

FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Third Quarter Results 2016 Conference Call

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PRESENTATION

Operator

Good morning. My name is Lindsay (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Agnico Eagle Mines Limited Third 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 we know it's a busy day, so thank you for joining our third quarter 2016 conference call.

Another strong quarter from a production and cost standpoint and cash-generation standpoint. As a result of that production and cost performance we generated significant cash flows, which allowed us to reduce our net debt in the quarter, improving our financial flexibility and positioning the Company for future growth.

We also had very good exploration results. As a result, we increased our exploration budget to over \$150 million. And while we were doing all of that we also continued to work on our

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growth initiatives to position ourselves for February 2017, when we bring a lot of these projects together and lay out our growth plan for the next five years.

I'll get into some specific highlights of the quarter, and as we go through the presentation there's a couple slides on future projections and cautionary notes, so please take note of those.

Specific highlights, as we said, a strong production quarter. We had record production at La India; record silver production coming out of Mexico. As a result, our Mexican operations had an extremely strong quarter in terms of cash generation.

We also had strong performance continuing at the Lapa mine. We'll talk a little bit about some of their plans to extend the production.

And as we said on the exploration side, we continued to get good results at Whale Tail, Amaruq. We extended that zone at depth.

We also have had good results in the Sisar Zone in Finland, which are important results, given the proximity of that zone to our current working areas in that mine. And part of our plan at that mine is to look at how we can incorporate that zone into our mining plans.

What I'll do is I'll move through the projects, but I'll also talk a little bit about the financial position and the cash generation that's coming from the mines.

So you can see from the operating results, we continue to take advantage of several opportunities within the existing operating portfolio where we had unused processing capacity. We saw that at Goldex, where we saw increased throughput since the restart of that mine. We also saw

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that at Kittila, where we had record throughput as we took advantage of capacity that was available in that plant. That drove strong results from those two operations.

We're also looking at taking advantage of grades as we proceed in our normal mining sequence at mines like LaRonde. We saw grades at LaRonde at over 4.4 grams, which drove solid production and unit costs at LaRonde.

As we talked, we had record production at La India, but I would also note that at Pinos Altos there's a mine that continues to perform extremely well; in fact, generated the second-highest total of mine operating profit in the quarter at a little over US \$60 million, which is about the same as a LaRonde mine.

In total, we generated over 333 million in mine operating profit. That was up about 50 million from Q2 of this year. So very solid free cash flow, which has put us, as we said at the start, in a solid financial position.

Our net debt continues to decline. We have seen a decline in our net debt by over 50 percent in the last two years. That positions us very well to fund our next phase of growth. And what that also does is allow us to continue to keep a lid on our share count, allowing us as we move forward with this growth plan to drive per-share metrics in growth in production and in cash flow per share.

Just touching on the financial highlights before we get into the specific operations, strong earnings quarter as a result of the added production. And as we mentioned, the production—the

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strength of the production performance has allowed us to forecast a beat of our previous upper end of the production guidance range of 1.6 million ounces in 2016. That will drive continued strong cash flow.

And in the quarter, our cash flow before working capital changes was a little over \$1 per share. So that's extremely good performance on a per-share basis in terms of generating cash flow from our business, which strengthens our financial position going forward.

At LaRonde, we mentioned the grade. We mined and delivered to the plant 4.47 grams per tonne in Q3, so we continue to see a steady increase in the grade being delivered to the plant at LaRonde. That drives solid production and very good unit costs.

And we continue to focus on the Bousquet 5 Zone. We are underground with ramp development, and we're finalizing our studies. We expect the study to be completed by the end of 2016, and we'll be looking at potentially giving the go-ahead to start production from the Bousquet 5 Zone in the second half of 2018. And if that goes ahead that will come at roughly the same time as where our mine grade at LaRonde is approaching the reserve grade.

So we can certainly see a production profile at LaRonde. Assuming we go ahead with Bousquet 5, that exceeds 400,000 ounces on an annual basis coming out of that complex.

At Canadian Malartic, solid production and cost performance. We averaged about 54,000 tonnes a day, both in Q3 and year to date. As a result, strong quarterly production; strong year-to-date production; good, solid cash costs generating good cash flow from the mine.

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We had good news from the BAPE process in Quebec, which the report was just issued a couple of weeks ago, and it concluded that the project is acceptable. And we would expect to get the go-ahead for that project in the first half of next year.

We continue to drill Odyssey, so that's an underground opportunity that certainly was one of the reasons that both Yamana and Agnico were attracted to the opportunity at Osisko. There's two zones, Odyssey North and Odyssey South. We've traced the Odyssey North zone from 600 metres to 1,300 metres below surface. It's a large zone with a strike length of over 1 kilometre. On the south portion of Odyssey, we've traced it from 200 metres to 550 metres, and it's got a strike length of about half a kilometre. We would expect to provide an initial resource on the Odyssey deposit in our February 2017 update, so good progress there.

At Goldex—we made reference at the start—good solid throughput. Our tonnage was up 17 percent year over year to 7,300 tonnes per day in the quarter, so that's the highest quarterly tonnage since we restarted the mine.

The grade delivered was 1.6 grams per tonne, so good solid production; unit costs on a cash basis under \$500. So there's a mine that's generating extremely strong cash flows. We continue to get good performance over and above what we had expected in terms of our initial feasibility when we decided to restart the mine, not just from point of view of mining rate and development rate, but also on a cost per tonne, which is in the low C \$30 a tonne.

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As far as upside, we continue to work and progress the Akasaba project from a permitting perspective. We expect to get the approvals for that project in the second half of next year, with potential production coming in the second half of 2018.

So that would allow us, again, to take advantage of unused capacity in the Goldex plant, and also take advantage of the copper circuit at LaRonde. So that's one of the reasons that we paid \$5 million for that about three years ago; a nice little tuck-in where we can leverage infrastructure and people skills in the Abitibi region.

At Lapa, they continue to do a good job. Although short mine life, it's one that is continuing to move forward. And the team at Lapa is working on a plan to continue production into 2017. Originally it was supposed to end the end of third quarter of this year; it continues into the fourth quarter. We're assessing it basically on a quarter-by-quarter basis, and we would expect, based on the productivity at the mine, based on some of the exploration we're seeing that we could see some ounces in 2017 which were not in our original plan or original forecast.

At Meadowbank. As we move forward at Meadowbank, as anticipated, we have lower grade in the mine compared to a year ago. As a result, unit costs are a bit higher because production's down from a year ago.

We're working on studies now to extend production through the end of 2018. And we're working on those studies in conjunction with our work on Amaruq in Nunavut to see how we can dovetail both the Meadowbank production plan and the start-up of Amaruq. So we're seeing some

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interesting opportunities to add some ounces and really, just like Lapa, trying to squeeze additional cash flow out of the Meadowbank deposit.

The Amaruq road continues. We should be about 16 kilometres along that road by the end of this year, and we would expect to have that road completed by the fourth quarter of 2017.

At Amaruq, we drilled up until middle of October of this year. We completed 125,000 metres of drilling. Over 500 holes. We will have an update of that resource in February of 2017.

But of note in the quarter, we did extend the mineralization with some drilling on Whale Tail a distance of 350 metres below the current mineral resource outline. So it's still early, but I think that's a good sign because, as we said all along, Amaruq has several things going for it that we didn't see at Meadowbank. It's better grade, it's bigger now in terms of the size of the total resource based on where Meadowbank's going to mine out, and it also has a depth component of below a pit outline which Meadowbank just didn't have. So that gives us the potential for an extensive mine life at Amaruq, but still early. We'll continue to drill it.

The drilling program for next year will resume in early February. It'll initially be focused on infilling the V Zone, and the V Zone's important in our planning because from what we see it adds a second source of open pit ore with higher grade than Whale Tail.

The key for V will be to update a pit outline and apply for a permit to then build the V Zone, and the permit on that would likely come two years after the Whale Tail permit. So the way we're looking at V is either to supplant some lower-grade material in the Amaruq mine plan, or

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possibly to augment the Whale Tail production profile. So again, it's still early, but that will be the main focus of drilling in the V Zone, and we continue to get good results there.

The permitting process continues on the Whale Tail open pit. We would expect to receive the permits in the third quarter of 2018, with production potentially starting in the second half of 2019.

At Meliadine, we continue to work internally at updating our internal studies. While we do that, the activity at Meliadine largely has been focused on continuing with the underground development. We continue to do detailed engineering. All of this is part of updating the study which will be put to our Board in February of 2017 for a construction decision.

I think one of the important things about the activity at Meliadine over the last couple of years is the fact that we've continued with that underground development, continued to advance capital there, which hasn't put constraints on the balance sheet because we've also been able to reduce our net debt.

But what that's done is, assuming a positive production decision, we'd likely be in a position where we have a decent-size stockpile when that processing facility would start up in possibly 2020.

So there'll be a lot more details on that in our five-year production and growth plan that gets put out in February of 2017.

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At Kittila, as we mentioned, strong mining performance. Our tonnage was up 23 percent year over year up to 4,800 tonnes per day in the quarter mining 4.5 grams per tonne. So it's solid production tracking for about 200,000 ounces in production.

As we look out, as we mentioned, we had good results on the Sisar Zone in the upper portion and in the central portion. The upper portion's important because it's closer to infrastructure. And we're certainly looking at several scenarios to increase the mining rate and take advantage of unused processing capacity. So we'll have some more details on that in February.

But we should also note that infill drilling had the widest intercept to date on the Sisar Zone where we had almost 13 metres at 6.6 grams of gold per tonne, so that's certainly a focus for us. And what we're really trying to do there is see if we can take the average production at Kittila from around 200,000 ounces and maybe increase that by 20 percent or so by opening up a third source of ore.

So that's what we've been trying to do at Kittila for a number of years. It's a large deposit. We're just trying to generate more net free cash flow from a mine life that's currently several decades.

Also in that region, we've had some good success at our Barsele project expanding zones; potentially connecting zones. From our perspective it's well-located. It's right at the meeting point of a gold belt and a massive sulphide belt; a prolific mining region of Sweden.

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We've got a number of drills working there. We would expect that, given its similarities with Goldex, good thicknesses and similar-type grades, that we certainly have the skills to move that thing forward as we get more information.

Our Southern Business, as we said, generated over \$90 million of operating profit in the quarter. We produced in total from the Southern Business over 90,000 ounces at cash costs below \$400 an ounce, so good performance there.

As we mentioned specifically at Pinos Altos, excellent performance; solid production; very low unit costs; steady throughput; very strong cash-flow generation; \$60 million in mine operating profit. They commissioned the shaft. They've ramped it up to design capacity of 6,000 tonnes a day.

That was completed in July, so we've got some good flexibility in terms of our underground mining set-up at Pinos Altos.

At Creston Mascota, again, steady production. The focus is really in the near vicinity of Creston Mascota looking at smaller satellite opportunities. One is the recently acquired Madrono property which sits between Pinos Altos and Creston Mascota. So we're hopeful that exploration is going to allow us to identify some near-surface mineralization; hopefully we can extend the life of that operation.

At La India, we had record quarterly gold production. Good solid cost performance continues there.

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As we've mentioned in previous quarters, the focus shifted there a few quarters back to mine site exploration. And in the near vicinity of the mine site we've had some good step-out drilling results. We would expect to see that reflected in our reserve update and resource update in February.

But based on those results and based on the operating success we've had at La India, we just see that operation as a steady long-life contributor to our business, as we expect to see that deposit grow as we focus on a lot of drill targets, as we said, at the mine and in the vicinity of the mine.

We're also doing a lot of drilling at our El Barqueno project. We drilled year to date over 62,000 metres. We'll have an updated resource in February. Of note was the Olmeca area, where we continue to get good grade over decent thicknesses. And that's one that's certainly intriguing based on the fact that those intersections are a much higher grade than what we've seen elsewhere on that property.

So just in summary, another strong quarter. And we're tracking in terms of production and costs to exceed our production guidance for the full year of over 1.6 million ounces. That should continue to provide good cash generation; allow us to enter next year with a very strong balance sheet as we lay out our growth alternatives.

And what I'd like to do before turning it over to questions is just thank our employees for their sort of continued focus on optimizing the asset base, running their businesses, and working

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steadily on our positioning as we enter our next phase of growth. So thank you to all of our employees for some great work.

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

Q&A

Operator

And at this time, ladies and gentlemen, if you would like to ask a question, please press *, followed by the number 1 on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

And our first question comes from the line of Mike Parkin. Your line is now open.

Mike Parkin — Desjardins

Hi. Maybe just one housekeeping item to start for Dave Smith. Exploration expense in the fourth quarter, what could we expect that to be around?

David Smith — Senior Vice-President, Finance, and Chief Financial Officer, Agnico Eagle Mines Limited

I think we're probably going to go higher because we take a phased approach to exploration. We're having a lot of success, so as you saw, we guided it higher this quarter.

Alain, do you have the total forecast for the year?

Mike Parkin — Desjardins

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Okay. And then in terms of some of the challenges you're facing at Malartic in terms of some of the local opposition towards it, can you just give a bit of background? Like is the injunction that's filed or being filed—looking to be filed there and the lawsuit, is that the same group? And where are you in terms of discussions with that group or groups?

Sean Boyd

It is the same group, and I'll turn that over to Christian Provencher, who is on the ground there and is close to that and has been working with the community for well over a year in establishing a good neighbour guide to help, to mitigate some of the challenges of having a community very close to a large open pit mine.

Christian Provencher — Vice-President, Canada, Agnico Eagle Mines Limited

Yeah. So thank you, Sean. So since more than a year we're working close with the community to define the good neighbour guide. And up to now we reach a very good agreement with the population with over 80 percent of enrolment in this guide. And so it's a very good sign. It's very positive. We are working very, very close with those people from all the communities.

Sean Boyd

So basically this group is—it's the same group that launched the class action lawsuit that also launched the injunction. But I think the positioning of the courts is that they put that off until next March, and we will and should have a decision on the BAPE process and the permits for at least

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the go-ahead on Barnat. So that should really be taken as the guide to how this operation moves forward.

So both Yamana and Agnico through the partnership actually took the lead on approaching the community with this good neighbour guide starting about a year ago. And it involved both the local elected officials and community representatives. And the group that launched the class action was involved in those discussions, and they pulled out at one point and launched the class action.

So we're certainly going to defend our interests. We've certainly since Yamana and Agnico got involved have actually improved things a great deal based on certainly our track record in the region and the way we've operated other mines. So we feel that we'll be able to continue operating the way we're operating, and we don't really see any issues.

Mike Parkin

And is this group localized to one area? And is it something that possibly going deeper on the north wall could improve the relations on? I remember kind of noise has been a bit of an issue in the past, but as you're getting deeper that becomes less of an issue?

Sean Boyd

Well, the group, the small group that's gone ahead with legal action, they call themselves south of the railroad, but if you actually look at the residents that have taken up the good neighbour guide, a large number of those individuals are from that particular area south of the railroad. So it's a small group that's gone ahead and decided that they would prefer to take this legal action.

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But they originally tried to have it heard in Montreal. The courts pushed it back up into Val-d'Or, and even in Val-d'Or they're saying they're not prepared to hear this until next year.

Mike Parkin

Okay. And then just moving over to Lapa, what could we expect for production in the fourth quarter from that asset?

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

Probably 10,000 to 12,000 ounces, I think, in the quarter.

Mike Parkin

Okay. I'll leave some other questions for others to ask. Thanks very much.

Operator

Our next question comes from the line of David Haughton. Your line is now open.

David Haughton — CIBC World Markets

Good morning, Sean and team. Thank you for the update.

Sean Boyd

Good morning.

David Haughton

Just looking at Kittila, really good throughput, and I'm just wondering, Sean, whether that's sustainable and if it can be sustainable at the kind of grades that we're seeing?

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**Yvon Sylvestre**

Yeah. I think the grade at this stage is—production from the underground has been quite good over the last two years. I think it's sustainable, and I think the study that we're carrying on on a life of mine basis is to bring it up roughly 25 percent. And I think with the development of the Rimpi Zone and the Sisar Zone, we'll have enough mining fronts to be in a position to sustain that production rate, and then continue to mine reserve grade for the rest of mine life.

David Haughton

Okay. And I guess that development is the key here, so would we expect a pick-up in sustaining CapEx just to keep the number of phases there?

Yvon Sylvestre

It's already in place—

David Haughton

Mm-hmm.

Yvon Sylvestre

—with the current life of mine because Rimpi's already under development with production in line for 2018/'19. So this is currently in current guidance, and you'll see this update also in February.

David Haughton

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So would you feel comfortable if we forecast something in the order of 4,500 tonnes a day going forward? Or even higher still?

Yvon Sylvestre

Very comfortable with 4,500 tonnes per day.

David Haughton

Okay.

Yvon Sylvestre

And we'll come up with guidance in through the new year as the study becomes available in the first quarter.

David Haughton

And just over to Bousquet, if I can, please. What's your intention there? I know that you've got plans with permitting to move forward; get the CapEx to get it into production second half 2018. Would you expect for that to be reported separately? Or would you roll it into LaRonde? And what sort of CapEx is required to get there?

Yvon Sylvestre

I think we're in the budgeting process at this stage. Eventually down the road we'd like to report it as LaRonde complex. Probably for accounting purposes we will—we may have some distinction, but the idea is to have production within the LaRonde complex going forward.

David Haughton

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And is it probably metallic like LaRonde? Or is it just outright gold?

Yvon Sylvestre

No, it's just outright gold. It's a zone that was abandoned by Barrick at Bousquet, and this resource has been known for many, many years. We've just essentially completed the study, and then just to bring a more cost-effective mining approach to render it economic.

David Haughton

Excellent. Thanks, team. Thank you, everybody.

Sean Boyd

Thank you.

Operator

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

Our next question comes from the line of Stephen Walker. Your line is now open.

Stephen Walker — RBC Capital Markets

Great. Thank you very much, Operator. Sean or Yvon, maybe you can speak a little bit to Goldex to the Rail-Veyor system that's being installed now; would expect to see it operational later in 2017, I believe, and what the potential impact or the implications are for cost and materials handling at Goldex?

Yvon Sylvestre

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Well, the development on the infrastructure is pretty well complete at this stage, or getting near completion. I think it's around 70 percent.

The installation on the Rail-Veyor is actually going on in certain sections of the mine. Testing of the systems on a discharge group has also occurred with the manufacturer. So the end date on this Rail-Veyor system will be Q3 next year, and production would be—at the end of Q3 next year—and production from the area essentially will start in 2018 from the Deep Zone.

On the cost implication side, I think we're going to be able to maintain our cost structure within the project because Rail-Veyor is essentially just replacing the vertical depth or hoisting capacity that's nonexistent below level 76, so essentially complementing the current hoisting system and maintain our cost structure.

Stephen Walker

Thanks. Thank you for that. And maybe, Sean or Ammar, can you talk a little bit about, I guess, the timing of capital around future 2017 capital spending at Amaruq, as well as Meliadine? Just when you look at when you have to start committing and mobilizing materials to the port facilities in early 2017 to ship up into Hudson's Bay, could you give us a sense on the timing and when you expect that capital will be allocated?

Sean Boyd

Yeah. We will—we started the process with the Board in July having them up at the site. They went to Meadowbank, Amaruq, and Meliadine. We updated them again yesterday on the

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status of the studies. We have a strategy session with the Board in December, and we will be going to the Board with all the numbers in February, and based on what we see now with the gold price and what we see in the studies recommending that we proceed with both Amaruq and Meliadine.

Having said that, as you rightly pointed out, the opportunity is to make sure that we get everything on the barge that we need on the barge for this summer. And so some of those commitments—not significant commitments, but some commitments—will have to be made before February. And the Board certainly understands that. And we talked to the Board about that yesterday, and they're comfortable with that.

As to the actual spend for next year on those projects, we won't be able to provide details on those numbers until February. But certainly based on what we see in the studies, we're prepared to start to line up some key components and make some commitments for those components before the February announcement, which is consistent with how we see Nunavut.

We see Nunavut as a long-term large operating platform for us that's only going to grow based on the mineral potential we see and our ability to do business there. So it makes sense to think long term, invest long term, and take it step by step and be measured on how we sort of allocate that capital.

David Smith

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And just as a reminder, I believe that the intention is still to have the return for that project defined as a capital going forward, and all the sunk capital will be expensed, as previously has been done.

Sean Boyd

That's correct. But the study that we're doing internally is not sort of 43-101 because it's incorporating a subset of the large resource there. So you're limited in terms of the details that you can provide when there's a 43-101 study there. But we'd certainly be looking and being able to get 15-plus percent based on expenditures going forward.

Stephen Walker

Great. Thank you very much for that. Thank you for the questions.

Operator

Our next question comes from the line of Steve Butler. Your line is now open.

Steve Butler — GMP Securities

Well, good morning, guys. Sean, just in the follow-up on Meliadine in the context of 15 percent on a go-forward basis, would that be in the context, roughly, of say near 1,200 gold and \$0.80 exchange rate? Or is that what we're talking about as a base? Or—

Sean Boyd

Yeah. We're using 1,495 Canadian.

Steven Butler

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Okay. Sean, anything you can shed light on the—I mean obviously their optimization studies are in progress and underway. What areas are you guys finding some joy in in terms of enhancing the operational side of Meliadine beyond, say, the gold price exchange rate effect more passably? But what are they finding out of the underground? Is there any dilution improvements? Are there any grade enhancements or profiling you can do to the mine plan?

Yvon Sylvestre

Good question. It's a combination of factors. I think on the mining plan itself we've modified the mining plan to accelerate earlier high grade from the deposit. That's one thing.

There's some areas that there's been some mining approach changes and development reduction. I think on the design of the plant we've taken a phased approach to phase one in just building essential phase one only production.

So it's a combination of factors that are improving the overall performance of the study.

Steve Butler

Okay. Merci. Thank you. Hey, Alain or otherwise, or Sean, if you talk about the two Bs, the Barqueno or El Barqueno and Barsele, both inferred resources and both seen active programs. Sean, which one is—which one do you guys see as potentially a bit more advanced and closer to decision-making at some point in the next year or two? Or are they both parallel?

Sean Boyd

I'll let Alain take that.

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

Yeah. For El Barqueno and Barsele, we're not there yet to get a feasibility study. We continue to drill at Barqueno.

If you remember, we had a resource at 600,000 ounces in beginning of this year. We infilled the three lenses on El Barqueno, but because the grade it was a little bit lower than we anticipate, we continued to prospect and we find Olmeca just 1.5 kilometres north of Pena de Oro. The grade is looking better. It's a strike length of 1 kilometre, and I think we need to continue to drill another here to build a resource and to see if we can get the project there as soon as possible.

On Barsele, it's early stage and probably (phon) already over 1 million ounces resource. We're looking to get a larger resource at the end of this year. We infilled presently the three regions that we—on the (unintelligible). It's not finished. We have four rigs there. It's early stage. We start just baseline study for met tests; everything that we can put in advance for any study in the future.

And you will see in February the first Agnico resource calculation, but it's looking a good project now.

Sean Boyd

I would say, Steve, given the nature of the business in Mexico in terms of capital required to build a small heap leach (sic) [leach] operation versus what would be required in Sweden, I would say that chances are in the production profile it would be Barqueno ahead of Barsele.

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And although that part of Sweden is a pro mining area, it'd require a lot more infrastructure than what you would need in the region where Barqueno is. And the strategy there was to tie up a large amount of land, test some targets, get a smaller open pit started, and continue with an exploration program. So that's still planned.

Steve Butler

Okay. Thanks for those comments. Thanks.

Operator

There are no further questions in queue at this time. I'll turn the call back over to our presenters for closing comments.

Sean Boyd

Thank you, Operator, and thank you, everyone. Thanks for your attention on a very busy day. Take care.

Operator

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

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