

FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Second Quarter Results

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PRESENTATION

Operator

Good day, and welcome to the Agnico Eagle Mines Limited Q2 2014 Call.

Today's conference is being recorded.

At this time, I'd like to turn the conference over to Mr. Sean Boyd, President and Chief Executive Officer. Please go ahead, Mr. Boyd.

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

Thank you, Operator, and good morning, everyone, and thank you for joining our Q2 conference call.

I'd like to start with going through some of the highlights of the quarter, and then we'll take you through our operations. We'll also talk about exploration results this quarter because we did put out an exploration update along with our quarterly numbers and results.

If we look at the first—or the second quarter in the first half, we saw record production and also record safety performance. And if you look at the quarterly cost per tonne at our mines, essentially all the mines are operating at a cost per tonne level that's below budget. So excellent results, and it's a credit to the hard work and focus of all of our employees.

Another highlight of the quarter was the joint acquisition with Yamana Gold of Osisko Mining completed in June. I'll spend some time on that during the presentation and talk about where we are and where we're headed with that asset, but I'd also like to welcome in the room

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today with us is an old friend of ours, Daniel Racine, who's now with Yamana Gold as a Senior Vice President on their Canadian operations and helping them on the operating side. And we're working—and our team's working closely with Yamana and Dan on the Canadian Malartic asset. So as I said, I'll talk a bit more about that in the presentation.

We also did increase our guidance, and absent the addition of Canadian Malartic, we did see an increase in the ounces being produced out of the Agnico Eagle Mines. As we indicated earlier this year, we would be updating the guidance, which we did, and essentially pre-Canadian Malartic we are seeing our production estimate for this year go from a level of 1.19 million ounces to 1.235 million ounces.

And we've also indicated in this press release that given the stronger performance that we expect to see next year at Meadowbank and Kittila, Goldex, and our Southern Business unit, that we'll be updating our 2015 production guidance with our Q3 numbers this year as we advance through the budgeting process for next year.

And as I said, we'll talk about our exploration results as we move through the presentation when we talk about each of the operating units, but the highlights there were continued good drilling results at the IVR property, which is about 50 kilometres north of Meadowbank, and also a very good deep intersection at Kittila, which suggests that deposit is continuing to grow.

As far as the operating results, if we quickly go through just the highlights on each mine. LaRonde we get continued good costs numbers, so good costs per tonne performance; the mine's

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ramping up in the lower mine. We'll see an increase in grade in the second half of the year continuing into next year as we get more stopes open up in the lower mine.

Another highlight was Goldex; another strong quarterly result from Goldex in terms of production and costs. And we're also ahead of schedule in terms of our ability to run the operation at 6,000 tonnes a day. Probably about six months ahead of schedule.

At Kittila, the mill expansion's ahead of schedule, and also the original target was to get the plant up to a capacity of about 3,750 tonnes per day. It looks like the plant will handle about 4,000 tonnes a day, which will have an impact on production over the next several years at Kittila.

Meadowbank, very good cost per tonne performance. We're now mining closer to reserve grade. In the second half we're looking at average production on a quarterly basis in the 90,000 ounce range, but that bounces back nicely next year where we'll be in sort of 100,000 to 110,000 ounce range in the quarter, so another strong year coming from Meadowbank in 2015.

And in our Southern Business, good low cost; really good cash generation contribution to the Company's cash flow, and the La India project is ramping up nicely. In terms of cash margin, almost \$200 million in the quarter, so a good operating quarter.

As far as financial results, I would also like to point out the cash flow on a per share basis, so in the quarter our cash provided by operating activity is about \$1.06 per share, 198 million. That's up about 160 percent from the second quarter of 2013. If we look at the first half of this year, 445 million cash provided by operating activities, that's a double over where we were for the first half of

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last year. And that's despite a 12 percent drop in the realized gold price. So another strong quarter, a strong first half, and that allowed us, as we said, to increase our production guidance and lower our cash cost guidance.

From a financial position standpoint, a balance sheet that still has a lot of financial flexibility. Our net debt is slightly more than \$1 billion; very manageable. We had our investment grade credit rating reaffirmed in the quarter by DBRS at BB low (sic) (BBB low) with a stable trend.

On the capital side we're seeing a slight increase in our CapEx. Some of that's coming from Canadian Malartic—I'll provide some details in a minute—but we're also seeing a little bit more at Goldex. We're accelerating the ramp access into the upper part of the D Zone, and that will result in us being able to put that into our life of mine plan as we look at the various satellite zones at Goldex.

And we also had the completion of the plant expansion at Kittila about six months ahead of schedule. So we were spending money faster than we had expected, and actually the Kittila expansion is actually on budget, maybe slightly below budget in total.

Just going through each mine individually. LaRonde, again, extremely strong cost per tonne performance coming out of LaRonde. In July we did have a three-week shutdown where we upgraded the hoist drive. That was giving us some trouble over the last year, so that resulted in some downtime, unscheduled downtime. So we fixed that issue right now.

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As far as the cost performance per tonne, we're about 8 percent below budget. And we're ramping up nicely in the lower part of the mine: the first half grade about 3.2 grams per tonne; we're looking at second half grade in the sort of 3.5 grams per tonne. The underground development is going well and on schedule.

At Meadowbank, Q2 costs per tonne—really good performance—\$71 a tonne Canadian. That's down from a year-earlier number by about 15 percent, so the mine's working extremely well. Record throughput in the quarter, 11,500 tonnes a day; average grade about 3.7 grams per tonne.

As we said in the opening, we're looking for average production in the second half of about 90,000 ounces per quarter, but rebounding in 2015 to about 100,000 to 110,000 ounces per quarter as grades start to pick up again.

And from an exploration point of view, as we said, we had some good results at IVR. That's a project we picked up last year, and we started drilling it with a small program last year. We extended that program, given the results last year. We went back at it this year. We finished up the expected drilling earlier this month.

As a result of the strong results, we agreed with our exploration team to continue the program in two phases, and each phase has an estimated cost of about \$2.5 million. Within the first couple of weeks of phase one we already agreed to give them the go-ahead to just continue on with phase two.

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Not only have we seen good drill results, we're seeing good prospecting in that area. So that will continue to be a major focus from our exploration group given the results.

I'd like to spend a little bit of time on Canadian Malartic and give you a little bit of colour on some of the updates that we provided around the guidance. As you saw from a production standpoint, the guidance that we've put out for 2014 is 510,000 to 530,000 ounces. That's down slightly from the Osisko life of mine, which was at around 530,000 ounces.

In 2014, the average tonnage is around 50,000 to 51,000 tonnes per day, which is fairly close and consistent with what was in the Osisko life of mine. Clearly, both Yamana and Agnico are looking to optimize the crushing and grinding circuits so that we can improve the throughput levels as we move forward. The grade that we're expecting for 2014 is about 1 gram per tonne, which is also consistent with what was in the Osisko life of mine.

The cash costs guidance increased to around, for 2014, to around \$700 an ounce, and that includes the 5 percent NSR. It also includes additional costs related to the acceleration of the Gouldie pit, which is going to increase our mining flexibility moving forward. It also includes increased drilling costs in the north part of our pit, which is closest to the town of Malartic, and we're really doing that to reduce the impacts of noise and vibration.

We also had an update on our CapEx. The CapEx we have indicated is going to increase this year by about \$40 million. While 13 million of that is the Gouldie pit, there's 12 million related to capitalized stripping, and there's 9 million related to additional mining equipment, predominantly

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two trucks which will allow us to more efficiently manage the waste rock and a lot of contract work in sort of waste management. So part of our optimization is focused on trying to eliminate some of the contractors that are on site.

G&A, as we said in the press release, the initial estimate of annual savings is about 12 million to \$15 million a year. We're still looking at this. We're in a transition phase for the latter part of this year, but we'll have some more clarity on that for 2015 and forward with our Q3 update.

The areas that we're focused on, both Yamana and Agnico to optimize the operations, as we said, are really to improve and expand the crushing and grinding capacity. That's certainly something we're focused on in the short term, but more medium term we're looking to expand the capacity of the plant.

The life of mine calls for the generation of significant stockpiles, so what we're trying to do is look at a way that we can eliminate the handling costs associated with the stockpiling. So what we'd like to do is find a way that we can increase the capacity of the plant and process more of the ore that had originally intended to be stockpiled as it's mined so we're handling that material less. And that's a big part of the focus.

We're also looking at procurement, given our large presence in the region and buying power. We think there's a way that not only can we save on some of the costs at Malartic, but we may be able to save some of the costs at Agnico when we combine the buying power of both of the operations.

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We're looking at improving the drilling and blasting techniques in the pit to improve the fragmentation. We went through a lot of that at Agnico at Meadowbank, so we've brought some of the Meadowbank people to look at that and see where we can make some improvements.

Other areas that both Yamana and Agnico are focused on on optimization are on the maintenance side. We also did have some issues at one point at Meadowbank which we improved dramatically in terms of equipment availability due to a much better maintenance program. So we're reviewing all of those things, and we'll have more colour on a lot of those efforts as we go into our third quarter with our third quarter results.

I'd just like to quickly mention on Kirkland Lake the focus is primarily Upper Beaver. There are two drills still going, but we're reviewing all of the targets and looking for a meaningful budget next year on exploration focused on Upper Beaver and some on Canadian Kirkland, but we'll provide more details as we go through the balance of this year.

And finally on Canadian Malartic, both Yamana and Agnico are hosting a site visit on September the 30th. So if there's an interest to participate in that site visit then please contact either Agnico or Yamana and express your interest.

Moving on to Kittila. The quarterly production at Kittila was impacted by a two-week tie-in shutdown to accelerate the mill expansion. There is another tie-in coming later this year, but we also had a decline in recoveries. That's fixable.

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We're doing some work in the tailings and polishing pond area, so we're generating a little bit more thiocyanate in the recycled water, so that's something we can fix, but it did hurt our production in the quarter.

I think more importantly for us, the mill expansion six months ahead of schedule, as we said, and our capacity now will be higher than what we thought. It'll be 4,000 tonnes per day rather than 750. That will allow us to increase our output as we go through 2015 and beyond.

And the focus over the next five years will be to increase output there and do it by way of ramp, focusing on the Rimpi zone. As far as the shaft goes, our sense now is we can defer a decision on the shaft for two, possibly three years and still get an increase in production over the next five years by focusing on the ramp development and taking advantage of the increased capacity of the plant expansion.

From an exploration point of view, we know this deposit extends at depth. We had further evidence of that with a drill hole that came in in the Suuri trend, which actually extends and plunges to the north under Roura, so that will continue to be a focus for us. And essentially this is a long-term asset; it will be around for several decades. We're continuing to drill it, and our challenge is just to find the right match and the right production rate at Kittila as we drill that deposit.

At Goldex, another I would say outstanding result. Good production; excellent cash cost; excellent cost per tonne at \$33, which is well below what we had guided and certainly well below our budget.

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Our mining rate is ahead of schedule in terms of that ramp up to get to 6,000 tonnes a day. The plant capacity is actually 8,000 tonnes a day, so that opens up the opportunity as we look at satellite zones, and actually with something in the region called Akasaba which we're working on.

So we're looking to increase output at Goldex with these additional satellite zones as we move forward and extend the mine life. And it certainly helps, as we've said before when we were looking at restarting Goldex, we said the key for Goldex in terms of future investment and being able to extend the mine life and add additional production was going to be the cost profile. And we've proven that we could be well below the CDN \$40 per tonne, so that's a good sign. And that will help us generate increased returns on the satellite zones as we look at how to optimize Goldex. We do have a long section in the presentation for you to look at.

At Lapa they're in the last couple years of mine life. They continue to sort of focus on optimizing what they have left. In fact, their cost per tonne performance continues to be good. They came in at CDN \$107 per tonne versus a budget of \$119. So continued good work there.

At Meliadine, also good drill results; study's progressing. Should have the study completed by the end of this year. We'll be in a position to talk about that likely in February when we put out our updated life of mine and our detailed three-year plan.

Moving on to the Southern Business. Again, good solid contribution from a cash flow generating point of view; low-cost operation. Our quarterly production in the Southern Business

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unit was 73,000 ounces; cash costs of 496. We're expecting more output growth from our Mexican operations in 2015, so that'll be part of our update with our Q3 results.

Looking quickly at Pinos Altos, the quarterly production was above budget, about 17 percent above budget. Our cash costs at Pinos at 481 were below budget, so continued good work there. Shaft progressing as expected and there's no major issues there.

Creston Mascota, the phase three leach pad has now been commissioned, so that's been brought back online very successfully over the last year and a bit and performing well. Good solid production, good solid cost.

La India ramping up well in terms of ounce output and also cost performance. We've done some modifications on the crushing and stacking circuits, which we expect to complete in the third quarter. And that should help us with our production cost profile at La India as we go forward, so a good position there.

Just wrapping up before we take questions. In terms of production guidance, as we said, now mid-point of the range, 1.35 million ounces for 2014; cash costs in the 650 to 675 range. More details will be provided in Q3 not only on Canadian Malartic, but also on our forecast for 2015 guidance, where as we said we're seeing the ability to produce more than what we indicated back earlier this year in February for next year at Meadowbank, Goldex, Kittila, and our Southern Business unit.

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We'll continue to focus on exploration. We've seen some good results. We've actually got some more updates coming, given the heightened level of activity at some of these key projects throughout the balance of this year, and we'll continue to assess some of the satellite deposits as we go forward.

Just ending on one slide, which is our growth slide, and we can see that in quite a short period of time we've gone from 1 million ounces, which took the Company over 50 years to get to, and we've continually ramped up. And what we'll be in a position to do in Q3 is talk about 2015 when we do see some upside in the number that's posted here of 1.546 million ounces and ultimately when we update in February that'll likely be reflected in 2016 as well.

So on that, I'd—Operator, we'd like to open the lines and take some questions.

Q&A

Operator

Ladies and gentlemen, if there's any questions at this time, you may press the *, followed by the 1 on your touch-tone phone. If you are using a speakerphone today, please lift the handset before pressing the keys. Once again, ladies and gentlemen, if you have any questions, please press *, 1 at this time.

Your first question today will come from Andrew Quatil with Goldman Sachs. Please go ahead.

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Andrew Quatil — Goldman Sachs

Good morning, Sean and Tim...

Sean Boyd

Good morning.

Andrew Quatil

Thank you very much for taking our questions, and just a couple of quick ones. Firstly on Kittila, obviously tonnage went down and recovery went down. Can you give some guidance going forward on if you see that rebounding over the next couple of quarters, and especially say something about recovery into 2015?

Sean Boyd

Sure.

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

Well, I think recovery for 2015 in the second half may be a bit challenging, as you've seen in the second quarter. We'll be probably in the low 80s a little while. We've had some water management issues and water quality issues that is bringing some recovery upsets. We're investigating because we're seeing other areas, but at this stage we feel that by the end of the year we should be back on track.

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As far as the guidance is concerned with the two tie-ins, the last production has occurred, but we're going to be advancing that going forward with the strong throughput rate, so we'll be on the very low end of the guidance that was published earlier in the year.

Sean Boyd

Yeah. For Kittila, Andrew, I think in terms of that specific asset we're probably down about 10,000 to 13,000 ounces with some of these issues, but that's more than been made up—more than been made up by the other mines, and that's reflected in the updated guidance number that we put out.

Andrew Quatil

Yeah. Great. Thanks, Sean. And looking to the Southern Business, guys, if I look at I suppose both Pinos Altos and La India, look, sort of on a CapEx or sustaining CapEx basis, do you think we can sort of use that run rate that you guys are at in the second quarter to sort of extrapolate out through the end of the year and into '15, especially something about La India now you're sort of at a more of a steady sort of state. Is that reasonable to assume?

Tim Haldane — Senior Vice-President, Operations – USA & Latin America, Agnico Eagle Mines Limited

Yeah. This is Tim. I think it's reasonable with the caveat that we've got some CapEx that's not sustaining and...

Andrew Quatil

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Yeah.

Tim Haldane

I'm not sure how it's broken out there. And we'll have a little CapEx at La India for leach pad expansion next year, and we've got the shaft CapEx at Pinos Altos this year, but the sustaining, that should be pretty flat.

Andrew Quatil

Great. And last question is tax-related, guys. Just can you give some guidance around what's best to use going to the second half, and maybe some guidance around the full year for FY '14 effective tax rate?

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

Hey, Andrew. I think we provided that guidance in the press release, and we are saying 35 to 40 percent overall.

Andrew Quatil

Yeah.

David Smith

And the reason that that is a little bit lower than it previously was is because a large part of the operating profit so far this year has been at Meadowbank, which is effectively shielded, and so there's not a lot of tax being paid through that Meadowbank profit.

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**Andrew Quatil**

Yeah. Thanks. I'm sorry, it's been a pretty busy morning here, as you can imagine. That's all for me, guys. Thank you very much.

Sean Boyd

Thank you.

Operator

Please go ahead, Mr. Haughton. Your line is now open.

David Haughton — BMO Capital Markets

Yes. Good morning, and thank you, Sean and team, for the update.

Sean Boyd

Thank you.

David Haughton

Just following on on the Kittila, it's pretty good that you've been able to get the extra throughput out of the mill expansion getting up to 4,000 tonnes a day, but the challenge there is really whether the mine can match that. What's your expectation of the mine being able to get up to that level?

Yvon Sylvestre

Well, I think the plan with the expansion was to process in the next two years the available lower-grade stockpile and service. We've got between 400,000 to 500,000 tonnes accumulated

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since the beginning, and the expectation this year is for the mine to ramp up to that 3,750 rate by 2016.

David Haughton

Okay. That still gives you some extra capacity in that plant. Would you be thinking about improving the underground production rates to be able to fill that level?

Yvon Sylvestre

Well, I think by pursuing the development in the Rimpi zone down the road we're also modifying or adapting the mine plan currently to provide more mining arise—to increase flexibility in the mine. But the better flexibility down the road will occur in '17, '18, once we start getting into production from the Rimpi zone.

David Haughton

All right. Now at one stage there was potential to have almost a step-change expansion there, but it was contingent upon possibly getting a shaft in. Is that still part of the thinking in the medium to longer term at Kittila?

Yvon Sylvestre

Well, I think it's still out there going forward, but I think in the next two or three years we've decided to focus on the Rimpi deposit and the access to it because that will provide more mining flexibility. Having more ramps will provide also more better access.

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So the economics of the shaft are not as solid until we get more, I guess, results at depth on the reserve side. And there's actually no rush at this stage to implement the shaft, other than to accelerate the exploration strategy, and our exploration ramp is providing that access presently, so it's a good compromise.

Sean Boyd

It's more, David, a capital allocation question at this point as we look at a number of opportunities that we have. And as Yvon said, it's not essential that that shaft begins now because we can still see the ability to increase production at Kittila over the next four to five years by accelerated ramp development and getting at the Rimpi zone, which is better grades and some better thicknesses.

David Haughton

Mm-hmm. Just switching now back to Meadowbank, interested to hear your expectation of 90,000 ounces per quarter for the balance of the year, then 100,000 to 110,000 next year. Would it be right to think that next year is mainly driven by grade?

Yvon Sylvestre

Well, next year will be mainly driven by mining in Vault, which is typically lower in the reserve grade...

David Haughton

Mm-hmm.

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**Yvon Sylvestre**

And mostly higher grade by getting some of the pushback or the Portage pit in the south side, so the grades will be coming more strongly next year from the Portage section, and not necessarily from Goose, which will be terminated by the end of the year.

David Haughton

All right. So basically the pushback would get you access to some of the really good material that you got earlier this year in sequential benches through '15?

Yvon Sylvestre

Well, that's correct as far as stronger grade in Portage and tonnage throughout the year, but not in comparison to the grades we were getting this year in Goose. So I think that's the correction.

David Haughton

Okay. Thank you, Yvon. Thanks, Sean.

Sean Boyd

Thank you.

Operator

Your next question will come from Steve Parsons with National Bank Financial. Please go ahead.

Steve Parsons — National Bank Financial

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Yeah. Good morning. Thank you. Actually, David asked most of my questions, but just to continue on with the grade and look at the grade at Meadowbank, is there a potential for that high-grade chute at the Goose pit to extend at depth? Are you able to push it a couple of benches down and get back in there and get that chute?

Yvon Sylvestre

Well, I guess on the pit side the economics of pushing the pit further is not economical. Secondly, we looked at the small underground project and now driving a ramp to try to see if we could make some economics out of the continuity, and unfortunately the grade is very interesting, but the tonnage is not enough to suffice the economics, so we've abandoned that idea for now.

Steve Parsons

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

Operator

Your next question will come from Anita Soni with Credit Suisse. Please go ahead.

Anita Soni — Credit Suisse

Hi. Most of my questions have been asked. I just wanted to confirm, were you talking about with the Portage pit grades next year I think, Sean, that you had mentioned that it was about 100,000 to 110,000 ounces per quarter in 2015 out of Meadowbank? Is that correct?

Sean Boyd

That's correct.

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**Anita Soni**

All right. And then also I just—could you just talk about the labour cost reductions that you've been seeing? I noticed that some of the unit costs are down and you had said labour cost reductions, and could you just fully elaborate on that?

Yvon Sylvestre

Well, I think the—we went through a rationalization of contractor costs last year mostly in the fall. I think the—our costs on the rest have not necessarily gone down, except in certain areas on some smaller benefits package. But I think the main aspect is we've adopted a more longer-term approach to attrition and try to minimize our level of staffing to its minimum, so I think that's more the results from this year on that aspect.

Anita Soni

All right. Maybe just more big picture. Are there any similar types of things that you see on the horizon that you can see in terms of unit cost benefits at any of the assets?

Yvon Sylvestre

Well, at this stage we're pretty happy with the initiatives that have been driven at sites from the—from each GM and their teams. They're continuing in that aspect. I think in the last year and a half, two years they've continued on a cost per tonne basis to continue. And we'll continue to take that long-term approach to that, and we're pretty happy with the performance from the sites in that respect.

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Anita Soni

All right. Thank you.

Operator

Your next question will come from Mike Parkin with Desjardins. Please go ahead.

Mike Parkin — Desjardins

Hi, guys. Just a couple questions; you mentioned in the press release that the seasonal cost at Meadowbank has been deferred to the second half. Can you give an idea of what that means on a per ounce basis or millions of dollars?

Yvon Sylvestre

I don't have the exact number with me, but I think the—in the past we've budgeted seasonally. For some reason we budgeted on a yearly basis for now, so I think the seasonal barge season, and don't quote me specifically on this, but it's between probably 6 million to 8 million or 9 million.

Mike Parkin

Okay. Thanks. One other question; just with LaRonde, I guess with our wonderfully cool summer here in Canada the cooling plant probably hasn't been tested to its maximum level, but how has that been running so far?

Yvon Sylvestre

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Well, I think the second quarter start-up of the booster fan has been completed, the ventilation network, and presently we're running not at full capacity on all the compressor systems, so we're quite happy. We're quite happy with the performance of the plant, and as you've said, the summer's performed better than expected, but the plant is presently on stream to deliver the goods for the rest of the deeper development for quite a while.

Mike Parkin

Okay. And just last question; with the water issues that were mentioned on Kittila, can you just give a bit more colour on what's the biggest issue there that's impacting you?

Yvon Sylvestre

Well, there's two or three reasons that are still under investigation, so I'd rather not get into too much details, but in the past we've run into difficulties with recirculating of water from the pond and interference of thiocyanates within the oxidation process, so to the best of our knowledge that's where we are now, but there are other contributing factors that we're investigating. That's about all I can say at this stage.

Mike Parkin

Okay. Thanks, guys.

Operator

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

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Stephen Walker — RBC Capital Markets

Good morning. Just a couple of things; first of all, the IVR discovery north of Meadowbank, 50 kilometres. Is that as the crow flies? What is the potential infrastructure like to get up there? And at what stage is it at? This is obviously relatively new, but it sounds like it's coming together pretty quickly. Can you give us a little more background on—I guess maybe what I'm asking is when that could maybe potentially be—or if it could potentially be transported to Meadowbank?

Sean Boyd

Well, it's still early, Steve, but I think you're right, things are moving quite quickly. And there's probably another update coming within the next several weeks on that, given some of the things we're seeing. So we're actually surprised with some of the exploration results.

I think the way we've approached it now is our guys are saying that in order for it to be viable in terms of being able to ship we'd probably need to see about 1 million ounces with grades sort of 5 gram. So that's still very much possible, although it is early.

So all we've really done is add a \$5 million program, allow ourselves to drill likely through the end of September. Certainly by the middle of October you have to be out of there, given the fog and the fact that you're moving everything by helicopter. But in order to make it work it would be a road from Meadowbank, but we'd sort of need a rough sort of million ounces at 5 grams to make it work. So still early, but things are actually moving quite quickly there.

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We'll have some samples. There is a trip to Meliadine on August 26th. I think there's a couple spots left. We will be sort of featuring IVR as well and have core there and some samples that we've collected on surface as well.

Stephen Walker

Is there potential for a year-end resource estimate? Or is it still too early for that?

Sean Boyd

It's probably still too early, although we've got about 20,000 metres going in this next phase here, so that's a lot of drilling because these aren't deep holes.

Stephen Walker

Right.

Sean Boyd

We'll have sections, et cetera, and drill holes plotted on the 26th of August at Meliadine.

Stephen Walker

Just to change gears a bit, David, the move to reporting under IFRS, is there a regulatory reason, a tax reason for that? Why the decision now and not previously?

David Smith

It's basically just due to comparability with our peer companies. Everyone's going there eventually, and we didn't see any reason to be the lone one holding onto US GAAP.

Stephen Walker

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Okay. Thank you for that. And maybe, Sean, yourself, and again Daniel if he wants to add in. It's been six weeks now since you've basically stepped onto the Canadian Malartic property. What, if any, surprises, positive or negative, has come out of that initial six-week period that you've been on the property?

Sean Boyd

Well, I think from our perspective we were actually through our due diligence looking at a higher cost per tonne, particularly in the early years, than what Osisko was modelling in their life of mine and so we're essentially seeing that as we put out our guidance. So our job now is to use our sort of collective efforts and expertise in certain areas to bring that down, but also to use our efforts on the environmental and permitting side to continue to move the Barnat opportunity forward.

So the transition's actually gone very well. The teams are working well, and we've been fortunate from our side to be able to have some particular expertise at Meadowbank where that team has dealt with some of those issues. And the way we always looked at Canadian Malartic in terms of a time line and a progression is that we saw some of the things that they're dealing with at Meadowbank a couple years ago.

And so you can see Meadowbank's cost per tonne performance, costs came down from about \$100 or more down to the low 70s. So our focus is certainly on optimization, but cost control, overhead control, but also to help us increase the throughput there, which would make the mine more efficient and also help unit costs.

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**Stephen Walker**

The current cost of CDN \$21 a tonne, I guess the—is it the hardness of the rock? Is it just the awkwardness in having to use the smaller blast-hole drills on the north side of the pit? What are the drivers? Or what are the main sort of moving parts to that per tonne cost?

Sean Boyd

Higher strip ratio right now. So that gets better as we go forward. So the mine after two or three years the costs go down just because the strip ratio goes down.

So I'll turn it over to Christian Provencher, who sort of represents our side on the ground up there, and he can provide a little bit more detail.

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

Yeah. Good morning. So as Daniel mentioned this morning at the Yamana conference call, for sure the costs for year-end are driven by mainly Gouldie pit that was introduced in the budget this year. It was not just to give us, like Sean mentioned earlier, better flexibility on the mining side.

So it's a higher strip ratio for this pit, so it was not budget. For sure some finalized costs and a few costs that we have to add to the budget relate mainly to the Gouldie pit addition in the plan for this year.

Stephen Walker

Has there been any change in the internal waste in either of the pits, either Gouldie or the existing—has there been any change in the internal dilution increase?

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**Christian Provencher**

No. There's no change in the number since we are there, but we're still—we're looking to do the optimization of the life of mine this fall, so we'll be able to provide some new numbers this fall.

Stephen Walker

Great. Thank you very much for that. That's all my questions.

Operator

Your next question will come from Patrick Chidley with HSBC. Please go ahead.

Patrick Chidley — HSBC

Good morning, everybody. Just a quick question back to Malartic. The cash costs guided here \$695, so nearly \$700 an ounce. And I just wanted to find out what is the all-in sustaining cost on that basis going to be this year?

Sean Boyd

It's probably in the range of about \$900 to \$1,000, and it depends on sort of capital. It's gone up a bit because we've added about \$40 million to the capital side, so that's probably closer to the \$1,000 number.

Patrick Chidley

And all that capital that you talked about this morning, that's going to be operating capital, let's say, included in the all-in sustaining costs?

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Sean Boyd

That's correct.

Patrick Chidley

All right. Okay. And then moving forward, do you expect that to come down? Or what's the sort of longer-term outlook?

Sean Boyd

Yes.

Patrick Chidley

Or do you still need to do your analysis?

Sean Boyd

No, that'll be coming down.

Patrick Chidley

Okay. And that's because, what, because grades are going to go up when you get to the Barnat side? Or...

Sean Boyd

On a unit cost basis, less stripping.

Patrick Chidley

Okay. Strip ratio's 2.6:1 this year?

Sean Boyd

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Yes. Going down to about 2.

Patrick Chidley

In 2015?

Sean Boyd

Two-point-one over time over the next two to three years.

Patrick Chidley

Okay. Good. All right. And just if you could comment on, there was on the Yamana call this morning someone mentioned that there was a legal dispute about what's known as the Odyssey zone, and I'm wondering what your sort of initial impressions on that are?

Sean Boyd

Well, because there is a dispute there's not much we can say about it at all.

Patrick Chidley

Okay. All right. Well, thanks very much.

Sean Boyd

Okay. Thank you.

Operator

Your next question will come from Tanya Jakusconek with Scotiabank. Please go ahead.

Tanya Jakusconek — Scotiabank

Good morning, everybody.

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Sean Boyd

Good morning.

Tanya Jakusconek

Just wanted to ask a question to Yvon and Tim, if I could. Just on Kittila so that I understand correctly, as we go through next year at that greater 1,000 tonne per day higher rate, is it safe to assume that the previous guidance that we had was assuming just half a year? And then I think we would have assumed a better recovery since we didn't have this water issue. Is that correct?

Yvon Sylvestre

Yeah. That's correct, Tanya. I think in the previous guidance that we put out on the market we're expecting the full commissioning of that new capacity in Q3 of 2015

Tanya Jakusconek

Yeah.

Yvon Sylvestre

So we've essentially advanced it almost three quarters.

Tanya Jakusconek

Yeah. So three quarters, and yet I should then assume, though, a lower recovery because of the water?

Yvon Sylvestre

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Well, at this stage I think it's premature to do that.

Tanya Jakusconek

Okay.

Yvon Sylvestre

As we try to identify what's happening because some of the issues seem to be seasonal, so as we know more we'll provide that information going forward.

Tanya Jakusconek

Okay. And maybe just to finish off on Kittila. Just the stockpile that you have, the 400,000 to 500,000 tonnes on surface, maybe just the grade on that that you're going to be processing over the next few years?

Yvon Sylvestre

I don't have the exact number with me, but it's probably in the neighbourhood of about 3.5 grams per tonne.

Tanya Jakusconek

Okay. Okay. I think that's on Kittila. Just on Meadowbank, if I could, you mention that we're going to be in the Vault and the Portage pit next year, and hence the 100,000 to 110,000 ounces per quarter. Are we going to continue that into 2016 the Portage? Or do we phase that out and go just to the Vault in 2016?

Yvon Sylvestre

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Well, we will be mining in Vault and Portage in '15, '16, and '17 as well, but we're going to have a larger proportion of Portage next year and probably a larger proportion of Vault in '16.

Tanya Jakusconek

Okay. And can you just remind me? Because I have the Vault grade, I just don't have the Portage grade.

Yvon Sylvestre

I don't have that offhand, but it's above reserve grade in the pushback.

Tanya Jakusconek

Okay. It's not the 5 grams per tonne that we saw in the Goose. Would it be in the 4 gram range? Because the life of mine, I think, is 3.23—sorry, the reserve grade.

Yvon Sylvestre

It will be just slightly above reserve grade, Tanya.

Tanya Jakusconek

Okay. And Vault's about 2.8?

Yvon Sylvestre

That's correct.

Tanya Jakusconek

Okay. Okay. Thank you for that. And maybe if I could ask Tim, I think Sean mentioned that there's upside in the South American unit. I think it was mentioned Pinos Altos when we get the

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new guidance in Q3. Are we looking at it as Pinos Altos where we're currently mining? Or is it the addition of satellites that you're seeing?

Tim Haldane

Hi, Tanya. Yeah. Our upside in Mexico as compared with our previous guidance is probably going to come from both Pinos Altos and La India. And those are just going to be efficiency, a little bit more efficiency maybe than we forecast last year, a little bit more throughput at Pinos Altos, Creston Mascota, and La India.

Tanya Jakusconek

Okay. So it's not any additional satellites? Because I think there's some upside too in satellites.

Tim Haldane

Yeah. Not yet. I mean we'll get to the satellites in their order, but not in 2015.

Tanya Jakusconek

Okay. All right. Good. Well, thank you very much for the clarification.

Sean Boyd

Yeah. So just to follow up on that, Tanya, we haven't provided the mine-by-mine guidance for 2015. So all we provided on the—earlier this year was a number of 1,250...

Tanya Jakusconek

Yeah.

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**Sean Boyd**

Pre-Canadian Malartic. So we'll be able to break that down as we get through our budgeting process.

Tanya Jakusconek

Yeah. No, I'm just trying to understand myself, Sean, as I look at the news coming out like where are we looking for some of these upsides to come from, and just make sure that I understand the grades and where some of these things could come.

Sean Boyd

Yeah. Okay.

Tanya Jakusconek

Thank you for that.

Sean Boyd

Okay.

Operator

Ladies and gentlemen, if you have any additional questions at this time, you may press the *, followed by the 1 on your touch-tone phone. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys.

And we seem to have no further questions at this time. I'll turn the call back over to management for any closing comments.

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**Sean Boyd**

Thank you, Operator. Thank you, everyone, and just another reminder for upcoming mine trips. So Meliadine, August 26th—we'll have an update also on IVR project there; Canadian Malartic with our partners, Yamana, on September the 30th; and we also have a Kittila trip in November that's tied in with London Mining Conference of RBC. So if there's interest in those trips, please let us know.

Thanks again.

Operator

Ladies and gentlemen, that does conclude our conference call for today. We thank you for your participation. You may now disconnect your lines, and have a great day.

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