

## **FINAL TRANSCRIPT**

**Agnico Eagle Mines Limited**

**First Quarter 2015 Conference Call**

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**PRESENTATION****Operator**

Good day, and welcome to the Agnico Eagle Mines Limited First Quarter 2015 Conference Call.

Today's conference is being recorded.

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

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

Thank you, Operator, and good morning, everyone, and thanks for joining us for our first quarter 2015 conference call.

Before we get into the materials, I'd just like to note the forward-looking statements cautionary statement that's in the package. We do have some forward-looking statements here, so please be aware of that.

As far as the quarter goes, it's really a story of strong operating performance. We had solid contributions across all the operations.

As a result, we're generating very good cash flow and also net free cash flow, and more importantly we're not doing that at the expense of squeezing our best projects or our best exploration opportunity.

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As you know in the press release, we noted that we had record gold production, a little over 400,000 ounces at a cash cost of below \$600 an ounce and all-in sustaining costs of approximately \$800 an ounce.

We had records in Mexico in terms of total production, but also more importantly in Mexico our cash costs there are below \$400 an ounce.

We also saw some really cost performance in the Abitibi. We had both Goldex and Lapa producing gold for cash costs of under \$600 an ounce.

As a result of that good start to 2015, we're in good shape with respect to both the production and the cost guidance. But I think what's more exciting to us is that we've been very focused over the last little while on our exploration opportunities, not just in Nunavut, but at a number of our operations. And we continue to see very good results, and we'll talk about those this morning.

Clearly, at Amaruq and Nunavut things continue to move in a very good direction, but we've also have seen some good results in Kittila where we have potentially picked up a new zone within 150 metres of the main zone. So that could provide us with some interesting economics as we look to develop the underground mine at Kittila.

The balance sheet is strong. We were able to, given the strength of the first quarter, pay down \$100 million on our credit facility. And in the quarter we declared a quarterly dividend of \$0.80 per share.

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Specifically on the operating results, as we said, good start, so we're tracking well to the guidance in the northern business, producing a little over 300,000 ounces at a cash cost of \$645 per ounce. In the southern business it was 90,000 ounces at below \$400 an ounce. So again, good solid performance and tracking well to the guidance, which is 1.6 million ounces at cash cost between 610 and 620 per ounce.

Financial position, we noted that at the start. We have net debt of 1.1 billion. We have a very manageable debt repayment schedule. And as result of the performance in the first quarter we were able to reduce our credit line by \$100 million in borrowings under that, so we now have available credit facility of \$800 million.

Financial highlights. We did generate some good cash flow despite the fact that gold was down \$100 from the quarter of the previous year. Before working capital changes we generated a little over US \$175 million.

Looking at the northern operations in more detail, LaRonde continues to open up the lower part of the mine where we do have our best grades. We continue to work on installing infrastructure that will improve our mining flexibility and improve our cost position.

The coarse ore conveyor system, we've got that in. The new conveyor will be commissioned in September of 2015. As we've said, that helps with the flexibility in the mine.

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We're also looking at a study below 3.1 kilometres underground. We've got a resource there, and we're starting to plan for that. The lead time on something like that can be as long as 10 years.

We still have a long life left at LaRonde on reserve. We do have resource, but you have to start doing that planning. They're still drilling there. We still see strong mineralization.

I think what was important in the quarter is our best grades are in the lower mine. As you know, we've been mining well below reserve grade. The reserve grade is 5.2 grams per tonne. In Q1, we were mining 3.5 grams per tonne at a rate of 6,200 tonnes a day.

We had a little less byproduct credit than we had expected. We had a couple of stopes re-sequenced. We've got those back and that should help lower the cash cost when we get that extra byproduct revenue in future quarters.

At Meadowbank, good cost performance on a per tonne basis, CAD \$71. That's versus 76 a year ago in the quarter.

We see lower labour costs, lower reagent consumption. We produced just shy of 90,000 ounces; cash cost of 655; roughly 3 grams per tonne at 11,000 tonnes a day, which is roughly the same tonnage as the quarter a year ago. But as you recall, in the quarter a year ago we were in our high grade, our very high-grade pit, the Goose pit, where we averaged over 5.1 grams per tonne and we had a record production in the quarter last year.

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So we're into a lower-grade area, and as we move through the Vault pit, that is a bit lower grade, we're looking at a study to optimize Vault right now. And that Vault study is really designed to extend the mine life at Meadowbank. And we're hopeful that we can extend it about a year, which would take us to Q3 of 2018.

And we're looking at that by bringing in about 240,000 ounces or so that was previously removed from the mine plan a couple years ago. So we'll have the results of that work by the middle of this year, but at the current gold prices, particularly in Canadian dollars and the oil price where it's at, that's looking like something that we should be doing. And what that would do is help to close any potential gap between Meadowbank and satellite deposit and Amaruq.

Looking at Amaruq, we've got a couple of slides in here which highlight the location of the drilling. Currently there's five drills in operation. Within a couple weeks we'll have another three drills, so we'll have a total of eight drills.

The current budget is \$20 million. The capacity is—we can spend up to 50. It'll be results-driven. The resource that was announced earlier this year on Whale Tail is 1.4 million ounces at 7.25 grams per tonne.

The objective in the early stages of this year's program was to drill from the ice on the lake into the gap that we couldn't access last year during the summer drill program. We've announced several drill results that essentially close that up and fill it in with mineralization.

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Several of them are very good grade, so our team is confident that that resource is going to grow. And that is an open pit resource, and so we'll be updating the market on the results of the program as we go through the drilling season as we extend the budget. And we'll likely have a midyear resource update, which will incorporate certainly the drilling in the gap, but also we're looking to tighten up the drill spacing on the resource that we put out earlier this year.

And we also hope not only to grow the resource, but improve the confidence of the resource by moving it up from inferred to indicated.

We're also drilling to the left of Whale Tail. We're drilling Mammoth Lake now, and Mammoth Lake is the area where we think is the source of the bolder trains. We have several boulder trains, and Mammoth Lake has the same mag signature as Whale Tail.

And so it's not only a program to do infill drilling on the Whale Tail resource and look to extend that resource to the left and at depth, but we're also looking along the strike. And what we have at Whale Tail is a sizable horizontal structure with both strike length and depth potential.

We're not really seeing the vertical constraints on Whale Tail that we saw at Meadowbank. So there's lots of promise here and lots of potential. And I think the fortunate thing for us is the fact that it's by boat about 60 kilometres or so from Meadowbank.

So that's something we're very focused on piecing together. And as you know, we do have the Meliadine project as well. So we're working on how these all come together, and what we know now based on the size of Meliadine and the potential of Meliadine and the large land package at

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Meliadine, combined with the discovery and potential at Amaruq and the large land package at Amaruq, we're in a part of the world where there's tremendous mineral potential, and you can actually do business in Nunavut.

So we're fortunate to be in this spot and we're fortunate to be in early. And we're fortunate to have a lot of ground and own it 100 percent. And we are fortunate to have the skillsets that know how to do business there. So we see that as a big part of our future.

Moving to Canadian Malartic. Very good performance there. Record gold production in March; costs were approximately \$20 a tonne.

We averaged in the quarter about 52,000 tonnes a day. In February and March we averaged 53,740 tonnes a day. So we expect to be in a range for the next year or so right through to 2016 in a range of 53,000 to 55,000 tonnes a day. We produced to our account 68,000 ounces at cash cost in the low 600s, so good performance; good cash flow generated for us.

I think one of the things that we were excited about was being able to get drills on the Odyssey project. So we have drills going there. We always thought that this had very good exploration potential.

As we had always said to the Abitibi royalties group that it would be a shame if we couldn't sort out the issues that we had because we've got some of the best exploration people in the business waiting to drill it. So now those people are at work here putting drill holes down.

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And I think we are quite hopeful that we're going to be able to outline mineralization that is good grade with good thicknesses. And ultimately we hope to be able to apply what we do currently at Goldex to an underground scenario on that part of the Canadian Malartic property.

At Goldex, a very strong quarter: 6,300 tonnes a day; a little over 1.7 grams per tonne. Our throughput was up 16 percent from a year ago; mine site costs at \$34 a tonne. It produced better-than-expected 29,000 ounces at cash costs of 541. So a good start to the year.

We've accelerated development to Deep Zone. We've allocated some more capital there. We've also allocated more money to do drilling, and we'll have those studies done later this year, early next year. And we're also working on the Akasaba study, which is a satellite deposit about 30 kilometres away.

So what we're really trying to do is continue to optimize Goldex after the restart. The team's done a very good job proving the cost model, and we'll try to take advantage of the head room that we have in the plant. We know the plant can do 8,000 tonnes a day. It used to do that consistently in the early days. So we're still working on optimization.

At Lapa, strong quarter: 1,700 tonnes a day; getting good grades, good recoveries. The team's doing an exceptional job for a mine that's got a short life. So even though the mine is set to close before the end of next year the team is working as hard as they've ever worked to make that mine generate free cash flow.

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We've decided as a group to continue exploration. We're doing exploration on the Lapa property in the Zulapa area. We're getting some interesting results, and we're also drilling with our partner, Yamana, to the west of Lapa on the Pandora property. And we're also getting interesting results at Pandora.

So we haven't given up. And we continue to invest in areas that we think have some potential, so hopefully we'll get a break there. And maybe we can reward the Lapa people for working so hard and hopefully extend that mine.

At Kittila, solid performance: tonnage up 12 percent from a year ago. Cost per tonne €77; cash cost below \$700 an ounces. I think the most exciting thing in Finland is we have been drilling there for a number of years. For the longest time we were basically drilling from surface. For the last little while we've had access in the underground ramp, and we've got underground drills going.

We continue to follow the trends. The deposits; we know the direction of the plunge as we move to the north, and we continue to follow those. Not only are we getting good results in the main trend, but now we have just drilled a hole which seems to indicate we have a parallel zone to the main zone about 150 metres to the east. And it confirms drilling that we did a couple of years ago. So that's the focus.

We're adding a drill. That would certainly change the economics at Kittila. As you know, we have a narrow deposit. It is large. It does require extensive development. We've been

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contemplating a shaft for a number of years. As we've said all along, ultimately we need a shaft, but a parallel zone of good grade and decent size would certainly help us in making that decision.

Meliadine. We talked about that recently. We put out our 43-101 simply based on the reserve, but the focus right now is an internal study using that base case on the reserve and adding a significant quantity of the resource—the resource is 6.8 million ounces—to the economic study.

We call that our base case plus study, and that'll really drive a lot of our decisions around Meliadine. But we're hopeful that we can improve the economics by adding some resource there.

And we also, as we've said many times, see Meliadine as a big part of our business platform in Nunavut. And when you combine it with Amaruq and spread the overhead you have a platform that could be one of our biggest contributors to not only our production, but also our cash flow as we go forward.

The southern business: record gold production; record silver production; excellent quarter in the first quarter; a cash cost below 400. So we're getting good strong performance out of Pinos Altos, which produced 50,000 ounces; cash costs around 350 ounce level. The shaft sinking program is ongoing, on time, on budget; expected for completion in 2016.

At Creston Mascota, steady output; a good cash cost in the mid-400s, so no surprises there. We seem to be picking up additional ore. We're mining some ore outside of the block model, so that's always positive.

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At La India, we had a new record for quarterly production of 27,000 ounces; cash costs in and around the \$400 range. We do see potential to add more mineralization to that mine plan. We did acquire an adjoining property, a small concession from Alamos Gold, which consolidates our land package there. And that has additional potential to add ounces to La India.

So just before we take questions, it's our view now as we look at sort of our positioning in the market—it's still a challenging time for many gold companies, but as we look over our sort of long history we think it's really the best time to be thinking longer term rather than short term.

We continue to believe this is the best time to be drilling; the best time to be building new production platforms. We think it's the best time to be looking at new opportunities. But I think for us the key is that we need to keep doing those things, but do it as part of a longer-term strategy, and do it in our sort of customary measured way to make sure we not only understand the risks, but we also have a good appreciation and understanding of the opportunity and we don't lose sight of the opportunity as we sort of try to understand the risks.

So today is an important day. We have our Annual General Meeting at 11:00 a.m. at the Sheraton Hotel, so all of you are certainly welcome to attend.

And I also just want to mention that we do have a couple of site visits coming up over the next several months. We have a site visit to go to Nunavut and see Amaruq, and that's on August the 20th. Space will be a bit limited there.

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And we also have a site visit to Barqueño in Mexico. So that was a project that came from the acquisition of Cayden Resources. We have several drills on that project going now, so we'll have an update on that over the next couple of weeks on how drilling is going there. And so that visit is September 23rd and 24th tied on to the end of the Denver Gold Show.

Our expectation is is that we should have an updated resource at Amaruq prior to that visit, and we're hopeful that we'll have an initial resource at El Barqueño prior to that visit.

So, Operator, we'd be happy to take some questions.

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## Q&A

### Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, press \*, 1 on your touch-tone phone. If you're using a speakerphone, please pick up the handset before pressing any keys. Once again if you would like to ask a question, please press \*, 1.

And our first question will come from the line of Andrew Quatil of Goldman Sachs. Please go ahead.

### Andrew Quatil — Goldman Sachs

Good morning, Sean, and thanks very much for taking my question, and congratulations on such a strong quarter.

### Sean Boyd

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Thank you.

**Andrew Quatil**

A couple questions, one on Pinos Altos. Obviously your grade jumped up there, so of surprised us a bit. Do you expect that sort of going into the second half of 2015 to remain at Q1 level? Which is more what your reserve (unintelligible).

**Unidentified Speaker**

Q1 was higher than subsequent quarters will be. We got a little bit of higher grade just due to sequencing and we also got lucky on one of our stopes underground, and it had a higher grade than we expected. So it'll moderate in the rest of the year.

**Andrew Quatil**

Okay. (unintelligible) on Amaruq. Obviously we did get an update midyear and we're going to go up there hopefully in August, but when you look out and look at your guidance at Meadowbank, it obviously comes off in 2017, and this obviously looks very positive. Can you just talk about the strategy maybe as much as you can? I mean what are the headwinds here? Obviously the transport and you're trying to get the permits there. What's the strip like of the area? And what are sort of the key issues that we should be focusing on that this can't sort of be delivered in 2017 and fill that gap?

**Sean Boyd**

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Yeah. There's a few things there, and so the focus right now is not just on drilling, but it's also on we probably have a couple dozen people that will be there in the summer that are there doing baseline work. So we're always sort of thinking and preparing earlier than you otherwise would.

And what we contemplate there is certainly a road. We know the location of the road. The road would be about 62 kilometres long. We would be mining an open pit to start at Amaruq. We'd have to put up a dam, so we have to de-water a part of the lake, so all of those things are things that we do currently and have done at Meadowbank. So we're not really asking the authorities to allow us to do something that we haven't otherwise done.

But in order to do that and to stay on track we will have to put a pin in it at some point this year, and that's the purpose for the updated resource and when we'll turn it over to the engineering guys and they'll design a pit. Right now they've done some sort of preliminary work, but it was really done on two pits because we didn't have the gas (phon) build-off.

So it's too early to say what the strip ratio would be. Is it Meadowbank-like? Or a little bit higher than Meadowbank? Those are sort of the general range. But I think what we've got is we've got something that at least the initial resource something that's at this point sort of half the size of Meadowbank in terms of total ounces at double the grade.

And so we expect that 1.4 million ounces to grow based on the results we've got so far. And we'll continue to tighten up that space.

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As we said, this has got lots of strike length. The potential mineralization is very continuous, the rock quality is extremely good, and so we expect it to get bigger. So it will be a bigger number. When we were up there sort of a year ago our guys were saying that from an operating standpoint to the exploration team we'd need about 1 million ounces at 5 grams. So we're already past that hurdle.

Now in terms of timing, if you actually take—and we've been saying this for the last few months—if you actually take a Meliadine permitting time line, and that may or may not be appropriate, but if you apply that and Meliadine's a bit more complicated because Meliadine's building a plant, et cetera, you'd be looking at Amaruq sometime in the second half of 2019.

And so if we can push out Meadowbank to later in 2018 and then start to work from the Amaruq end and hopefully move that forward, the objective is to eliminate that production gap.

And we've been very clear with the regulators and the people that would be involved in reviewing what we be proposing at Amaruq, and it's essentially the same groups and the same people we've worked with on Meadowbank and Meliadine. We've made that known to them that their time line is largely driven by the resources that the authorities can bring to the table to review.

And so the federal government has just put more money into the Nunavut Impact Review Board to actually boost those resources at that Board, and maybe that'll help accelerate the time line. But we see a couple things. We see more resources on the other side. We've offered to add resources if they need it to help with that review process.

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But we're also seeing a project that is less complex than Meliadine, and as we said, we're not asking to do something that we haven't been able to do up there in the past.

And I think this is a good point to make is that our experience in Nunavut in terms of getting things done has actually been quite good. And it's not a part of the world where they're adversarial with respect to mining. In fact, I would say they're positive towards mining. They want to understand the impacts of mining, but generally they're positive because of the economic impact that it has there. And Meadowbank's been a great example of that.

And this morning at the Annual Meeting we'll have the Premier of Nunavut there; he's in town. And so the Government of Nunavut is a big supporter, the eco (phon) in Nunavut, so is the federal government and the local community.

So we've got all the support we need to keep moving our business forward. We just see it as a great platform, tonnes of mineral potential, and also a place to do business. And I think the industry is challenged to find these types of places, so we're fortunate to have.

**Andrew Quatil**

Thanks very much, Sean. It's certainly helpful.

**Operator**

And your next question will come from the line of Stephen Walker of RBC Capital Markets.

Please go ahead.

**Stephen Walker — RBC Capital Markets**

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Thank you, and good morning, everybody. Sean, just want to circle back on something that you said about the shared benefits between Meadowbank, Amaruq, and Meliadine. Are there tangible synergies? Or is it more just you've got a team that is used to dealing with regulators and with the permitting folks in the community?

**Sean Boyd**

It's some of that, but I think that if you look—go back a year ago, all the work we were doing on Meliadine, they were going to tear the entire overhead and all the burden, so now we can spread that over two projects. And I think the advantage that we have with the Nunavut base is its connection and link to the Abitibi region. Not just the physical link, but the logistical support phase at the Val-d'Or Airport, but also the technical link and the technical skills that helps us develop that.

And how has this sort of manifested we can see it already just in our drilling costs at Amaruq, which are sub-\$300 a metre, which are as competitive as what we're spending in Mexico. And so if a junior company was drilling in Nunavut it would probably be triple what we're spending.

So it's that platform of Meadowbank that helps us, it's the skillset that helps us, so there's a lot of things there that make a lot of sense for us.

And we're looking at what's the overall strategy there. I've been asking, what does Nunavut look like in 10 or 15 years? Is it a series of satellite deposits where ore is being fed into two or three plants? Those are the things we're trying to figure out.

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But the more critical mass that we have, which we should have with two mines, the more efficient we can be, and the easier it is to optimize the business platform there.

**Stephen Walker**

Right. And just maybe follow with a logical question with respect to Mammoth drilling and Whale Tail. Is that the same geological structural continuity? I know that there was some—as you suggested, the mag indicates case everything lines up. But what you've seen in the drill holes so far, does that suggest that geologically it's on the same type of a structural geological trend?

**Unidentified Speaker**

Yeah. Exactly the same type of a relation that we're seeing in the Whale Tail, and it confirms what we saw in the boulder train. What we see basically is a lot of quartz veining, sulphides that explains the mag-EM. And normally that we were getting late, and now we are in a waiting time to get to see how much gold we're going to get from these first few drill holes because we just started drilling in the Mammoth Lake about a week ago. We're getting four, five drill holes completed, and so this will be incorporated in the next update to the market.

**Stephen Walker**

But you're seeing similar geology and obviously there's gold to what occurred in the boulder train from the sounds of it?

**Unidentified Speaker**

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Yeah. Well, we see veining and so fine mineralization over 10 to 20 metres, which looks good. We haven't seen visible gold per se, but if we compare to the Amaruq area, well, we see visible gold at grades at say three holes, so it's not necessary to see visible gold.

We saw some in the boulder train, as you mentioned, but we see all the right ingredients visually in the drill holes. Now we have to wait for the lab to tell us what's the real gold grade of that.

**Stephen Walker**

Great. Thank you. Maybe just while I've got you, looking at Kittila you've got a parallel zone which increases the tonnes per vertical foot. Today what's the geometry? What's the potential for that to yield significant tonnes or ultimately significant ounces in the reserve? Is this a parallel structure that has some continuity? Is this just a small lens or a splay off the main structure at Kittila? Can you talk a little bit about what this parallel zone is?

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

This correlation it's too early to comment. We are only three holes drilled on that parallel structure. It's 150 metres east of the main structure, the (unintelligible). And what happened, we drilled at the end of 2000 a hole from surface that we hit that 10 gram over 46 metres. And we wait to get that gram. And the rank (phon) is there right now, and it was the first hole that we hit again that new zone.

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And the difference between—the horizontal distance between the two holes from 2011 and now is over 500 metres. And now the plan is to infill between to see what would be the size of the structure. But it's fitting well, the (unintelligible) on that two or three holes is fitting very well together, and now it could be, cross your fingers, look at what we can hit between and see the size. We don't know exactly what will be the size from now, but we are following right now.

**Stephen Walker**

Great. Thank you for that, Alain.

**Operator**

And your next question will come from the line of Anita Soni of Credit Suisse. Please go ahead.

**Anita Soni — Credit Suisse**

Hi. Good morning, and congratulations on a good quarter and on these significant exploration results. My question is just with regards to Meadowbank unit costs. So they came in a little bit below your budget. Do you expect that to continue throughout the year? Or will that revert more towards budget?

**Unidentified Speaker**

I think costs were slightly below expectations in the quarter. Some of that might be due to stripping, but I think going forward I think the guidance has already established. It's going to be pretty well in line with what had pre-announced.

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**Anita Soni**

All right. Thank you.

**Operator**

Once again, ladies and gentlemen on the phone lines, if you would like to ask a question, please press \*, 1, on your touch-tone phone.

And your next question will come from the line of Phil Russo of Raymond James. Please go ahead.

**Phil Russo — Raymond James**

Yes. Thanks, Operator. Good morning, guys. Hi, Sean and the team there. Congrats on the quarter. Just maybe on Meliadine here, can you perhaps just remind us what the time line is here for a go-forward decision? And then sort of secondly, you seem to be talking pretty optimistically about what things that are happening up there in Nunavut. Maybe talk about your willingness to fund the project, your capacity to fund it here at spot. Is it more debt? Or are you still looking at JV partners and those types of things?

**Sean Boyd**

Sure. On Meliadine in terms of time line for a decision, our expectations are on the permit side that it's early next year to get the permit, so between now and sort of early next year. The base case plus study will be done middle of this year, so around the second quarter, so we'll have a good

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sense. We're well advanced with that and what that looks like when we take the reserve and incorporate a subset of the resource.

In terms of funding, as we said, it's in that sort of \$1 billion range. We do have some capital coming off as we complete the shaft at Pinos Altos. So we do have several moving parts.

We do have some debt capacity. We have been approached by people looking to partner this. We're not sure that that's the right thing. There is a lot of exploration upside.

So we're looking at a lot of different options up there, but it's our view from a strategic point of view that this is an important part of our business. It will probably be a more important part of our business, given the mineral potential and the ability to get things done. And it reminds us a little bit of LaRonde in terms of having to get that first production started and get a base established. And we think this is a place that once we get that production base established that we'll there for a long time.

So that's the way we're approaching it. We're moving the studies forward as quickly as we can. We've added some more people resources to the team because of the Amaruq, and adding sort of more options and more opportunities up there, and we're just trying to sort a lot of that stuff out right now.

**Phil Russo**

Thanks.

**Operator**

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And your next question will come from the line of Mike Parkin of Desjardins. Please go ahead.

**Mike Parkin — Desjardins**

Hi, guys. Good quarter. Just a couple questions on the Nunavut area; are you looking to secure diesel prices and like lock them in with any kind of hedging? I know the shipping season is still a little bit out, but just comment on that?

And then also on Kittila. This new heavy drill rig, when do you expect to have that on site? And what's the distance from this new zone that you expect to be drilling from?

**Unidentified Speaker**

Mike, I'll take the first part of that. We do actually consume a fair amount of diesel already in the north at Meadowbank. We do hedge part of that. We have a shipping season. We do some hedging outside of that because our requirements have increased due to the acquisition of Malartic specifically being a big open pit.

So that's something we're active in; we're trying to take advantage of the currently low prices. And then longer term we're actually doing some work at the moment to see how we can contribute to the overall return profile of the new projects like Meliadine as well.

So we are definitely active, not only fuel, but also in currency, as that also has a major impact on our results.

**Mike Parkin**

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And just on Kittila?

**Alain Blackburn**

Yeah. For Kittila we have already rigs in place. The idea is to continue to drill between at that moment the whole part (phon). And the infill drill would be there in three months, four months to drill solo (phon) and to understand the size of the deposits, but we already drilled between the two holes we've done.

**Mike Parkin**

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

**Operator**

And your next question will come from the line of Steve Parsons of National Bank Financial. Please go ahead.

**Steve Parsons — National Bank Financial**

Yeah. Thank you. Good morning. Thanks for taking my call. I guess the question would be on LaRonde and specifically with respect to the coarse ore conveyor that's being planned for commissioning later this year. Can you just maybe elaborate a little bit about the indication that you should expect to see sort of increased mine flexibility there; is there potential for the grades to tick higher maybe close to reserve once that's in place? Or is it related to costs? Or maybe just add a bit of colour on what the benefits of that would be.

**Unidentified Speaker**

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I think we're in a position of completing the construction in the current quarter and essentially establishing the commissioning in the third quarter for this year. I think on the cost side we're not expecting major impacts on the cost side, but we're more focused on flexibility, minimizing traffic, and then just basically establishing the mining sequence in the bottom of the mine and being able to move out ore and waste at a more productive pace. So it's basically flexibility.

**Steve Parsons**

Okay. Maybe secondly as it relates to LaRonde. There was an indication in the quarter that there was some harder ore, maybe some harder stopes that complicated some drilling efforts and impacted costs in the quarter. Is this something as you get into the deeper part of the mine we're going to see more of? More harder ore? Maybe higher drilling costs and potential implications in the mill?

**Unidentified Speaker**

Yeah. We've seen as we go at depth that the ore profile is getting harder. We're dealing with fill-in suppliers to find solutions with that in mind. They've had some recent success in certain areas, so I think it's more a question of re-adapting to block strength in that area and basically putting in planning and proper tools to adapt. We're not necessarily very focused with the rock hardness profile bringing a large cost consequence on this.

**Steve Parsons**

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Got it. Okay. And maybe lastly on Pinos Altos, to follow up on Andrew's question on grade there, it looks like if I take a look at the delta between gold sold and gold produced, there's about 10,000 ounces of gold not sold at Pinos Altos, which would suggest to me that maybe some of those higher grades were hit later in the quarter. I don't know if that was true, but if so is there a chance that that higher-grade structure, whatever it was, extends into Q2?

**Unidentified Speaker**

So no. There's—April's going okay, but I would stick with my answer. We're going to taper off or moderate in Pinos Altos for the rest of the year. That's our forecast and, yeah, we did get some good production in March later in the year, you're right about that.

**Steve Parsons**

Very good. That's it for me. Thank you.

**Operator**

And your next question will come from the line of Stephen Walker of RBC Capital Markets.

Please go ahead.

**Stephen Walker**

Thank you. Just as a follow-up for David—and I apologize, Sean, I believe you touched on this a bit, but I just wanted to get more details on the debt repayment. You did begin to pay back again or continued to pay back some of the debt this quarter. Is that just the excess cash that was generated with the lower all-in-sustaining cost, the lower sustaining capital that was spent in the

quarter? You generated obviously a little more free cash with that. And do you expect to continue to repay the debt at the same rate? Or will it be lumpy depending on the free cash flow generated in the quarter? Maybe you could give us a sense of what we can see between now and year-end? Or what the plans are?

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

It's definitely going to be lumpy. There was some excess cash in the quarter due to a very strong quarter. We actually have an expectation where you pointed it out in the press release that based on success at some exploration properties and with some good capital projects we think there's an opportunity to actually spend more than our initial capital budget for the year.

So we're probably going to be doing that, and as a result that will consume some of the forecast free cash flow for the year.

**Stephen Walker**

And as a follow-up, Sean and David, when you look at the debt to total cap, you look at the level of debt that you have on the balance sheet, are you comfortable with it at these levels? It's kind of moving into the upper end of the range where historically it hasn't been. Where do you see that level of debt going forward as you—particularly as you start to invest more capital into some of these projects in the next 24 to 36 months?

**David Walker**

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Yeah. We're most certainly comfortable with the balance sheet. I describe it as neither high nor low. I think it's moderate. As Sean said earlier, we feel like we have debt capacity at this point without threatening our investment-grade credit rating.

We don't feel constrained on the balance sheet for the future growth plans at all. We feel like we have access to both debt and equity markets. So as we do generate opportunity to reinvest and improve the business, we feel like the balance sheet's there to help us do that.

**Stephen Walker**

Great. Thank you very much, David.

**Operator**

And your next question will come from the line of Don MacLean of Paradigm Capital. Please go ahead.

**Don MacLean — Paradigm Capital**

Good morning, guys. Well done on the quarter. Two questions; one for Alain, just a quick one on this infill drilling. How is it looking compared to the other sides? Is it—are you getting the same kind of density and veining and frequency of high grade mineralization? Or is there something different about this gap?

**Alain Blackburn**

No, exactly the same thing, and what we (unintelligible) and looking—the average rate is looking a little bit better than the report calculation that we did in the beginning of this year that we

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saw the 7.2 grams, and looking at the price already it's a little bit above. But when looking at also what we drilled under the lake we had one to two (unintelligible) to the eastern part and going to fall into the western part.

And that meeting (phon) is actually the same thing. And one thing that we did not mention too, last year the last section for the west we see a shift (phon), and now we're pushing to the north to define that (unintelligible). And we will see as something that will (unintelligible) as well, and it could be in the footprint of the (unintelligible) and how the layers (phon) are pending from now because we have a whole (unintelligible) at north.

**Don MacLean**

Great. Okay. And the second question's on Meliadine. Maybe, Sean, you can talk about how your—what are the differences if you're considering in the base case plus scenario that will get that 10 percent rate of return at \$1,300 to look more appealing?

**Sean Boyd**

Well, it's simply taking more resource extending the mine life. So we won't add all of the 6.8 million ounces we'll mine. We'll put in a subset of that. But we're already seeing numbers above what we put out in the base case study on reserves. So it's just fine tuning that at the moment.

And the investment opportunity there is really you've got 80 kilometres of coverage. We own it 100 percent. We've only drilled sort of a central part of that. So there's still lots of potential in the district, and just to get that production base established and that's really the focus right now.

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And we know that if you look at some of that resource, the grade of that resource or a chunk of that resource is as high as the reserve. There's a chunk of that resource that's in that sort of 7 gram range as well. So the resource is good quality, and so that's why we're feeling comfortable that we could get that rate of return up.

**Don MacLean**

And you've indicated you've got a potentially long-life asset you're looking at. What kind of rate of return would you feel comfortable taking to the Board?

**Sean Boyd**

Well, our base case is 15 percent after tax. But if you're one of the old guys like me and you can remember that we built LaRonde at 8 or 9 percent, and so we don't need 15 percent. If it's a little bit less than that and the theory is is you're building a platform that's going to be a significant part of your business for a couple of decades, then we build it.

And it's that long-term thinking. And the reason we do it here at Agnico is where we tend to create the most value is once we get established we set our teams loose on it and off they go. And we've proven that consistently, whether it's in Quebec, whether it's in Finland, whether it's in Mexico. And although we got off to a rocky start in Nunavut with Meadowbank, we didn't quit. We didn't pack up and leave because we saw it as a great place to do business, and we saw it with a lot of mineral potential.

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And wouldn't you know it, Alain Blackburn and Guy Gosselin and Denis Vaillancourt and Jérôme Lavoie put their heads together and said, you know what? Let's look beyond Meadowbank and let's see what's out there. And here we are on what could be a significant discovery.

So that's long-term thinking. And so IRR is always at a point in time and it's a mathematical number. And all of those moving parts do move and do change, and we've experienced that over a long career.

And LaRonde is a testament to that. It's turned out to be a world-class deposit. Alain Blackburn's there as the mine geologist, followed by Marc Legault, followed by Guy Gosselin. And all of that good thinking resulted in us developing that world-class deposit.

So as Mr. Penna used to say, if the gold's not there we can't put it there. If it's there we're going to find it, and we look at some of it as the perfect example of that. And we think there's lots of gold there, and we've got the smart people that are going to find it.

### **Don MacLean**

And just lastly on that same topic on Nunavut within the context of considering new opportunities, would you consider increasing your footprint in Nunavut? Or would you like to diversify elsewhere into different opportunities?

### **Sean Boyd**

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Well, that's a good question. That's sort of long-term thinking. We have a huge land package now. We've got 115,000 hectares around Amaruq. As we said, the trend that Meliadine's on is 80 kilometres.

We're certainly aware of other opportunities in the region, but it's really how much can you take on. And that's a question of should we be inventorying projects that look good. So we haven't answered that question yet.

And is Nunavut a place that's on sort of Marc Legault and his team's list in terms of evaluating projects? Absolutely. As is other parts of Canada, as is Mexico, as is other parts of the south. So we just look at try to find good opportunities, and not to be sort of focused too much on a place like Nunavut.

**Don MacLean**

Mm-hmm. You don't get these 90 percent off sales very often in your lifetime. Okay. That's great. Thank you very much, guys.

**Operator**

And our next question will come from the line of Patrick Chidley of HSBC. Please go ahead.

**Patrick Chidley — HSBC**

Hi, everybody. Just to make this a quick one. Just a question on Meliadine; I'm just coming back the sort of discussion of moving ahead with that project and what the synergies might be. Is it

absolutely certain that you need to build a plant there? Or is there—are you thinking of other sort of maybe more innovative ideas in terms of shipping or barging ore or something like that?

**Sean Boyd**

We are thinking about options and alternatives. But do those things come together in time? And that's the real question we have.

**Patrick Chidley**

Mm-hmm.

**Sean Boyd**

So we've certainly looked at building a road or looked at the possibility of building a road from Rankin Inlet to Baker Lake, which would then connect to Meadowbank. But the question there is is if we're going to potentially—if Mammoth Lake turns out to be an additional source of ore, then between Amaruq and Mammoth Lake then we have enough to supply and utilize the full capacity of Meadowbank.

**Patrick Chidley**

Mm-hmm.

**Sean Boyd**

And so the question is more long term do we want two processing facilities that can be fed and use the innovation group and the technology group to find ways to transport that ore other than a boat, which is what we're also looking at.

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**Patrick Chidley**

Mm-hmm.

**Sean Boyd**

But I think in terms of innovation and things that would improve the cost structure there, I think the one that has the most potential is on the energy side. And that's where we're focusing more of our attention rather than on the transportation of ore side at the moment.

**Patrick Chidley**

Right.

**Sean Boyd**

And we're looking at generating hydro power, we're looking at LNG, and those are the things that can have more of an immediate benefit and can certainly help something like Meliadine.

**Patrick Chidley**

Are there real hydro power opportunities there in that region then?

**Sean Boyd**

There could be. And the Nunavut government is certainly looking at them, as are we. I think that the force that's ahead in that race would be LNG at the moment. And so those are things that we know the Quebec government's looking at. And the Quebec government's looking at it in conjunction with business groups in Quebec to take that LNG over the top of Quebec, and that's pretty close to Rankin Inlet. It's just across Hudson's Bay. So there's a number of things.

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And I think that's an important point and it's a good question is that you look at Nunavut today, it's not going to be the Nunavut five years from now or ten years from now. It'll be easier to do business there because the two questions they are working hard to resolve is infrastructure and energy.

And energy probably—

**Patrick Chidley**

Mm-hmm.

**Sean Boyd**

—is the most important one right now. And that not only affects businesses, but it affects the communities. And the communities are still—are generating power from diesel; it's not the most environmentally friendly way to do it. And there are other options that a lot of people are working pretty hard at.

And that's another reason not just mineral potential that gets us excited, but we can see technology that isn't that far away that can certainly help lower our cost structure up there and improve our business.

**Patrick Chidley**

Right. It makes sense. Great. Thanks, Sean.

**Sean Boyd**

Okay.

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**Operator**

And there are no further questions at this time, gentlemen. I'd like to hand it back over to our speakers for closing remarks.

**Sean Boyd**

Thank you, Operator, and thank you, everyone. And you're all welcome to join us at 11:00 a.m. and there's a lunch following. We have all of our exploration team is here, and they've got core and they've got maps and they'd be happy to chat about what they're thinking and how they're going to move some of these things forward.

So thanks again.

**Operator**

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

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