FINAL TRANSCRIPT

Agnico Eagle Mines Limited

First Quarter Results 2018 Conference Call

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John Bridges
J.P. Morgan — Analyst

Mike Parkin
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PRESENTATION

Operator

Good morning. My name is Sharon, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle First Quarter Results 2018 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 welcome to our first quarter 2018 conference call.

We'd also like to remind those who have an interest in attending our annual general meeting, which is this morning as well at 11 a.m. at the Delta Hotel on Lower Simcoe Street in Toronto. So you're certainly welcome to join us.

We have a full room here in our boardroom in Toronto. A lot of our employees have come in to participate in the annual meeting, so they're looking their best this morning.

I'd like to remind everybody there's a couple of slides, small print, which is the cautionary language that we put out around production guidance and forward-looking statements. So please take note of that.

I'd like to start and just talk a little bit about the strategic direction. Of course, there's no change. The focus continues to be on transitioning in 2018 into a larger production platform in Nunavut as we continue as well to optimize our existing assets. That will take us to 2 million ounces in 2020 with an ability to grow beyond that. So that remains the focus.

In the quarter, we continued to generate good cash flow to support the CapEx this year, which is a little over $1 billion. We've made very good progress on the Nunavut projects, and we'll talk about that, which positions us very well. And we've also got some positive drill results from an exploration standpoint with a budget in 2018 of over $150 million.

As we said in the start, we've been focused on that transition, and in that transition, we had a solid quarter this quarter; 390,000 ounces produced at total cash cost of $648. So that was expected. As a result of that, we're tracking slightly ahead of our full year production guidance of 1.53 million ounces. And we're at the lower end of our full year cost guidance.

Essentially, the drop in production that we saw in the quarter from Meadowbank, as was expected, and also at Lapa, as we wind down that asset, was offset slightly by increases in production at both LaRonde and Canadian Malartic. And we'll talk a little bit about those projects.

We were also active adding to our pipeline in the quarter. We closed on the previously announced deal with our partner, Yamana, to acquire the other 50 percent of the Kirkland Lake property position and also the Hammond Reef property position.

So we see that as an important district for us. It's the type of land package and resource base that we've had a track record of creating a lot of value over the past several decades in the Company. So we're going actively explore Kirkland Lake, and we're going to continue to update our studies on both Kirkland Lake and Hammond Reef.

And we've also been busy just streamlining our portfolio. As we said, the focus continues to be on executing on our growth plan. So we've been moving out some noncore assets with the sale of our West Pequop and Summit properties to Newmont, our neighbour in Nevada, for some cash and a retained net smelter royalty on the properties.

And we also announced, from a strategic investment portfolio, move to sell our position in Belo Sun. And we just look at that and that area as something that doesn't fit, given that we've just brought in some new properties, not just Kirkland Lake, but also Santa Gertrudis in Mexico. And we've got an expanding base in Nunavut. And we've announced the expansion of the asset in Finland. So we've got enough on our plate and just a matter of helping us increase our financial flexibility and adding some cash. And we'll talk about the balance sheet in a minute.

As we look at the operating results by mine, just as a summary, good cash generation coming out of LaRonde. We mentioned that that was producing more ounces than a year ago in the quarter.

Also, at Canadian Malartic, over 60 million in cash contributions. And our Mexican business generated almost 60 million. So good cash being generated across the board throughout the mines.

On a per share basis, I think that's important because you look at cash provided by operating activities in total of 208 million, which is $0.89 per share. I think that's important because that was driven off of production of 390,000 ounces at total cash costs of $650.

So if we look out, as we expand our platform in Nunavut, continue to optimize our other assets, and expand them where we can, we're expecting to see our quarterly production go from a current level of around 390,000 ounces to 500,000 to 550,000 ultimately from the current asset base, at potentially lower cash costs. So you can see the potential significant impact on cash provided by operating activities with that production and cost level.

And I think, more importantly, when you think about the ability then to drive per share cash from operations, and that's really the key and that's been our focus. As we started to understand the potential to grow our output in Nunavut and optimize our other assets, we realized that this was a unique opportunity that we could move those forward in a way where we had the financial resources. We had the technical skill sets. We could keep the share count down and have that additional value being pushed down to a per share level. So that remains the focus.

On the balance sheet on the next page, we ended the quarter with 465 million in cash, but just in the first week of Q2, we completed the previously announced or closed on the previously announced debt deal where we added 350 million in cash.

So early April, our cash position's around $800 million. So we're in excellent shape to continue with the buildout of our Nunavut platform and the other expansions that we have announced.

Just dealing with the assets in a little bit more detail, LaRonde, another extremely strong quarter; 90,000 ounces produced, very low total cash costs at $427 an ounce, generating a significant operating profit. That came from higher grades in the lower part of the mine. We should see a little bit of a drop in grade as we move through the balance of the year, but we should see increased throughput going through the mine. So we're in a very strong position to achieve our guidance at LaRonde.

We continue with the work in the lower part of the mine, looking to provide additional production levels over the next several years from around 3.1 kilometres to 3.5 kilometres underground.

We've made very good progress at LaRonde Zone 5. We were actually at the site a couple of weeks ago. We went underground at LaRonde Zone 5. They've made excellent progress there.

We're starting to develop the stopes. The paste plant looked great and is being commissioned this quarter. And we also have some additional ounces this year coming out of Lapa.

So I think that's a good example of how we've taken advantage of opportunities that exist in the region and simply leveraging off of existing infrastructure and, more importantly, existing skills there. And that's one of our big competitive advantages.

I think it's also important to note that the approach for LaRonde Zone 5, we were patient there. I think we bought that asset off of Barrick about 15 years ago for C$7 million. We actually used a bunch of the equipment and moved it to Pinos Altos to get that mine started to keep our CapEx down.

But the approach at LaRonde Zone 5, very similar to the restart at Goldex. Take a base case that we're comfortable with, get that into production, and then sort of leverage off of that new production basin.

What we're focused on now is getting LaRonde Zone 5 up. We're actually using it as a bit of a test case to test some new technology that we hope to apply at LaRonde in a bigger context. But we're also looking that once we get that production base established, there's a sizeable resource that exists on that property package and land position. So we'd certainly be looking to extend mine life by bringing the additional known gold resources into a mine plan.

Canadian Malartic, we made reference to it earlier; record quarterly production. Another excellent quarter there, 83,000 ounces. Excellent total cash costs of $566 per ounce. Grade was good at over 1.1 grams per tonne.

Permitting activities are underway for an exploration ramp at Odyssey South in East Malartic. We got a good update on that when we were there two weeks ago. There's very good potential there, and that's one of the reasons we wanted to get involved with this situation back in

2014, as our geologists and team felt that there was an opportunity to extend the mine life and to maybe augment the feed with some higher grade underground ore.

So both Yamana and Agnico are actively working on various scenarios, and we're permitting an exploration ramp, which will actually—is now designed to go into both the Odyssey Zone area and the East Malartic Zone Area.

And we should also add that the Barnat expansion remains on budget and scheduled for commencement in late 2019. So the team's doing an excellent job there.

At Goldex, the production ramp at Deep 1's ongoing. We continue to optimize that asset. We're looking at potential to accelerate mining activities in the Deep 2 Zone. So a lot of the work there is just to optimize what we've been doing.

And we've bought a potential sweetener in grade in the second half with the South Zone, which is higher grade, which would augment the production and help with our cash costs.

At Meadowbank, as we said, a transition year. Year over year, our throughput in the quarter was down about 10 percent. Grade was down; that was expected. This is the sort of final full year of mining there. As a result, our production was down 24,000 ounces, which again, was expected. And as a result of the production being down, unit costs were up due to the lower production. So we're still tracking our guidance of about 220,000 ounces at Meadowbank as we transition into Amaruq.

Update on Amaruq. Our permitting activities, most importantly, are on schedule. We believe that we'll receive the permits the middle of the year. We do have the project certificate. It was received in March from the Nunavut Impact Review Board. That's an important step.

We're just waiting for final approvals to issue us the Whale Tail Water Licence A. We're still very active there. We've got a ramp going. The road's complete. We continue to do drilling there, but essentially the second half of the year will involve dike construction and developing the open pit. So a start date, which is on schedule, for Q3 of 2019.

At Meliadine, very good construction quarter there. Fortunately, the team did an excellent job in the second half of last year getting prepared for the winter. It was an unusually cold winter and difficult and harsh winter there, but the teams were able to work entirely inside in the process plant, in the power plant, and in the main service building, so they made excellent progress.

Site construction about 60 percent complete. The procurement is done for the 2018 barge season. The stopes are approximately 90 percent of them have been delineated for 2018. So good start with underground development, making good progress slightly ahead of schedule. And we would expect that we can start the commissioning of the process plant in Q1 2019.

And we'll be hosting a site tour in both June and also in September. So no change in the capital cost estimate and no change in the schedule, which was advanced in our February release to the second quarter of 2019.

At Kittila, good production; 48,000 ounces. Higher tonnage compensated for lower grades. We do have a planned shutdown in this quarter. It will not impact the guidance. It was factored in. And we continue to move forward on the expansion project doing some analysis, getting some quotes, and that will take the Kittila production from roughly a run rate of 200,000 ounces to 260,000 to 275,000 ounces.

In Mexico, good production coming out of Pinos Altos, 42,000 ounces. Total cash costs, 539. The focus there is on advancing the satellite deposits. So similar to what we're doing around LaRonde with the LaRonde Zone 5, we're doing in Mexico.

We've known about these deposits for several years. It's time to do some additional work and bring them into the mine plan, taking advantage of skills and infrastructure that are already in place.

So we've made good progress on Sinter and Cubiro, and we continue to drill another one called Reyna de Plata. So lots of activity around Pinos Altos.

Creston Mascota, the focus is on transitioning to the Bravo deposit and getting more information on Madrono. So again, satellite opportunities around an existing operation, which allows us to generate high rates of return on our investments in and around our current production facilities in Mexico.

La India, 23,000 ounces at that site. Again, we're focused on mine site exploration in and around La India. We've got a few small modifications as part of the optimization plan around the heap leach process, and we expect that to improve our gold production as we move forward.

So just to wrap up, I think it's key for us just to stay focused on execution; stay focused on keeping our share count down, so we could take advantage of the expected increase in operating cash flow, and more importantly, net free cash flow. Because as we said on our February call, we see a significant drop in our total capital investment required in this business. And we see roughly about 300 million in sustaining. And we can see, based on a project pipeline, which largely includes just extensions of existing infrastructure, LaRonde 3, Goldex 2, Kittila, Amaruq underground, these are small CapEx relative to the program that we are in the middle of through 2017 and 2018.

So our focus is getting this thing ramped up, getting to 2 million ounces, optimizing from 2 million ounces, and also working on things like Kirkland Lake, Odyssey, East Malartic, and also take advantage of things that we have in Mexico like Santa Gertrudis, El Barqueno.

We're working on another small option earn-in deal in Mexico. So keeping it small, going early, using our drilling and mine building expertise to make incremental steps and low-risk investments to build cash flow per share.

So I'd like to open it up for questions, Operator.

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. Once again, that's *, 1 to ask a question. Okay.

And we do have a question from David Haughton with CIBC. Please go ahead, your line is open.

David Haughton — CIBC

Hi, Sean and team. Thank you very much—

Sean Boyd

Good morning.

David Haughton

—for the update. I'm just looking beyond what you've got in your current pipeline, which is well in hand, and just thinking what your plans could be for the Akasaba deposit near Goldex, how that could be moving forward because it's got some copper in it, and what your thinking is with Kirkland. I know that's early days yet. You've only earmarked $5 million thereabouts for exploration, but where you can see that going forward.

Sean Boyd

Yvon will give a little bit of detail. Akasaba's still in the pipeline, it's just going through a permitting process in Quebec. But from the perspective of Kirkland Lake, it's one that we've clearly liked for years. We had an investment in Queenston at one point. We just felt it was a good opportunity for a reasonable price to bring it into the fold, own it 100 percent, and use our expertise.

So we've currently got a drill program of about $5 million planned at Kirkland Lake. We're reviewing that now to see whether we should increase that. But there's multiple targets there as you know: Upper Beaver, Upper Canada. Upper Canada has grown in recent years.

So as we've said in the last week as we've gathered with our teams ahead of the annual meeting, we'd rather know sooner than later how big it is just for planning purposes, but we should also just tie in our view of spending capital there. We wouldn't be spending meaningful capital there until after the Nunavut platform is expanded in 2019.

So we're sort of thinking late 2019 maybe getting started on something there by way of a shaft, but we still need to do a lot of work over the next 12 months to sort of fully define those plans.

But I'll turn it over to Yvon. He can give you some more colour.

David Haughton

Okay. Thank you.

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

Just briefly on Akasaba, I think permitting will be completed by the end of the year. We expect the last permit from the federal side in the second half.

And at this stage, as we go through the life-of-mine process and budgeting process we'll integrate the project. But the plan is to begin perhaps some work on it next year once all the permits are in.

So that's the plan. Basically, just a delay of one year.

On the Kirkland Lake opportunity—

David Haughton

Just before we move off Akasaba, if you don't mind, just you intend this to be an open pit operation. Would you have any beneficiation of the ore on site? Or would it be direct truck to LaRonde, I presume, given you've got some base component in it? What's the broader thinking?

Yvon Sylvestre

The plan would be to truck it directly to the Goldex mill and then ship the copper con for process. Well, they'd be pyriting copper con to process at LaRonde.

David Haughton

Okay. Thank you. And then for Kirkland, interested to hear potential for a shaft as possibly even next year. I'm just wondering where the centre of gravity is as far you can see, and moving forward, how you can see that unfold.

Sean Boyd

Yeah. There's two ways to approach that, and one of the concepts they're looking at is maybe you go slower a bit, and you use the LaRonde plant as well so given its proximity to our operations in Quebec. So we're still working a number of different options.

Yvon Sylvestre

I think we're in a scenario analysis at this stage. And we're looking at either a ramp or a shaft. These options are going to be looked at within studies over the next six or seven months. And we're planning to look at also in the scenario analysis to look at the synergies of a longer-term plan of integrating also Upper Canada within the Upper Beaver story. So probably by the end of the year or early into Q1, we'll provide some clarity on what's our plan in that respect.

David Haughton

Okay. Thank you. I'll leave it there for now. Thanks.

Operator

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

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

Steven Butler — GMP Securities

Good morning, guys. Question for you at LaRonde. The guidance for the year, I think implied about or gave us about C$115 per tonne, Yvon. Costs were about C$155 on the production side or

121 per tonne mine site. So maybe just a brief comment, if you don't mind, about your confidence about getting those costs back towards guidance as you go throughout the year.

Yvon Sylvestre

I think Q1 was a little lower on the total tonnes produced. Grade was obviously higher. So that affected the cost per tonne basis.

And I think the other aspect is we're going to come back on the budget for the second half of the year as far as tonnage from the underground operation. We're not too concerned about that at this stage.

And also, the base metal component is likely to start progressing also going forward for the rest of the year towards getting closer to guidance. So we're pretty comfortable that the cash costs and all-in sustaining cash costs profile will be on line.

Steven Butler

Okay. Sounds good. Thank you. That's it.

Operator

Next question comes from Carey MacRury with Canaccord Genuity. Your line is open.

Carey MacRury — Canaccord Genuity

Hi. Good morning, guys. Just had a question on East Malartic Odyssey. Do you have a potential development timeline in mind on that? Or is it still too early?

Yvon Sylvestre

At this stage, we're thinking perhaps a decision towards the end of the year on the project. We're in the final stages of the studies and the permitting process. But likely we would probably start development early into Q1 and perhaps as early as Q4.

Carey MacRury

And any thinking on how much tonnes per day you could pull out of there?

Yvon Sylvestre

No. We're not at that stage. We'll provide more clarity on that as we go through 2019.

Carey MacRury

Okay. Great. Thank you.

Sean Boyd

Yeah. One of the things we did do, Carey, when we were up there a couple of weeks ago, we were sort of reviewing exploration plans, and the guys had some ideas to drill deeper, which we encouraged them to do.

So the process now is to do some more drilling while we focus on permitting the ramp. And I think what was interesting is that the ramp that they—sort of proposal that they outlined was basically going into both the Odyssey and the East Malartic zones.

Carey MacRury

Is there any technical risks you see at this point there? Or is it pretty straightforward from a mining perspective?

Yvon Sylvestre

No risk specific at this stage. Obviously, East Malartic is an old operation, and we've taken that into consideration as far as the shallow area that we're considering to look at with the current ramp. We'd be far away enough from the existing operations to get away from the mining risk and rock mechanic (phon) challenges underground. But at this stage, there is nothing that really concerns us at this stage.

Carey MacRury

Okay. Great. Thank you very much.

Operator

Your next question comes from John Bridges with J.P. Morgan. Your line is open.

John Bridges — J.P. Morgan

Good morning, Sean, everybody.

Sean Boyd

Good morning.

John Bridges

You mentioned new technology in Zone 5, which might be applied to LaRonde later. I just wondered which you were looking at. Was this automation or something else?

Yvon Sylvestre

Yeah. I think we've purchased our fleet of equipment underground. We were originally looking at going with used equipment in certain sectors. And we've decided that we had the perfect lab setting to test more autonomous equipment, both on the loading and then the trucking side. So we're going to use our LaRonde Zone 5 sector to identify how robust this with the LTE technology, how we could adapt it further as we continue to design mining sequence at LaRonde. And we would sort of benchmark that going forward as how we would think perhaps of mining below 3.1 for example.

John Bridges

Okay. Safer and few people and, yeah. All good.

Yvon Sylvestre

I think on the people side of things, I think the recurring—as you get at depth in a lot of these deposits, we're trying to maximize the 24 hours a day. So a lot of the focus at this stage on the automation side is to get the full operating time opportunity. So there's a lot of that involved. And the rest, we'll always need people, but we're trying to rationalize our manpower going forward.

John Bridges

How many hours a day do you lose at LaRonde at depth because of clearing blasting fume?

Yvon Sylvestre

You're probably mucking about eight hours per shift roughly, so.

John Bridges

Yeah. I was just wondering between shifts when you blast. Anyway, the normal two-hour gap?

Yvon Sylvestre

Correct. Yeah.

John Bridges

Okay. Cool. Thank you very much. Good luck.

Sean Boyd

Thank you.

Operator

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

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

Mike Parkin — National Bank

Guys, just a follow-up on that last comment. In terms of, so you're running kind of 16 hours of productivity a day. With autonomous vehicles, what would you think you could be running at? Would it be closer like north of 20?

Yvon Sylvestre

Probably get close to that number. Yeah. It's a fair assumption.

Mike Parkin

Okay. And then with a major focus in the market on earnings, is there any major—like you mentioned here for the April period at a 10-day outage at Kittila. Is there any other major outages at any of your other core assets that we should be considerate of in our quarterly earnings estimates on a go- forward for this year?

Sean Boyd

No.

Mike Parkin

Okay. Well, that's easy. All right. That's it for me guys. Thanks.

Sean Boyd

Okay.

Operator

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

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

Sean Boyd

Thank you, everyone. Thanks for participating. And again, a reminder, 11 a.m., Delta Hotel, annual meeting. If you can't make 11, we're serving a nice lunch at noon. Love to have you over.

Thank you.

Operator

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

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