretty high value-add stage.

Yvon Sylvestre

Well, I think the focus for this year will be to go underground with the portal towards the end of the year at Amaruq, and then initiate development. Once development is initiated, it's roughly three to four years towards production.

Guy will continue with his team to focus on surface pit exploration, and then we'll integrate those into life-of-mine extension as we go through the exploration program and basically through the permitting program. So as this evolves—as the exploration program evolves, we'll update like any other life-of-mine extension at a site.

Alain Blackburn

So maybe let me add on the top of that. One of the low-hanging fruit is the in-pit, and we currently have another 0.75 million ounces of inferred resources that by adding drilling will continue to enhance the amount of indicated resources.

And we see as well opportunity near surface to maybe expand or extend the deposit at Whale Tail as well. So those are low-hanging fruit that we will be working on in ’17.

Don MacLean

Perfect. Okay. Thanks for weighing in there, Alain. That’s good, guys. Thanks.

Operator

And again, if you would like to ask a question, please press *, 1 on your telephone keypad.

Our next question comes from the line of Tanya Jakusconek with Deutsche Bank (sic) [Scotiabank]. Your line is now open.

Tanya Jakusconek — Scotiabank

Good afternoon. I think that’s me with Scotiabank, but thank you. I do have a question, Guy, for you. Just if I can come back to Amaruq so that I understand completely, the fact that you only used 2 million ounces out of the 4.2 million. Some of it obviously was underground, so you did not include that in your resource for your—what you tabled last night. But is the remaining open pit that you didn’t use because you didn’t have enough tighter drill spacing? And if you were to do that—because it's about 900,000 ounces or so—if you were to fill that in you could bring that in to that envelope?

Alain Blackburn

Tanya, I will answer this. It's Alain.

Tanya Jakusconek

Oh, sorry.

Alain Blackburn

No, it's okay. Guy can answer; I can answer too. We have a lot of guys around the table here for you.

Tanya Jakusconek

Thank you. I happy to have you here.

Alain Blackburn

But as you know, we have 2.1 million indicated, but we have also inferred open pit 763,000 ounces that we will drill infill as well and the chance to bring to indicated on day. And what I explained in another question before and we drill on the western part of Whale Tail that we can have—we have an opportunity to 200,000 ounces to help the Whale Tail get—

Tanya Jakusconek

Mm-hmm.

Alain Blackburn

And I said that. The V zone is not finished to drill into the east because extend the V zone to the east close to the surface. We have to know; we continue (phon) to drill. And after that is going underground for V zone and Whale Tail. And it is a unique situation that we have.

We brought a barge last year. It is a boat, in fact, on the lake to drill deeper hole and to see the extension of Whale Tail. We're prepared to drill deeper as well for this year.

Tanya Jakusconek

So the 2 million ounces was an arbitrary cutoff that you felt that you had enough with your tighter drill spacing?

Alain Blackburn

Yeah.

Tanya Jakusconek

Okay. And then, Sean, and maybe for you I know you answered the internal rate of return at Meliadine. But would it be safe to assume that for Amaruq it would be a greater than 15 percent at 1,200?

Sean Boyd

Yes. It would. It'd be north of 20.

Tanya Jakusconek

Oh, that's good. And that's based on the 2 million ounces?

Sean Boyd

That’s right. Yeah.

Tanya Jakusconek

Okay. That’s good. Okay. Well, thank you very much for the clarification and both of you for answering.

Sean Boyd

Okay. Thank you.

Operator

Our next question comes from the line of Steve Parsons from National Bank Financial. Your line is now open.

Steve Parsons — National Bank Financial

Yeah. Good afternoon. Thanks for taking my call. Actually just wouldn’t mind shifting gears a little bit to Malartic. It looks like the guidance at that operation is up slightly over the old guidance. Does that—do these production rates noted, do they include Barnat?

Yvon Sylvestre

Yes. They include Barnet, but I think in the early years the guidance was going up because we’ve modified the mining sequence to access higher grade in the Malartic bit first. And that’s improved the economics in the next few years.

Steve Parsons

Okay. And when does Barnat contribute more meaningfully?

Yvon Sylvestre

Probably ’19 onwards.

Steve Parsons

Okay. Could you remind me just how the grade there compares to the main pit and what the strip ratio of it looks like?

Yvon Sylvestre

Strip ratios are quite similar on the life-of-mine basis. Grade is 3 to 4 percent higher in leap (phon).

Steve Parsons

Okay. Thanks. And maybe back to Barqueno for a bit, just want to dig in a little bit on the discovery there with the Mortero—is it the Mortero vein—30 kilogram per tonne silver over 60 metres. Could you just sort of walk through a little bit on the geology there and what’s going on? Perhaps how that could be different then some of the other veins you’re seeing at Barqueno?

Guy Gosselin

Yeah. It’s Guy here. So basically we’ve been starting to investigate that area as of early last year. So quickly discovering, first of all, the Socorro vein, which came out with—Socorro itself came out with the resources that’s 2.5, about 2.5 grams. And by extending our exploration work around strike, we ended up getting some broader originally medium-grade silver, but while walking our way towards the west along that same structural feature getting that bonanza high-grade silver.

So it just means for that type of difficult sitting that we are at the certain depth and which is more favourable for gold-rich, higher-grade—silver-rich mineralization. But it's early days for that Mortero vein, but it's wide open to the west, and it could lead us toward some gold-rich portion as well, either potentially lower than where we see those silver numbers.

And I know with the progress seen in that area we ended up that we don't know yet how big that Mortero vein is. And we're going to be doing typical 80-metre to 100-metre spacing step-out. And next by the end of '17 we're going to have that much better idea of the extent of that new mineralized system.

And there at the 300 parallel structural feature like that Mortero and Socorro vein and over the entire land package, there's a lot of those structural features that will locally blossom and will develop into that type of a 100,000 to 0.25 million ounces blob of mineralization.

Steve Parsons

Mm-hmm. Okay. That's great. Impressive results. Thanks.

Operator

And there are no further questions in queue. At this time, I'll turn the call over to Mr. Boyd for concluding comments.

Sean Boyd

Thank you, Operator, and thank you, everyone, for attending. And if you have more questions on that, please reach out to us through IR or we'll hope to see you over the next few weeks as we get out on the road.

Thank you very much.

Operator

This concludes today's conference call. You may now disconnect.

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