

## FINAL TRANSCRIPT

**Agnico Eagle Mines Limited**

**Second Quarter 2015 Conference Call**

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**PRESENTATION****Operator**

Good day, and welcome to the Agnico Eagle Mines Limited Second 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 second quarter 2015 conference call.

What we propose to do today, we've posted a deck of slides, but I don't propose to go through them one by one, but just wanted to caution everybody that there are forward-looking statements, both in the slides and in the presentation. So please be forewarned and read the cautionary statements.

But what we wanted to do today is give you an overview and a sense of how we're thinking about our business, where the focus is, what we're going to emphasize going forward, where the opportunities are for us to improve the quality of the business.

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So I'd like to start with the first—or the second quarter and the first half and just talk a little bit about the operations. We continue to get strong production; we continue to get strong cost performance.

We had in-line production; slightly lower unit costs than expected with a cash cost number around \$600 an ounce. We're seeing very good results at a number of our operations, and we're doing this and also posting record safety performance which is, I think, very important because a safe operation generally means we've got a very productive operation.

But on the cost side we've seen major improvements on several of the regional operating platforms. In Mexico, we continue to see record production. We see cash costs slightly below \$400 an ounce. That's about a \$100 an ounce improvement from the prior year.

In the Abitibi, our four mines there had an average cash cost in the second quarter of \$622 an ounce. That's also down by about \$100 an ounce from a year earlier.

In Kittila, the expanded throughput rate helped us to drive cash costs on a unit basis lower, also down from a year-earlier period by about \$100 an ounce. So all of this good cash performance has resulted in us lowering our full year cost guidance.

Also, the in-line production and the good cash cost performance has allowed us for the second quarter this year to generate net free cash flow. We had operating cash flow after working capital changes of 188 million. We reinvested in our projects 111 million, so we generated net free cash flow from the quarter of \$77 million.

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In the second half we expect to have continued good cost performance and cash-generating performance. We expect steady production. We expect to meet our full year production guidance of approximately 1.6 million ounces.

We're working on several things—maybe we can do slightly better than that—and we expect to meet our improved cost guidance.

As we go forward, the emphasis will be on looking to add value at each of the operations by advancing several other key near-term production initiatives that we have internally at these projects.

But pulling back a little bit before I go into a little bit of detail, as we move forward our strategy is really based on three underlying principles and drivers. One is to execute on the existing plan that takes advantage of the opportunities that we see at our existing operations to not only grow the business, but to improve the quality of the business. And we saw a couple of those with approvals of go-aheads on Goldex in developing additional satellite zones and also with extending the mine life at Meadowbank.

The second big part of our strategy is ensuring that we maintain a high-quality pipeline of development projects. And we do that both through exploration success and also through selective M&A more focused on sort of earlier-stage opportunities.

And number three is really develop the next generation of senior managers and leaders. And I think this is particularly important—and we spent a lot of time yesterday at our Board

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meeting—this is particularly important certainly now given the increasing complexity of the gold business and the challenges that the industry faces in the lower gold price environment.

So despite the current volatility in the gold price, in our view we need to sort of have a balanced approach where we need to continue to make the appropriate investments in both our assets and our people.

So in the first half of 2015 we've made very good progress on all three of these fronts. We have managed to increase our investment in exploration, and we've seen very good value creation, particularly in Nunavut with that exploration. And we've got some other things that are really coming to the forefront on exploration I'll talk about in a minute.

And we've also moved several of our key development projects forward at the same time as we're lowering our operating costs and we're improving our financial position by reducing our net debt in the first half of the year by 159 million to approximately \$1 billion. So on the back of this stronger financial position we have approved an increase in capital spending in 2015 of approximately \$58 million and an increase in our exploration spending of \$20 million.

Now just going through the components of each of those, on the CapEx side in the 58 million we have 9 million to develop the new gold zones at Goldex. So I'll talk about that in a minute, but that makes very good sense in this market because not only are we extending the life, we're also opening up additional opportunities at depth and in the region with the Akasaba West project.

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At Meliadine, we've increased the spend there by 22 million, and that's essentially to utilize the remaining work season to continue to position both the site and the economic analysis for decisions that we'll make on the bigger picture in Nunavut in the first half of next year.

We've decided to invest 27 million at Meadowbank essentially to develop the Vault pit extension, which now makes good sense at the Canadian dollar gold price here at these levels, but also makes good sense in the overall strategic focus of Nunavut where we're extending the mine life at Meadowbank by a year, which has important implications for how do we think about Amaruq as a satellite deposit for Meadowbank.

Of the \$20 million in increased exploration spend, 15 million of that is at Amaruq to fund potentially the Phase Two program. And that's basically been a results-driven program and allocation of capital since the start of that program. And we've allocated increasing spending on exploration as that deposit has continued to grow, and I'll talk a little bit about that in a minute.

At the operational level, as we said, our mines are performing extremely well. In Quebec at LaRonde, we have exceeded our development targets by about 15 percent, so we're getting good development performance in the lower mine.

We'll be commissioning the new coarse ore conveyor system this quarter. Our production was up in the quarter with cash costs down by almost \$100 an ounce.

And as we open up the lower mine and improve our flexibility to move around in the lower mines, we see our gold production increasing and eventually anticipating it exceeding 350,000

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ounces per year by 2019. And that's up from a level of around 200,000 ounces last year. So we still see significant growth coming from the LaRonde asset.

At Canadian Malartic, we've got steady production; mine site cost per tonne as expected; cash cost very attractive levels at 609 per ounce in the quarter. We still have several optimization initiatives and work ongoing, one to minimize the length of our normal planned maintenance shutdown. We're focused on improving the efficiency and costs around the management of our waste rock, which is a significant expense. And we're also focused on the mining rate in the north wall where we have very good grades, and we've got that to about 2 million tonnes a month. So we're looking at ways that we can maintain that or slightly improve that.

As far as the future of Malartic, we're doing well on the permitting side. On the Barnat Extension we're on track with that permit, and also in the future we've started our drilling program at Odyssey. We continue to get some interesting results there at depth, and that was one of the things that attracted both Agnico and Yamana to that property, given the higher grade potential and the significant thicknesses of mineralization, which may be appropriate to apply the Goldex-type low-cost mining method to it.

At Goldex, that philosophy of incremental sort of phased approach to the Goldex restart has worked extremely well, as can be seen in the operating results at Goldex: good, steady production; very good cost per tonne performance; very good cost per ounce performance generating net free cash flow. And so to continue to take advantage of the infrastructure and the

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low-cost mining method at Goldex, we made a decision to develop additional ore zones on the property, which extend the mine life out to 2024 at essentially steady production rates.

But this, as we said earlier, opens up additional upside to both the production rates and the mine life from the Deep 2 Zone, which we have drilled and we've got a resource in the lower part of that mine which isn't part of the current plan. We've got a higher-grade south zone, which also may be able to be brought into the mine plan. And we've got the Akasaba West deposit that we're still working on our analysis and on the permitting, which will give us, we feel, additional incremental low-cost ounces using the extra capacity that's available at the Goldex plant.

At Lapa, unfortunately it's a short mine life. It's expected to finish before the end of next year. We are, however, continuing on a very focused exploration program, both on the Lapa site and to the property joining Lapa to the west. So we're hopeful, but at this point we still need to continue that drilling program.

But I think I'd like to take the opportunity now to thank the employees at Lapa for continuing to deliver on their targets despite the prospect of mine closure next year. So that's not an easy thing to do for people that have experience in the mining business. And that team over the last several years has sort of put the interests of the Company first and done an exceptional job of maximizing net free cash flow at Lapa.

In Nunavut, we continue to focus on moving several of the pieces forward so that we're in a position in the first part of next year to decide how we move that larger Nunavut platform

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forward. But I think what we see, given our long experience in the mining business, that Nunavut's a unique place.

It's got that unique combination that many companies in the industry are looking for with the ability to do business, combined with significant exploration potential. And we're certainly seeing that with our results at Amaruq.

So the question we need to still answer as a company is how all of these opportunities fit together, and we also need to ensure that we move at a pace that is consistent with the quality of each of the opportunities and also the market conditions.

So we're in that information-gathering phase, whether it's doing additional economic assessment work, or whether it's doing exploration drilling work, or geophysical work or geochemical work to get the critical technical and exploration information to put us in a position to make some larger decisions in the first half of next year.

Particularly at Meadowbank we announced, as we said, the extension of the Vault pit, which extends the mine life to Q3 2018. And as we also said in the press release, that reduces the potential production gap that we have with the satellite deposit at Amaruq by a year.

At Amaruq, our drill holes have extended the Whale Tail deposit at depth. The deposit's been traced now to a depth of 568 metres; the strike length is still 1.2 kilometres. That part of the Amaruq deposit, Whale tail, remains open in all directions.

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We have picked up additional mineralization outside of the Whale Tail deposit area to the southwest at Mammoth and to the northeast at IVR. And this may suggest we have a larger mineralized zone at Whale Tail, or it may suggest we have additional satellite zones, so we still need to do some work there.

We will continue to do and are continuing to do not only the Phase Two drill program of 50,000 metres, but also we're doing prospecting. We're doing geochemical sampling of soil, till, and rock samplings. We're seeing some interesting results here, which seem to correspond with the geophysical work. And we're also continuing with geophysical work in the area.

So we expect to have an updated resource out in the next few weeks, and we expect to have sort of very early preliminary design and economic analysis by early next year. This type of work is important in not just making a decision on capital allocation for Amaruq, but also making decisions on capital allocations in the wider Nunavut platform and within the entire company.

At Meliadine, as we said, we continue to move that property forward at a very measured pace. We signed the impact and benefits agreement with the Kivalliq Inuit Association in July. This follows the receipt earlier this year of the project certificate that was issued from the federal government.

We continue to work on optimizing the economic study by incorporating a portion of the large gold resource into the mine plan as we also prepare the project, the site, to be in a position early next year to decide on the time line and pace for the development of Meliadine. We'll do that,

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as we said, in the context of our opportunities not just in Nunavut, but also in other parts of the business.

In Finland, we've got record processing throughput at the plant. The focus is really in Finland on taking advantage of not only the higher throughput capacity, but also with some of the recent drillings that may suggest we have a parallel zone very close to the main zone. And the recent drill hole shows that that zone may be quite close to underground infrastructure, which could be very important in terms of the timing of introducing a potential parallel zone into the mine plan.

So at Finland the focus has always been it's been a big deposit—it is a big deposit; how do we sort of optimize the throughput rate to take advantage of not only the expanded plant, but also the size of that deposit and hopefully shorten the life?

So a big part of that story will also be exploration. That program expands as we move through the balance of the second half of this year. We're moving in a large, big drill that we'll be drilling from underground focused largely on the new parallel zone.

In Mexico, we've got good production growth; excellent cost performance; the second consecutive quarter of record production with cash costs below 400. The business continued to generate very strong net free cash flow. The Pinos Altos shaft is on schedule and on budget.

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We continue to look at the Sinter zone as a potential satellite zone. We expect to eventually add this to the mine plan. We've gone through half of our prospective drilling there, so we continue to move that forward.

At La India, we continue to get good performance. One of the things on La India is very early on we had identified the potential for the sulphides to be brought into the mine plan, but we took a very conservative approach with respect to the sulphides. We didn't really incorporate that into any sort of official mine plan, but it's apparent now based on our experience at the site and in our mining experience there and some work we've been doing on metallurgy that we can likely bring some of those sulphides into reserves and ultimately into the mine plan. So we continue to work on that, so that gives us some upside at La India.

At Barqueño, the exploration program continues. We've got an active drill program there. We've got nine drills, we're getting good results, and we expect to have an initial resource on Barqueño before the end of the year.

So I'd like to sort of close it off there and open it up for questions. But I just wanted to mention that we'll be out and around over the next several weeks meeting with a number of our shareholders and investors.

And we're hosting three site visits over the next few weeks, both to Amaruq this month and in September to Malartic, LaRonde, and Goldex and also to Barqueño. And so we hope to sort

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of see you out at those trips, or also to see you on our investor trips that we've got planned over the next few weeks.

So we are actually working hard in August. So we hope you're in town and are available to see us as we get around.

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

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## Q&A

### Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please signal by pressing the \* key, followed by the digit 1 on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Ladies and gentlemen, please press \*, 1 on your touch-tone phone.

Okay. We'll now take the first question from Andrew Quatil. Please go ahead.

### Andrew Quatil — Goldman Sachs

Yeah. Good morning, Sean and team. Congratulations on a strong quarter. Pretty easy question. Just looking at Kittila, the grade obviously dropped off a bit there versus, I suppose, history. Do you see that coming back in the second half of 2015 and going forward? Because I mean I think your throughput, obviously as you've mentioned, is going up there and your increase of capacity. Is grade going to come back?

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**Unidentified Speaker**

Yeah. We'll be mining reserve grade for the rest of the year. I think we had one month where grade was lower because of consequence of the longer shutdown in April where we've had to modify the mining sequence and bring in some lower-grade stopes. We're basically back on sequence as we speak and back on tonnage. So I think we're looking for grade, average grades for the rest of the year.

**Andrew Quatil**

Thanks, guys.

**Operator**

We will now take the following question from Patrick Chidley. Please go ahead.

**Patrick Chidley — HSBC**

Yeah. Morning, Sean and everybody. Just a question on the follow-up on Nunavut; you did mention, I think, last quarter some progress that you were making in terms of thinking about power infrastructure for both Meliadine and the regional sort of plan. Could you update us on where you are on that and if you've made any sort of breakthroughs?

**Sean Boyd**

No, no breakthroughs. It's still early. There's a number of things that we're focused on on the energy side. One is liquid natural gas. The other is small turbines, hydro power. So those things

are more longer term. And we have a recently started innovation group here in the Company, and they're focused with our technical service and business strategy group of looking at those issues.

But I think that's an important question because long term places like the Canadian North will be a place of increased activity as far as resource extraction. So our focus is more on is there a breakthrough either on the energy side or logistics and transportation and if we take a multi-decade approach, which we do in our business, and we continue to allocate resources to looking at those key areas.

And we have continued a dialogue with the levels of government, both with visits to Ottawa and to Nunavut to talk to government officials about what our particular needs are, given our asset base and the platform that we have there.

So no breakthroughs, but we are continuing to do a lot of work.

**Patrick Chidley**

Okay. Thanks, Sean. And just a quick follow-up, if I may, just on Amaruq and the Mammoth Lake drill results. Can you speak to how much drilling's going on at Mammoth Lake and what these initial drill results mean? I mean does it look a lot like the stuff at Whale Tail?

**Unidentified Speaker**

Yeah. During the spring program we moved the rigs on the western part of the trim. And what you saw on the press release, we hit on two sectors, Mammoth 1 and Mammoth 2. On

Mammoth 2 we have only three holes, a drill on that moment (phon), and on Mammoth 1 probably 12 to 15 holes.

And it's so early we cannot comment about that is that the deposit is high, the grade, and what we're doing right now is we just finished a conversion program on Whale Tail, and we stopped to step out to the west and fill the gap between what we named the first Mammoth 1 and Whale Tail. This is the program from now.

And we have a good indication that we can probably connect the Mammoth 1 and Whale Tail, but the real question would be what kind of grade that we can get there and how big will it be. We don't have that answer yet.

**Patrick Chidley**

Right. And that is shown on Slide 15, right?

**Unidentified Speaker**

Yes.

**Patrick Chidley**

Yeah. Just the Mammoth 1. Yeah.

**Unidentified Speaker**

Exactly.

**Patrick Chidley**

And Mammoth 2 is just where you've got one drill result there is it?

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**Unidentified Speaker**

It is the other one on the left side of the map that shows that grade, that 13.3 grams over—I don't have my glasses...

**Patrick Chidley**

Three metres?

**Unidentified Speaker**

Yeah.

**Patrick Chidley**

Yeah. Okay. Thank you very much. Great.

**Unidentified Speaker**

Okay. Thanks.

**Operator**

Ladies and gentlemen, as a reminder, if you'd like to ask a question please press \*, 1 on your touch-tone phone.

We'll now take the next question from David Haughton. Please go ahead.

**David Haughton — BMO Capital Markets**

Good morning, Sean and team. Thank you for the update. Got a question on Goldex, and just looking at your Page 12 of the presentation can see where the Deep 1 is with the Dx zone on

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the D zone. Can you just walk us through the kind of mining methods that you've got and how that might interplay, if at all, with the GEZ above it? And whether there's scope also for Deep 2?

**Unidentified Speaker**

Well, basically we're mining long-hole stoops at 50-metre levels and using pastefill. We've been able to produce in that around 6,500 tonnes per day in the last few quarters at the costs that we've prescribed.

And I think the unit rates that we're using on the satellite zones on the M and E zones are basically—are easily replicated at depth in the Deep Zone, so the only thing we're going to do differently in the Deep Zone is basically add an automated conveyor to facilitate trucking up to the main crushing and hoisting level. So it's just the continuity on the life of mine basis of the current operation.

**David Haughton**

Okay. And basically—go ahead, sorry?

**Unidentified Speaker**

I didn't add anything.

**David Haughton**

Right. And the 6,000 tonnes a day, is that just to give you some wiggle room because you've been able to mine at a higher level? You mentioned 6,500 tonnes a day. Is that a possibility?

**Unidentified speaker**

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Well, budget-wise we were budgeted for 6,000 tonnes per day. The team up there has been able to better that performance, and over the coming years as we develop the Deep Zone it is within our plans to continue looking at how we can optimize that daily throughput and tonnage through the plant.

We also have the flexibility in the plant to process more tonnes, and the Akasaba project is a satellite pit nearby that we plan to integrate as well, and try to maximize all the installed capacity at that site to keep a low-cost profile moving forward.

**David Haughton**

Okay. Switching over to Meadowbank now, the addition of Vault and the cutback there extends the life, and I guess the goal here is to reduce any hiatus that might exist between completion of Meadowbank and the start-up of Amaruq. Is that right? Do you have scope also to extend life beyond Vault?

**Unidentified Speaker**

Well, I think at this stage we looked at the— with the recent success at Amaruq, I think we're trying to focus on getting more flexibility moving forward in the north and maintaining our infrastructure in place and our people in place. And basically we reviewed, Vault reserves have been in and out in the plan, depending on gold prices and FX assumptions.

And I think the latest FX rates have been up (phon) Vault in that we've been in a position to review any of these down the line with a Vault pushback. And at this stage we're in a position to

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maintain similar NAVs on the current life of mine plans and gain a year to better prepare for the eventuality with Amaruq down the road.

So it's more flexibility at this stage.

**David Haughton**

And just looking at Page 16 of the presentation with the conceptual kind of open pit, the drilling results suggest greater and better hits at depth. Do you think that's enough to either start thinking about a deeper pit? Or would you be thinking about an underground in addition to the open pit?

**Unidentified Speaker**

Well, I think I can let the geologists talk after that, but I think at this stage we're more focused on a satellite pit for the early portion. If the pit at Whale Tail extends towards the west, certainly we'll be able to maximize tonnage for a few years in that area, and then we can evaluate as we continue the drilling program how the underground potential pans out.

**Sean Boyd**

I think one of the things from the underground perspective is that the earlier interpretation had, we felt, suggested that the eastern part of Whale Tail was closed off. I think the latest drill holes at depth below 500 metres, which were on the eastern side of Whale Tail, have changed the geologists' interpretation. And so it's wide open again to the east. So ultimately I think that that tells us it that there's probably a ramp here at some point in the future of Amaruq.

And that's interesting because our challenge always at Meadowbank is we could not find anything meaningful in terms of ounces below the pit even though that was our hope. Here very early on we're getting very good thicknesses at very good grade at depth which suggests that this one has longevity that Meadowbank didn't.

So those are some of the things that we need to get more information on because they have implications not just for how we think about Amaruq and its connection with Meadowbank, but how we think about Amaruq and its connection to the overall Nunavut strategy and approach to allocating capital which involves Meliadine.

So there's a lot of moving parts here, and that's why we're trying to use the time we have this year to gather that information, do that assessment across a lot of disciplines, including the technical aspects, the permitting aspects, and the exploration upside potential.

**David Haughton**

Okay. Thank you for the update.

**Operator**

Okay. We'll now take the following question from Mike Parkin. Please go ahead.

**Mike Parkin — Desjardins**

Hi, guys. I was just wondering, it sounds like you've got a number of projects advancing nicely. Is there any sense in terms of the maximum number of development projects you'd entertain at a given time?

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**Sean Boyd**

I think if you look at a number of these projects, they're largely at or near existing operations, which can be nicely tucked into the existing team. So as far as people capacity it's very manageable. The constraint in a tough gold price environment is obviously capital, so we'll have to make some difficult choices in terms of the pace at which we decide to move some of these projects forward.

So that's more the constraint than the technical ability or the people that we have to put on these projects. And that's largely because a lot of that skill is in place at a number of these opportunities.

**Mike Parkin**

Okay. And just a follow-up on the Goldex Deep. This estimated capital for development, does that include any increase for the tailings facility?

**Sean Boyd**

No, we don't need to spend anything on increasing the tailings facility.

**Mike Parkin**

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

**Operator**

Okay. We'll now take the following question from Stephen Walker. Please go ahead.

**Stephen Walker — RBC Capital Markets**

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Great. Thank you very much. Good morning; just wanted to follow up on Mike's question, Sean, with respect to capital allocation. You suggest that you're going to sort of incrementally spend on a number of projects. If you had to prioritize which projects you'd put the first dollar of capital to work in, second dollar, et cetera, et cetera, could you maybe give us your thoughts on how you'd prioritize the various projects, whether it's looking at the Goldex Deep versus the obvious opportunities at Amaruq and El Barqueño and et cetera? If you look at those projects that you've highlighted as opportunities, how would you prioritize them as far as capital allocation?

**Sean Boyd**

We already did some of that, Steve—it's a good question—with Goldex. So that one's a clear winner: solid rate of return; capitalizes on some excellent work that was done and good thinking that was done when we were actually criticized. I remember being out on the road, what, you're spending \$90 million to restart Goldex; are you guys nuts? What the heck are you doing? At the end of the day I have to take, and the Board has to take, the lead from the operating and technical people and the skills and experience they bring to the table.

So that one was an easy one: right in our backyard; existing deposits; near existing infrastructure that still had some excellent exploration opportunities. Where it's less clear right now for us is Nunavut. We believe in the long-term benefits of that as a place that we can add a lot of value over time.

We still need information on how we fit those pieces together and how we allocate capital. Certainly Amaruq's very exciting; lots of good drilling. It is early and it is exploration, and I'm sure there's going to be a lot of pluses and minuses. We're on a roll now, but we're also on a roll in Finland.

I'm quite interested in that one because that one's been which has been a bit of a headscratcher because it's large and we've struggled with how do we get the throughput up? And the throughput wasn't really a question of the plant because we'd managed that side. It was more a mining rate.

Now if we have a zone that's extensive and parallel to the main zone and now appearing near existing infrastructure then maybe we can accelerate something there. And I think why I'm excited about that one, although it's early, is that we already said we're taking Kittila from the 140,000 ounce per year range up to 190,000 to 200,000. Now does this additional potential source of ore give us more headroom above that? So those are the type of things which would take priority because generally those would be high rate of return, low risk with the capacity from a people point of view to do.

So as we've said a few times over the last while, and even in this presentation, we're still in the information gathering phase, so laying out thinking out to the Board and making some decisions going forward. But I would say we use the word "pace", and we're actually pretty good at pace.

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LaRonde was all about pace. There was never a question in the early days whether that was going to get build. It was sort of how could we move that forward, which we did.

Goldex, a great example of being patient. We waited 37 years before the conditions were right, whether it was the market or our technical view and analysis. So if we have to park some things we park some things.

And I would say one more point. Agnico is still here after 58 years because we've done a lot of good technical work and good thinking. We've invested in our people's ideas, whether it was exploration or project build, but overriding all that is we've managed the financial risk extremely well, and we'll continue to do that.

### **Stephen Walker**

Maybe, Sean, as a follow-up question, when you went to the Board for the go-ahead to increase capital and move projects forward, what did you represent as what you thought of as a reasonable gold price environment or assumption for that to be approved and the plan that you put forward? And second to that and more importantly, with a number of—you guys are getting high-quality, high-return projects where you can put capital to work. Are you prepared to issue equity or further debt, take on further debt to finance any of these projects? Or is the goal to fund these out of free cash flow? And if you could answer those I'd be curious to hear your thoughts on...

### **Sean Boyd**

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Yeah. We were using spot gold prices, and that's in local currency terms. I think one of the things that as we sit here, we roll it back to January of 2010, the US dollar gold price was essentially where it is today.

But if you look at the gold price in Canadian dollar terms, it's up 24 percent. If you look at the gold price in euro dollar terms, it's up 24 percent. If you look at the gold price in Mexican peso terms, it's up a lot more than 24 percent. So given the location of our assets, as we've said, we've got sort of that built-in hedge.

So the Vault deposit works not only because of a desire to minimize costs and keep a workforce in place as we get better understanding of Amaruq, but also because we're taking advantage of the lower Canadian dollar. And so we were using spot with respect to that analysis as we presented it to the Board.

And those were incremental investments that will be paid for in the second half out of our business out of net free cash flow. So that was an easy decision to make for the Board, given that few of those projects extended mine lives, but some of that expenditure was to gather additional information on bigger picture, particularly in the Nunavut platform.

As far as taking on additional debt or issuing equity, we haven't made a decision on how it would be financed as we go forward. That will be determined on the quality opportunity and how we see the ultimate fit.

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Now do we have debt capacity? We have some, but again it comes down to managing financial risk. And we don't control the gold price. We control what we spend and how we spend, and that's where the focus is and will be.

**Stephen Walker**

Great. Thank you, Sean.

**Sean Boyd**

Okay.

**Operator**

Ladies and gentlemen, as a reminder, if you'd like to ask a question please press \*, 1 on your touch-tone phone.

We will now take the following question from Don MacLean. Please go ahead.

**Don MacLean — Paradigm Capital**

Well, thanks for the call, guys; great quarter. Sean, maybe you could just give us a bit of your thoughts about the timing of Amaruq. And it appears there's a bit of a delicate balance here between the timing of your exploration being able to bring the project on trying to keep the workforce of Meadowbank in place. What are some of the critical path items? How's it going on the pace of the permitting? And how delicate is that balance in your view now that you've bought yourself the extra year with Vault?

**Sean Boyd**

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Well, it's all permit. The time line is all permit for Amaruq in particular, and so all we've done is assume a time line that matches Meliadine essentially. But this is different than Meliadine in our view because we're not asking to build a plant, and so it should be a little bit more straightforward, but it does follow the same process. So we've just sort of used the Meliadine time line.

But we have sort of made the case to the appropriate authorities that we think there really should be no reason that there is a production gap because it won't be driven by our ability to get work done because we can work within the time line as we see it. But it's really a function of the authorities having the resources available to review our submission. And that's what really drove the Meliadine time line.

But we can see that we have made some good progress on the exploration front. What that means for us, though, on the technical side is to get the permitting clock ticking we have to make a submission, so we have to tell them what we would like to build. We're not there yet, but we will be there as we move through the end of this year because we will have an initial resource. And that initial resource we will likely put a pit design around it. We will likely go to the authorities with a plan to permit an open-pit operation, and that has the potential from a permitting perspective to be ready sometime in 2019. Our focus will be trying to do that earlier from a permitting perspective, but again there's no guarantee.

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But we've done this before. We've got probably the best team—not probably—we do have the best team in the business in terms of getting permits in that region. Larry Connell, who does a lot of our leg work, worked for Miramar, so he's done it several times up there.

And going back to one of the points I mentioned earlier about a place to do business, it is an excellent place to do business because there's an understanding of gold mining and the contribution it can make. So from that aspect there aren't issues about people being anti-mining, anti-exploration or development. It's just a matter of going through the process of obtaining those permits.

**Don MacLean**

Great. Okay. And that sounds like that's a capacity constraint once you've scoped it?

**Sean Boyd**

That's right. And obviously the initial vision that we get from the work that we'll have done up to the end of this year will likely change because there's still a number of targets. And not only are they drilling targets, they're developing more targets as we speak, given the geochemical work and the geophysical work.

So we have 115,000 hectares around Amaruq, so there's a lot of work that's going to be done over a lot of years. And so we feel we'll be there for a lot of years. So that's why pace is less important.

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What's more important is what we're building there and how we're building it, and we're less focused on when it starts or when they start and more about how we can manage them both from a technical point of view and a financial point of view. That's the way we've run the business for decades, so we'll keep doing it.

**Don MacLean**

Great. Thanks, Sean.

**Operator**

Ladies and gentlemen, as a reminder, if you'd like to ask a question please press \*, 1 on your touch-tone phone.

Okay. We'll now take the following question from Tanya. Please go ahead.

**Tanya Jakusconek — Scotia Capital**

Great. Good morning. Thanks very much. Hi, guys.

**Sean Boyd**

Morning.

**Tanya Jakusconek**

Morning. Maybe, Sean, can you just talk a little bit about how much capacity you would be comfortable in taking on on your credit facility? And sort of what a minimum cash balance you would like to have on the balance sheet at current prices?

**Sean Boyd**

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Well, our cash balance is a little over 180 million. We could be comfortable at 100 million.

**Tanya Jakusconek**

Mm-hmm.

**Sean Boyd**

We've had the revolver up a couple hundred million more than where we are now...

**Tanya Jakusconek**

Mm-hmm.

**Sean Boyd**

We could certainly take that up if we wanted to. We're looking at extending it another year to five years. It's a relatively cheap form of financing. The interest rate's almost 1.9 percent—between 1.8 and 1.9 percent, but we have that flexibility if we decide to use it. But we have been paying that down.

**Tanya Jakusconek**

Yeah. No, I noticed.

**Sean Boyd**

That's just been based on generating net free cash flow.

**Tanya Jakusconek**

And what about in terms of refinancing the—I think you have 600 million senior notes that are due in 2017.

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**Sean Boyd**

No, we have 115 million...

**Tanya Jakusconek**

Yeah. Sorry, 115, yeah.

**Sean Boyd**

That's due in 2017. So we don't need to refinance those notes. The biggest piece of repayment there is 2020; it's over 300 million. So we're comfortable with that repayment schedule.

**Tanya Jakusconek**

Okay. And then maybe just for CapEx, the development over the next two years. For Meadowbank we only have what you're putting in this year and the rest for the bulk, everything else is sustaining. Is that correct?

**Sean Boyd**

Yes.

**Tanya Jakusconek**

And so then it's really the payment for the Goldex at 1 Deep?

**Sean Boyd**

Yeah. There's a little bit of work as well in Mexico as we finish off some stuff there. Finland, we continue to work on the ramps and developing Rimpi, so there's some things there as well. But there's no major projects...

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**Tanya Jakusconek**

Mm-hmm. Okay.

**Sean Boyd**

That have been approved.

**Tanya Jakusconek**

Okay. No, that's perfect. Thank you.

**Sean Boyd**

Thank you.

**Operator**

We'll now take the following question from John Bridges. Please go ahead.

**John Bridges — J.P. Morgan Securities**

Good morning, Sean; everybody. Just a bit of accounting really. I see the Mexican peso has been quite weak recently. Just wondered if there's any hedging there or are you going to fully benefit from that weaker peso quickly? And what percent of your costs in Mexico are locally driven?

**Sean Boyd**

Dave's just looking that up.

**John Bridges**

Thank you.

**Dave Smith — Senior Vice-President, Finance, and Chief Financial Officer, Agnico Eagle Mines Ltd.**

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Hey, John. So our Mexican peso we're about 25 percent hedged. And we're comfortable with that level. It's been weak with the CAD and the euro as well.

**Sean Boyd**

And I think on the Canadian dollar side we're about 40 percent hedged or so—

**Dave Smith**

That's right.

**Sean Boyd**

—going forward. In terms of euro, we haven't done anything on the euro. As far as the percentage of costs, in Canada it's over 90 percent. In Finland it would be up over 80 percent or so. In Mexico it's 50 percent or so in terms of local currency.

**John Bridges**

Okay. That's helpful. And what level did you assume in your forecasting for this year? Or have you got that handy?

**Sean Boyd**

One-twenty on the Canadian dollar. Dave, do you have the euro?

**Dave Smith**

Yeah. The actual budget rate was 1.35 and the Mexican peso was 12.75, so those have changed dramatically versus budget.

**Sean Boyd**

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The guidance it was, I think, 1.20—

**Dave Smith**

Yeah. That's right.

**Sean Boyd**

—Canadian and 1.08 on the euro, I think—no, 1.15 on the euro for guidance. So there is some head room on the cost side, given where the currencies are right now relative to guidance.

**John Bridges**

So there is some good news out of the strong US dollar?

**Sean Boyd**

Yes.

**John Bridges**

Well done, guys. Congratulations.

**Sean Boyd**

Thank you.

**Operator**

Okay. Ladies and gentlemen, as a reminder, if you would like to ask a question please press \*, 1 on your touch-tone phone.

Okay. There are no further questions. Please continue.

**Sean Boyd**

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Thank you, Operator, and thanks for tuning into the call. And as we said, we'll be out in probably 10 cities in the next couple of weeks and with the mine tours, so we look to see a lot of you as we make our way around.

And enjoy the rest of the summer. Thanks again.

**Operator**

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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