FINAL TRANSCRIPT

Agnico Eagle Mines Limited

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PRESENTATION

Operator

Good morning. My name is Sharon (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 2017 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 we apologize for the slight delay, and we also apologize, we're having some technical difficulties loading the slides, but we hope as we go through the presentation that we'll get those slides loaded. They will be up on our website, so you can refer to them then.

I'll get started, but this call, as normal, has forward-looking statements, so please be forewarned. What I'd like to do is there's a tremendous amount of detail in this year-end press release. I'd like to focus the call really on the strategy, on the big moving parts of our business, and how we're positioned to deliver on the expectations that we've laid out. And how we're thinking about our business, certainly over the next two to three years as we execute on the growth plan, but also how we're thinking beyond that with our pipeline of projects.

But essentially what we have and where we are right now, we've got a business that's performing extremely well. We've got high-quality, long-life assets. We've got a strategy that's worked well over a number of decades, and we're going to continue to focus and implement on that strategy.

We've got reserves that are growing; grades are improving, which is underpinning the growth strategy. We'll talk a little bit about that. We're still on track to achieve our target of 2 million ounces in 2020, with the ability to go beyond that. We'll also talk a little bit about how that may look. We've got the ability to fund this growth from the balance sheet, and we'll talk about that on the balance sheet slide.

But also, I think it's important to just talk a little bit about the risk profile of the business. We've worked hard over a number of years to keep the risk profile low. You can see that in the political risk profile, our ability to execute. We've got a really broad range of technical skills and experience to deliver on the plan. And we would say that the plan is based on what we would describe as solidly achievable targets.

We also have a skill set that has proven its ability over time to identify opportunities, to add incremental value to the business, and also to put together and execute on a plan to be able to deliver that value. And a big part of that is our in-house mine-building skills where we act as our own general contractor. And as we go into the final stretch of the large build in Nunavut, you can see the performance that we're getting there, resulting in an acceleration of the start date at Meliadine, and we'll talk a bit about that. So all of that really adds up to what is a low-risk, high-quality growth story.

Just moving forward in the slide deck, and again, we're working on loading that up. What we'd like to just focus on for a couple of minutes is the—as we said, the solid execution really underpins the plan. And we've had an excellent track record of delivering on our promises. We've tried for a number of years to underpromise and overdeliver, and for the sixth consecutive year, we've exceeded our production guidance and beat our cost guidance.

I think the other thing that's a real hallmark of our strategy has been our per-share focus that's really at the forefront of how we've created value over a number of decades. There's no need to change that approach, particularly now or right now. Given the significant bump, we expect a net free cash flow next year. And the upside that we see in our pipeline assets, particularly in the Nunavut platform, well we'll talk about that as we sort of move forward.

In terms of the financial highlights in the quarter, we had a strong close to 2017. We set a record in terms of production at over 1.7 million ounces. Now I think more importantly, not only did we keep good cost performance and generated good cash flow, we also set a record safety performance. And we were up to 10,000 employees during the year, including contract employees, which is a record—the largest numbers of hours worked. And even with that, we had the fewest losttime accidents in the history of the Company, so it's something that all of our employees are extremely proud of at Agnico.

As far as our production guidance, we've increased guidance in 2018. We've also increased guidance in 2019, as we've advanced the start-up of Meliadine, and we've extended Meadowbank's production into 2019. And there's no change in our guidance in 2020 of 2 million ounces.

I think that's important just to stop on, because when we were sitting here a couple years ago, there was certainly an expectation that there could have been a sizable production gap in Nunavut between the end of Meadowbank and the potential start-up of Amaruq and Meliadine. So our team in Nunavut has done an exceptional job at optimizing the plan and closing that gap to the point that we have a slight drop in production in 2018, as we wind down at Meadowbank and we wind up at Lapa. But it's next year, which is not that far away, that we start to resume production growth and start to generate significant net free cash flow.

As we said, a slight decline in production this year. We expect an increase in our unit costs, and that increase in unit costs is largely driven by lower production in 2018, as well as the exchange rate impacts of strengthening local currencies.

Another highlight is the Board has approved the Kittila shaft, an expansion for a total of €160 million. And that's a strategically important investment because it opens up the lower part of that large reserve, which is still wide-open for future expansion.

And we declared our quarterly dividend of $0.11 per share, so that continues our track record of dividend payments of 35 years.

I understand now I'm getting a thumbs-up from the technical people. The slides are supposedly online. I'm on Page 10, which is the detailed breakdown of the 2017 operating results and costs for the fourth quarter and full year.

I think what I'd like to point out here is we've got, again, a strong close to 2017. Extremely good production performance and cost performance out of LaRonde, and we can see the impact of that mine opening up the lower part of the deposit and accessing better grades that are in that lower part of the mine.

Good strong performance at Canadian Malartic, where we've seen record throughput and good performance, so that bodes well for that mine in terms of its ability to generate cash as we move forward. Kittila also had a strong quarter. And we continued to produce at a rate in excess of 400,000 ounces a quarter, and we'll talk about how that's likely to transform.

I think the other thing to note is we've averaged about 300 million in operating margin from the mines each quarter in 2017, and we would expect that to grow significantly as we grow production. We'll talk about the impact of that growth and operating margin, at the same time as we expect CapEx to decline and the impact that that could have on the business.

Moving to Page 11, which just highlights the revenue and earnings, and earnings per share, and cash flow per share. And we had a good year in cash flow per share. We expect, as we move forward and grow the business and maintain a good cost structure, that we should be in a position to deliver really strong cash-flow-per-share numbers, which would certainly allow us to take a look at the dividend per share. And dividends, as you know, have been an important part of our business.

On Page 12, it's sort of a look forward. We've highlighted the fact that as we bring on the Nunavut platform, open up the lower part of the LaRonde mine, make some improvements at our other operations, we're tracking to 2 million ounces a year in 2020, with our costs coming down from what we anticipate to be the levels in 2018.

I would also say that we continue to look at optimizing this production profile. We'll have a lot more clarity and visibility as we move through the construction season here in Nunavut for 2019. And I think our track record of being able to tweak these to the plus side, we would think is still intact, but we'll be able to provide more colour as we move through 2018.

We'll also be able to provide more colour on the permitting at Amaruq. We see those permits coming in around midyear, which keeps us well on track to deliver the start-up of Amaruq in the third quarter of 2019.

Our existing asset base can take us above 2 million ounces beyond 2020. And those are plans we're finalizing, and we're working on several projects. As you know, we've got an agreement to acquire the other half of the Kirkland Lake assets that we don't currently own from our partner Yamana. And we'll be continuing to work those assets and lay out a plan and a program to possibly bring that into our business sometime beyond 2022, 2023. So we'll provide more news on that as we go through 2018.

In terms of the way the production profile looks—I'm on Page 13—this has been, over the last few years, what we would term a very manageable business. And as we move forward, we're seeing the components of our production base becoming what we would describe as chunkier.

We would look at the LaRonde complex getting to 400,000-plus ounces a year; Canadian Malartic, over 300,000 ounces; Meliadine, 400,000 ounces. Amaruq, we've said the average production's around 350,000 ounces, so it ramps up as we get into the better grade material, below the surface material. So that's good, solid production, good, high-quality mines, and as we invest in infrastructure at Kittila, we should see the Kittila production base move to between 250,000 to 275,000 ounces on a big reserve base.

We should also highlight the fact that the Nunavut platform, as it allows us to grow output, will improve our operating margin at the sites, at the same time as our CapEx declines. So we're peaking in CapEx this year at a little under 1.1 billion. As we accelerated CapEx from 2019 into 2018, we also had some roll forward of CapEx, about 20 million from 2017 into 2018. We have the Kittila expansion, which is adding additional capital in 2018. We had Amaruq accelerating capital from 2019 to 2018, and we also had the impact of the foreign exchange, and strengthening local currency impacted that.

So that's still a comfortable level, but I think it's important to note that as we drop or move into 2019, we would expect our CapEx to drop significantly. Now we've used a number in the press release of 650 million to $700 million. That's simply a placeholder. That's not a number that's actually in our life-of-mine plan. The number that's in our life-of-mine plan is less than that. That's a placeholder that we're using as we assess projects like Odyssey and East Malartic, as we assess projects like Kirkland Lake.

And I think what's important, the way we've positioned the business is that—I mean not just with our owners, but particularly with our employees—is that based on the investments that we've made in this business for the last few years, we're getting close to having essentially a long-term, sustainable, self-funding business model, which would spend around 600 million to 700 million a year and generate from the sites around 1.6 billion.

So we're likely going to see—as we move beyond 2 million ounces from the existing plan, we're likely going to see our quarterly operating margin coming from the mines go from roughly 300 million to 400 million. So on an annual basis, that's an additional 400 million. And our CapEx fall from almost 1.1 billion this year to below 700 million. Even with adding some projects that currently aren't in the life of mine, that would add NAV.

So that's a swing of 700 million to 800 million that stays in the business, and our dividend currently is about 100 million. So we certainly have a lot of flexibility in this business, and what we would do is we would write a check in 2020 for 360 million of debt due, and we'd certainly look at increasing the dividend.

So that's how we see our business being positioned, so the focus over the next two to three years is essentially to execute. To deliver on the Nunavut expansion plan, bring those assets online, on time, maybe slightly ahead of schedule, on budget. Focus on opening up the LaRonde mine, taking advantage of opportunities that exist at the other operations, and leave room within that business to invest in projects that could become important parts of our business beyond 2022, 2023.

On Page 14. It's just a quick update of the Meliadine project. As we indicated, we've accelerated it by a quarter, and that's simply based on the good work that was done in 2017 on the construction schedule. I should have mentioned, but the slides weren't up, on the front page of the presentation is a view of the Meliadine processing facility. And you can see that we're well advanced in construction, and that's really the key component that drives the timing of start-up. And so that's why we're comfortable accelerating production by a quarter.

So what we'll be able to do as we move through the barge season and go through the construction season this year is provide a firmer update on the start date for Meliadine in 2019. So surface construction's going well; underground development is also going well. So even with an earlier start date or projected earlier start date, we would expect to still have a significant size stockpile on surface when we start up the plan. So going well on schedule and also going extremely well on budget.

As far as Amaruq goes. Again, Amaruq's tracking extremely well in terms of timing. In terms of cost, we expect production to track the original schedule. We've got a bump in production coming out of Meadowbank, where we're processing stockpile that wasn't in the original plan, and that's why we've been able to increase the ounces coming out of Meadowbank/Amaruq in 2019, just helping us on the guidance.

You'll notice that we've left a fairly wide range in our guidance in 2019. That's by design, given that it's the start-up of two important projects. We would expect as we move through this year, we can tighten up that guidance range. Again, Amaruq tracking on costs and tracking on timing extremely well.

And I think for us, it's important to continue to explore on the Amaruq land package and in and around Whale Tail and the V Zone because these deposits are still wide-open, and we would expect to be able to add to our ounces and increase our reserves. And we saw a bump in reserves, and that's largely due to the conversion of the indicated resource at Amaruq into reserves.

Talking about reserves now. I think what underpins, as we've said, this high- quality growth plan is a high-quality gold reserve base that continues to grow, where we add more ounces than we're actually mining in the year. And we did that again this year with our reserves up about 3 percent, but I think more importantly is our gold reserve grade improved by almost 8 percent.

So I think that points to the high-quality nature of the gold reserves but also, there's several deposits that have indicated resources that are ready to be moved into the reserve base as we move through 2018, so I think that sets us up nicely. So not only are we able to deliver on our production growth plan, on our ability to generate more net free cash flow from our business, but we're expecting to continue to post growth in reserves in excess of production as we move through the next couple of years.

How do we fund it? The next page is our balance sheet. Strong cash position, a good cash-generating—with cash being generated in the business. Got undrawn credit lines, so we're in a good position to fund all this growth where the CapEx drops dramatically this year into next year.

We did do a debt deal which closes shortly. That was largely to fund the payment of 80 million to acquire the Santa Gertrudis project and the 162.5 million that's due to purchase the balance of the Kirkland Lake assets that we don't currently own. So we thought that made good financial sense, given that we do have a heavy CapEx year this year, and we didn't want to draw on our cash position, just to keep as much flexibility in our business as possible.

But as we've said, we are set as we look on out to the second half of 2019, where we're producing at a run rate of over 2 million ounces, where we can generate significant net free cash flow and be in a strong financial position to write a cheque for $360 million on the maturity schedule for our debt.

So I'll just summarize, and then we'll open it up for questions. We've been working hard and investing over the last several years to build a long-term, sustainable, self-funding business. So the strategy works. It will continue to focus on solid execution.

It will continue to focus on per-share returns. That's been something we've maintained and focused on for decades, and it's resulted in us not only being a superior performer in the gold space, but also, our performance over the last 20 years ranks with some of the largest market cap companies in the world.

Our production growth, on track to 2 million ounces and beyond 2 million ounces as we go beyond 2020. The Nunavut platform continues to grow. As we said, we made some good progress in advancing the projects. And it's also, we would like to reiterate, a great place to do business. It's really open for business for mining, and we can see Agnico Eagle being in Nunavut for several decades.

As we said, significant free cash flow is expected next year, with our CapEx dropping off of the peak this year and our margins going up substantially, about $400 million likely.

Gold reserves. We've been mining actually well below our reserve grade for the last several years. And our production growth going forward is really driven by higher grades in the mining plan, as we access better grades in the lower part of LaRonde, and we open up the Nunavut platform with better grades.

Exploration continues to add a lot of value and remains a key focus for us and a key driver. And as we said, we expect our drilling to grow deposits, as well as continue to convert more ounces than we're actually mining each year.

And our dividends. We've paid one for 35 years. And as we've said, the way we positioned the business, we're certainly going to be in a position, as we move into the second half next year, to look at or consider a potential dividend increase.

So Operator, we'd love to open the lines now, and we've got a full team here, and we'd be happy to entertain questions.

Q&A

Operator

At this time, I would like to remind everyone, in order to ask a question, press *, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Mike Parkin from National Bank. Your line is open.

Mike Parkin — National Bank

Hi, guys. Congrats on the good quarter.

Sean Boyd

Thank you.

Mike Parkin

Just wondering if you could give us a sense of what the shaft at Kittila could do to your OpEx per tonne? Like just a rough estimate? Down 10 percent? Fifteen percent?

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

Yep. Yeah. OpEx are expected to be in about 6 or €7 per tonne lower.

Mike Parkin

Okay. That's it for me. Thank you.

Sean Boyd

Thanks, Mike.

Operator

Your next question comes from David Haughton from CIBC. Your line is open.

David Haughton — CIBC

Good morning, Sean and team.

Sean Boyd

Good morning.

David Haughton

Still on the Kittila shaft, just looking at Page 22. I wonder if you could describe to us where that shaft would be located, relative to the existing infrastructure?

Yvon Sylvestre

It might be over the Kittila—over the Suuri rural area. We understand the ore body's moving in the opposite direction, but the ideal locations to have the shaft would have been towards Rimpi and were not ideal for construction purposes. So for now, we're going to be doing the shaft in that location and entertaining tramming options later in the future, as we get down below a kilometre level in the next phase of life of mine.

David Haughton

Yeah. Because just visualizing it, I'd have thought that it would be further north than the existing shaft. So is it just ground conditions that mean that it's got to be in a less optimal location?

Yvon Sylvestre

Can you repeat the question? Sorry.

David Haughton

So just looking at the image on Page 22. I would've thought that it would've been much more further north towards Rimpi as you'd said. Is it just ground conditions that has limited the location for that new shaft?

Yvon Sylvestre

Well, there's a swamp—there's a swamp—there's a swamp in between Rimpi and Roura. And the other area's affected by tailings area, so it was difficult to actually find the ideal location.

David Haughton

Okay. So it's surface expressions that are the problem?

Yvon Sylvestre

Correct.

David Haughton

Just looking at the CapEx, you've got for Kittila $104 million earmarked for expansion CapEx. But I note that the shaft itself, or at least the expansion project, is only about $25 million of that. What's the balance of the CapEx at Kittila then?

Yvon Sylvestre

Well the total project is 160 million. Broken down roughly, 120—around 100 million for the shaft, and 40 million for the mill, and there's some money for the infrastructures. It's spelled out—it's spelled out in the press release on Page 22.

David Haughton

Yes. I can see that. Yes. And what I'm looking at the press release is, the expansion CapEx is identified to be $21 million in 2018. But when I have a look at the similar table of what your CapEx actually is in 2018 for Kittila, it's 104 million. And I'm just wondering what's the $75 million delta between the two of them?

Yvon Sylvestre

Well, it's the—this project's going to be done over four years, so it's the aggregate for '18 versus the rest of the project.

Sean Boyd

But specifically, David, for 2018, it's the tailings for the NP-4 pond, the additional capacity for tailings at the Kittila site.

David Haughton

Okay. All right. I'll leave that till later. Just having a look at Amaruq. Are you still planning to do the underground and commencing the underground? Previous plans were two years after starting on the open pit. Given that you got a new 43–101 technical study, is that still the current thinking?

Yvon Sylvestre

We're presently ramping, actually, in the exploration wrap. The collar was completed in the fourth quarter.

David Haughton

Mm-hmm?

Yvon Sylvestre

And we've got development planned for the next two years. We're doing some exploration on surface, but we are already there, and we're highlighting our studies to come back with some economical scenarios as our exploration data comes available.

David Haughton

Okay. And last question for me. Sean, I think I heard you right, and I just want to check this, please. You'd mentioned that the CapEx guidance of 650 million to $700 million, 2019 through to 2020, covers projects not included in the guidance. It's just a place marker to keep us aware of different projects that you've got. Is that—did I hear you correctly?

Sean Boyd

That's correct.

David Haughton

Okay.

Sean Boyd

Yes. That’s correct.

David Haughton

(unintelligible)—

Sean Boyd

But really what that is, is we’ve been wanting to sort of articulate how we see the business positioned, not just externally but also internally to our teams. And basically what we want them to do is continue to take this measured approach. And how that may unfold is when you look at something like East Malartic or Odyssey, well, you could make an argument that we should put a shaft there, but maybe the more prudent approach in terms of balancing capital out would be to put a ramp in.

And so what we’ve tried to do is say, we’ve got this ability to significantly ramp up the total margins coming out of the business, and what we want is a business that generates significantly more net free cash flow after this investment period that we’ve been on for the last few years. And we’ve got a plan that can do that, but we still need to continue to invest in the future, and that’s why we’ve left it as a bit of a bookmark or a place holder, not just externally but internally, to say to our team, look, we're willing to spend a bit more, but it's got to be on high-quality projects that improve the business.

But we're not going to spend 1.1 billion unless you've got some real barn burner project that you come up with. But when we look at the portfolio, we look at good, solid quality projects that warrant measured investment that's spread out over a number of years, rather than sort of piling up in any one year to sort of get to a certain production number.

And we spent a lot of time a couple weeks ago with our top 140 people looking at strategy. And we have an option to dramatically increase this production rate in 2024, but that would involve a significant investment. We say and have concluded in those discussions, it's best to sort of iron that out, flatten that out, because that's a business that's well balanced. It balances risks, it generates free cash flow, it allows for good continued investment in the business, and it allows us to improve financial flexibility, reduce debt, and increase the dividend.

David Haughton

Thank you very much, Sean.

Operator

Your next question comes from Stephen Walker from RBC Capital Markets. Your line is open.

Stephen Walker — RBC Capital Markets

Thank you very much. Good morning. Just to follow up on David's questions on Amaruq. Yvon, where does the cofferdam stand as far as where it is in the development plan for 2018? And I guess that leads to the—begs the question as when can you actually start putting trucks in ore at Amaruq in the open pit?

Yvon Sylvestre

Well the—we're awaiting permits. The permits are on schedule, so we're expecting all of these to be completed by the end of Q2. Presently we're doing some mining in some pit locations; there's two quarries that are being prepared to define material for this cofferdam. So we're in preparation work for the material itself, and as soon as the permits become available, we'll start the construction work.

Stephen Walker

And then whether it's in the main Whale Tail or some of the smaller satellites, is any of that material, open pit material, available … Or I guess when do you anticipate beginning to start the box cut into the open pits?

Yvon Sylvestre

July, basically.

Stephen Walker

Of two thousand and ...

Yvon Sylvestre

Eighteen.

Stephen Walker

Eighteen, right. So could you be processing ore later in 2018? Or stockpiling material late '18, into early '19?

Yvon Sylvestre

We'll probably get into ore probably early into 2019, and then we'll start stockpiling from then.

Stephen Walker

Okay. Thank you for that. And just again, follow up on David's question on Kittila. It would make sense, I guess—it's not just sinking a shaft from surface, but you're going to be raising from underground development. At what point, I guess, would you be in a position to begin to have the underground development in place, so that you can begin a raise bore process and really start spending money in a significant way?

Yvon Sylvestre

Mostly 2019, or actually quite late 2018, but somewhere around there.

Stephen Walker

And then it's just a matter of getting the underground infrastructure in place and then the surface installation after that?

Yvon Sylvestre

Yep. Yep.

Stephen Walker

So hoisting, again, is still potentially a 2021, 2020-type time frame?

Yvon Sylvestre

Late 2020, early 2021.

Stephen Walker

Okay. Thanks for that, Yvon. Just going through the resource categories, just to change direction here, Sean, for the Kirkland Lake assets now, Upper Beaver and Upper Canada. Looks like the resource numbers—and again, I can't give you the exact numbers, but they look like they were greater than what had been reported previously for your 50 percent ownership. Was there an adjustment in, I guess, those resource numbers? And is that a grade thing? Is it a tonnage thing? Can someone speak to that?

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

Yeah. Guy here. We just completed the update of the last remaining deposit over there, which is Upper Canada, where we came out with a first updated number at 1.75 million, so we took half of that into our year-end statement. So that was the only change in the resources in Kirkland Lake.

Stephen Walker

Okay. And is it the grades at all? Have the grades changed? Or do you see opportunity for grade improvements there, either in gold grade or in copper grade as the case may be, at Upper Beaver?

Guy Gosselin

At Upper Beaver, while there is opportunity to continue to convert, eventually, after we took over at Upper Canada, there is room to grow the deposit. The grade at Upper Canada came out at 4.5, which is interesting, and there is opportunity to continue to grow these two deposits. And we will update our plan and see how we continue moving forward on those.

Stephen Walker

Okay. Merci. Thank you for that, Guy. And just again on the Mexican operations here in general, Pinos and La India. I would have expected to see maybe more robust production coming out of those assets. And maybe—I know, Sean, you touched on it a little bit here. What's your sense on what the upside can be? Or do you think that these assets are sort of at a mature level? At this point, I know La India had basically a fixed grade and production cycle. But what about the upside at Pinos and through that whole, I guess, that exploration belt south of Pinos?

Sean Boyd

Yeah. I think the—as we've moved almost solely to underground mining at Pinos, that's a mature asset. And so we've switched gears a bit, and we've started to focus on the satellite zones like Sinter, which is in the plan. And there's a couple of other zones, Reyna de Plata and Cubiro, which we're also focused on. And that was in the plans of a few years ago, as we did that transition from open pit to underground mining, to focus on the smaller satellite zones, to continue some solid production, good cost performance there.

At Creston Mascota, it's almost the same, where we have, as we mentioned a year or so ago, tied up some ground that was held by a rancher. That allows us to bring the Bravo area into production. We acquired Madrono from the same family that we acquired or worked with on Pinos Altos, so that also will allow us to extend at Creston. And La India, it's just a step-by- step process of expanding in and around the deposit, as we've expanded our land package there.

So strategically, that's a business that is certainly shorter mine life than what we're seeing in the northern part of our business, and that's why the focus has switched to Santa Gertrudis. Barqueno is a little bit slower in developing than we would have liked. So I think the focus there is still, in the short term, satellite deposits, maintain production, and look at early- stage assets that we can drill and then ultimately build into production components of that business.

Stephen Walker

Right. Thank you for that. That's all my questions.

Operator

Your next question comes from Steven Butler from GMP Securities. Your line is open.

Steven Butler — GMP Securities

Yvon or Sean, maybe. Can you speak to us briefly here about your justification for the shaft at Kittila, in terms of IRR that you've generated out of that, in terms of maybe a certain gold price, if you can share that with us? And I assume the returns are based on simply time value and the cost-per- tonne reduction. Unless there's other changes, including reserves, that were justifying the shaft as well? Thanks.

Yvon Sylvestre

No. The shaft itself was—the exact number in the study was wrong, the 14 percent, which is near our hurdle rate.

Steven Butler

Okay.

Yvon Sylvestre

And the basis of the study was maintaining the throughput rate at 2 million tonnes per year and we—although this project is strategic in nature towards developing further reserves down the road, we didn't integrate that in the numbers that I'm giving you at this stage.

Steven Butler

Okay. So, Yvon, so the 4 million ounces in reserves. You could've exploited those reserves with the current ramp system, without a shaft necessarily?

Yvon Sylvestre

Well, the reserves were sort of defined all the way to 1,150 level, I believe. At this stage—

Steven Butler

Right.

Yvon Sylvestre

—everything else below was uneconomical. So part of these studies were done on past reserves for 2016, so next year, we'll probably convert more reserves with the shaft then—

Steven Butler

Yeah—

Yvon Sylvestre

—which are not part of the study, and they will add better economics to the projects further.

Steven Butler

Okay. So static reserves, you're saying, okay, in this analysis?

Sean Boyd

Yeah. But the study added about almost 900,000 ounces, which hasn't been converted yet to reserve. So this is why we're saying that, as we move through 2018, there's a number of projects like LaRonde with a strong indicated resource that's likely going to go to reserve. Kittila, with ounces that were added to the mine plan based on this expansion investment but not added to reserves yet, which will come as we move through this year.

So there's a number of those situations that we'll see. But I think this is partly strategic because Kittila is our single largest reserve base. It's wide- open. We will have three sources of underground ore prior to the shaft going in, which bumps production. But this is mainly a long-term decision that allows us to open up the lower part of the ore body and add to the reserve and resource base.

Steven Butler

Okay. Thanks, Sean.

Operator

Once again, if you would like to ask a question, press *, then the number 1 on your telephone keypad.

We do not have any questions over the phone at this time. I will turn the call over to the presenters.

Sean Boyd

Thank you, Operator. And thank you, everyone, for your attention and—I see there's one more question, Operator. It just came on the screen.

Operator

Okay. We do have a question from John (sic) [Josh] Wolfson from Desjardins. Your line is open.

Josh Wolfson — Desjardins

Sorry. Thanks for taking my question. I just squeezed in there. I just wanted to know if we could get a bit more colour on what 2019 looks like with the production schedule between Meadowbank and Amaruq? It looks like there's probably 30,000, 40,000 ounces of the current Meadowbank reserve that doesn't get mined, based on that schedule. And I was curious to know when that would be processed? And how much, I guess, downtime is currently being budgeted based on guidance, between the ramp-down for Meadowbank and the ramp-up at Amaruq?

Yvon Sylvestre

Well, in the current reserves, and in some cases, we've added small additions in various pits. In 2018, in the third quarter, we'll slow down production rate to be able to redistribute tonnage into 2019, around 8,000 tonnes per day.

And as we finish, there'll be three pits towards the end as we finish near Phaser, Vault, and then we'll be transitioning out of the Portage Pit, Pit A. So that's the plan, and basically, that brings us to the start-up in July, August of 2019 at Amaruq. So we will have these stockpiles from the beginning of the year of 2019 on surface, and we'll progressively switch from one operating site to the other.

Josh Wolfson

Okay. And the actual, I guess, period at which Meadowbank ore stops being processed, is that immediately beforehand? Or is there an actual gap?

Yvon Sylvestre

No. At this stage in the current life of mine—and things will change because there's still 18 months to go. But the idea at this stage is there's enough tonnage to basically stop one and start the other one.

Josh Wolfson

Right. Okay. Thank you very much.

Sean Boyd

Thanks, Josh. Okay. Thank you, everyone. Appreciate your attention and your patience to allow us to iron out some of our slide technical difficulties. We'll talk to you soon. Thank you.

Operator

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

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