

FINAL TRANSCRIPT

Agnico Eagle Mines Limited

Fourth Quarter 2015 Conference Call

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John Van Dusen
CBC News — Journalist

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PRESENTATION**Operator**

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

Today's conference is being recorded.

At this time, I'd 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 2015 fourth quarter conference call.

Before we get started, just like to remind everybody that the presentation does contain forward-looking statements, so please read the qualifiers and be forewarned.

By way of introduction, 2015 very solid year; strong close as well to the year. We've got excellent execution across the board at all of our mines in the fourth quarter.

And what that did is allow us to set another record in terms of annual gold production that once again exceeded our production guidance. That resulted in us being able to drive down our unit cost to produce an ounce of gold, which generated more net free cash flow.

And as a result of that we were able to strengthen our balance sheet in 2015 by reducing our net debt by approximately \$190 million. And I think more importantly is that we were able to

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improve our financial position and without sort of compromising our long-term ability to drive the growth and create the value because we did continue to invest in our key projects, and we did continue to make a significant investment in exploration.

So 2015, very successful year not only from an operating result point of view and improvement in financial flexibility, but also in terms of positioning Agnico Eagle for its next phase of growth. So essentially everything pretty much unfolded according to the plan that we outlined a year ago in 2015.

As far as the highlights go, for the fourth quarter and the full year, as we mentioned, our guidance was exceeded for the fourth consecutive year, producing 1.671 million ounces. Very good cash costs with all-in sustaining costs also strong approaching \$800 per ounce.

As we move forward for the next three years we're looking at stable production and costs. We're looking to average production over the next three years of 1.5 million ounces; in 2016 between 1.52 and 1.56 at cash costs in the range of 5.90 to 6.30 at all-in sustaining estimate at 850 to 890.

As far as the reserve side, we'll get into some of the details, but we did see our grades going up at several of our key mines. We did lower the US dollar gold price used in that calculation again this year by \$50.

We didn't see an ability to replace all the ounces that were mined. That wasn't the focus in 2015. The focus was on expanding the resource, but we did manage to add 1 million ounces to the

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reserve. We mined 1.9 million ounces in situ, and we added about 1 million ounces at several of our key deposits.

On the resource side you saw a growth in inferred resources by 23 percent, and I think that was important because that sets us up on a number of projects to be able to drive growth five years from now as we move these projects along the development pipeline. And several of those like the key ones, Amaruq, saw significant increases in resource.

We established an initial resource at Barqueño, and we were able to calculate an initial resource on the parallel zone in Finland. So all of those things are the main focus of exploration in 2016 where we've actually increased the budget. We see an ability to drive value creation through exploration again in 2016, and that'll continue to be a focus.

As far as capital spending, we're moving forward at a very measured pace in Nunavut. We've decided to slow Meliadine down. We'll talk about that in terms of the context of that full strategy later on this presentation.

And as we said in the intro, entering 2016 we're in a strong financial position, given the fact that we reduced our net debt in 2015. And based on how we laid out our capital investment plans and exploration plans we'll be in a position at these spot prices using our budget to generate free cash flow.

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As well, we maintained our dividend. And I think the quality of the asset base and the soundness of our investment and business decisions; I think a good example of that is we had no asset impairments as we closed 2015.

Looking at the individual mines. In total, we produced over 420,000 ounces in Q4; cash cost just slightly below 550 an ounce. Important for us, we generated in 2015 almost \$1 billion in operating margin at these mines.

So the focus has not just been on cost reduction, but it's also been on how do we optimize these assets and get as many ounces out of them as we can. And that will continue to be a major focus for us as we move forward because several of our facilities have extra capacity available in the processing facilities.

So we would expect to be able to increase the mining rates at several of our mines to continue this optimization and improve not only the cost side, but also the revenue side of our business.

Financial position, we touched on that. Our net debt went down 190 million. Drew our cash down a little bit, so we paid off some debt, more than 190 million. We still have significant drawing capacity under our credit lines if needed.

And another thing we have followed very closely over our long history is make sure that we keep a tight control over our shares outstanding. We closed the year at 217 million shares fully diluted after 58 years.

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So just to sum up on the financial side, as we mentioned, we entered 2016 in a very strong financial position. So our plan in 2016 is to continue to use our cash flow and invest in exploration and in the projects to continue to position ourselves for our next significant growth phase.

And we can do this and still maintain our financial flexibility, and do it and not increase the financial risk in the business. So as we said, if we use our budgeted production and cost in making those significant investments in capital on the projects and exploration and pay our dividend, we're still in a position to generate net free cash flow and reduce our debt in 2016 if we choose to do so.

In terms of financial highlights, I think what's important there is the gold price was down in 2015 over 2014, and we were still generating almost as much cash flow from operating activities from the business.

As far as our three-year guidance, as we said, stable production and cost profile over the next few years. We went through some of the details on that, but I think for us it's really keep the business forward; move it forward steadily; don't take on excessive risk; focus on adding value through exploration; and moving that production profile forward because as we look out we can see the potential to significantly grow the production profile with the existing asset base.

Just moving forward on Slide 9, which are some of the details. In 2016, the major swing from guidance a year ago was the decision midyear last year to move forward with the Vault pit extension in Meadowbank, which extended the life by about a year. It did have a slight impact on 2016 production, but had a positive impact on 2017 and 2018.

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So that was important to us to keep the Meadowbank facility working and the team working as we move towards the end of 2018, because the current plan we expect to have the Amaruq deposit up and running in 2019.

In 2018, we have put out a guidance of 1.5 million ounces. We do see a number of opportunities that we've outlined on Page 10 in the slide deck to possibly do better in 2018. And many of those opportunities are really designed to take advantage of the increased capacity we have in several of our plants.

Just going down the list quickly, the LaRonde optimization potential is essentially to take advantage of the room in the plant that will be available because of Lapa finishing their mining this year, but we see the potential to add possibly Bousquet zone to the LaRonde facility. There's over 0.5 million ounces of resources on Bousquet, so we're studying that. We should have the results of that study done before the end of the year.

Believe it or not, it's not possibly done at Lapa. I was up there a few weeks ago, and the team has a couple of ideas to possibly add some ounces in late 2017 and 2018 and run it through the facility at LaRonde. So we're continuing to do some work there, so continued good work from the Lapa crew not only on their current operations and squeezing out ounces and keeping costs down, but also thinking about how they can generate more net free cash flow as the operations do wind down.

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At Goldex lots of pleasant and positive surprises there since we restarted that mine. Again, there's a capacity available to us in that plant, so we're focused on how to optimize that.

We do feel that and our team feels that we can get that asset up to about 140,000 ounces. There's even a possibility to go beyond that, and we're working on that right now.

In fact, we're also considering possibly maybe increasing the capacity of that plant beyond its current rate at 8,000 tonnes a day to take advantage of some of the opportunities we see. That's not in any of our numbers, so there's still lots of potential there.

And at Kittila there's increased plant capacity. We've got the Sisar Zone we'll talk about shortly, which is opening up the possibility to access more ore and do it on a cost-effective way, and given the proximity of that zone to the main zone and to existing underground development being the main ramp there. So we're focused on that.

And in Mexico we continue to look at our satellite operations and we've had a bump in our reserves La India, which opens up opportunities there to possibly increase the output, so lots going on on that side.

As we look further out beyond the next three years, that's our primary focus to add value through drilling, to expand on some of the success we've had over the last couple of years from an exploration standpoint, and move several of our key assets forward, including the Nunavut platform.

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If we look at some of the components there, and although it's early and we still have more work to do and there's still more exploration to do, if we look at some of the component parts we could see the LaRonde complex and adding Bousquet possibly being a complex that produces 400,000 ounces a year or better, which is a way to add a lot of value and leverage off of the existing skill set and the existing assets that we own in the region.

Our Malartic asset in partnership with Yamana to our account is set to produce 300,000 ounces to our account as we move forward.

And Goldex, if we just take the 140,000-ounce number that gives us midway between 800,000 and 900,000 ounces coming out of the Abitibi even after having Lapa mined out. I think that base is important for us not just from that production growth and the quality of that business and the longevity of that business, but also is a significant platform to build Nunavut. And that's a huge competitive advantage for us is our technical skill base, our logistical support base, our experience in managing operations in the Far North out of Val D'Or and our regional office based at the Val D'Or Airport. And that is a huge cost advantage in an area that we see tremendous potential.

So we have always felt particularly with the recent success at Amaruq that Nunavut is a place that we could see ourselves for multi decades. As we've said many times before, we know we can do business there, it is open for business, and when you combine that with the fact that there's tremendous mineral potential there. An example is Meliadine at 10 plus million ounces on an 80-kilometre greenstone belt; Amaruq now growing 67 percent in the last year now at 3.3 million

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ounces; that fact that we've now added to our land package on the western side of Hudson's Bay where we now have 400,000 hectares under control on major greenstone belts, we're taking a long-term view with that competitive advantage with the base in Quebec we see Nunavut becoming a major source of production for us going forward.

But more importantly is we're not in a huge rush to get there. And as you can see, we took the approach that we will slow Meliadine down a year. We did have options in front of us that would have called for spending well over US 200 million this year that would have gotten us to Meliadine start up in 2019. We felt that in the current gold market that it was best to be more prudent and be more measured and slow it down. And that's the approach that we've decided to take.

But we can see based on the size and grade of Amaruq and what we currently know about Meliadine that the Nunavut platform certainly has the potential to be about an 800,000-ounce producer for us.

So we could see ourselves five years from now producing in Canada what we're producing in our entire company. But again, we're going to take a very measured approach, and do it in a way where we're not increasing the financial or technical risk of the Company.

When we add Finland our mine plan calls for us to produce about 200,000 ounces in Finland a year. That's without taking in the Sisar Zone, which is the parallel zone. We're continuing to drill that. We've traced that down to 1.9 kilometres underground.

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We've got good thicknesses, good grade there. Fortunately for us it's very close to the ramp that's moving down towards the Rimpi area. Now we're piecing that all together to see whether that can impact our production over the next five years.

And then in Mexico, the Barqueño initial resource gives us an opportunity to start with an open pit operation there and then continue to drill that large land package and add to our production platform there.

So I think what's important there is not just the fact that we have an excellent chance of having a big figure business five years from now, but also the fact that in order to execute on that it's very manageable from a technical standpoint. It's a very manageable business to run, although bigger than what we have now because it's still nine mines. It's still the same four operating regions, and it's also assets we currently own.

So that's a good solid base to move forward on and continue to build this business, and do it in a way that improves the quality of that business.

I don't propose in this call to go through each of the individual mines. If there's specific questions we gladly take it, but I just wanted to close out the formal part of the presentation and just talk a little bit about the reserves and some of the focus on the exploration side of things.

We used US 1,100 gold for the long-term assets. I think what's nice there is our average grade is 2.4 grams, which is significantly above the average in the industry. As a result of that, even

when we stress test our reserves down to \$1,000 we would only see a little bit better than a 5 percent decline in those reserves, so good quality.

And as we mentioned, we saw improvements in grade at LaRonde, Canadian Malartic, Goldex, and La India. And at LaRonde, our grade now is 5.3 grams per tonne. We're planning to mine on average of about 4.2 grams per tonne in 2016. So we continue to operate at LaRonde well below reserve grade, and as we approach reserve grade that's what really drives the growth in production.

As we said, we had a significant increase in our resource largely from Amaruq and Sisar and the initial resource at El Barqueño. Just focusing on those three projects, at Amaruq the drilling has started for the 2016 campaign. We started earlier this month, which is about six to seven weeks sooner than the start of last year's program, so we should get a lot more drilling in this year.

We've got three drills going at the moment as we ramp up that program; likely to have 10 drills going as we move into the second quarter. The focus right now with the first two drills is just to west of Mammoth I. And we're focused on finding a second source of open pit ore and also on the V Zone in IVR looking to see if the IVR area is in fact connected to Whale Tail.

So off to a good start in terms of getting the drills going and up and running, and we're seeing some early good signs with some of our drilling.

In Finland at the Sisar Zone, which is the parallel zone, as we've said, we've traced it down to a depth of 1.9 metres now—or 1.9 kilometres. The resource of a little over 600,000 ounces is only

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down to 1.4 kilometres, so there is a lot of potential to increase the size of the that resource. And we're focused on that three drills from the ramp. So we would expect some good news there, and our team is working hard on ways to incorporate that into the future development of Finland.

And I think what's important there is one of the challenges we've always had with Kittila, it's a large deposit. It continues to grow, but it's been growing away from infrastructure. And it's relatively narrow compared to some of the deposits we have in our portfolio. But the fact that we have a zone very close to the Main Zone gives us an advantage to drive net free cash flow generation, which was always the challenge there. And that was always the thing we were spending a lot of time trying to sort out.

And then in Mexico we've got, I think, 14 drills going on Barqueño; big drill program. We've picked some results in a new area, which will be part of the focus in 2016. So for us it's just after the first year getting starting, getting the resource established, identifying some important target areas, and keeping the focus going on on exploration.

So I'll wrap it up there as far as the formal part of the presentation.

And, Operator, we'd be happy to have the line opened and take some questions.

Q&A

Operator

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Thank you. Ladies and gentlemen, if you'd like to ask a question, please signal by pressing *, 1 on your telephone keypad. If you are using a speakerphone, please make sure the mute function is turned off to allow your signal to reach our equipment. Again, press *, 1 to ask a question.

We'll pause for just a moment to allow everyone an opportunity to signal for a question. Please stand by.

And we'll move to our first question from the line of Andrew Quail of Goldman Sachs. Please go ahead.

Andrew Quail — Goldman Sachs

Morning, Sean and team.

Sean Boyd

Good morning.

Andrew Quail

Congrats on a very strong quarter and a very solid 2015; just a couple of questions. First one on Amaruq; obviously you're going to be doing a lot of drilling up there, and I think you mentioned that you're going to be this year starting to break ground on the infrastructure, especially the road. I mean is that—can you just give us, Sean, can you just give us some background and how long this might take? And I mean it seems like you've got three years or two-and-a-half

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years at least to do this. Are there any sort of headwinds you see maybe with permitting or infrastructure roadblocks up there?

Sean Boyd

No. I think we've broken it down into two parts. One is the road, which is certainly a key component.

Andrew Quail

Yeah.

Sean Boyd

So we have the okay to proceed on the road. We'll go this year relatively slow and just focus on the portion initially from the Vault pit, which is at Meadowbank, because we have the waste rock there. So that waste rock is essentially the roadbed material for the first 10 or 15 kilometres. So that's relatively straight forward to do.

So over the next couple of years we would get that road into place while we work on getting the permit to begin construction of the open pit. So that's also a focus for 2016 is get the permit application in place, use the existing resource base to do a pit outline, and put that permit in place.

So that time line we're anticipating that we'd be able to begin construction in 2018, and have the open pit up and running in 2019. We don't see any impediments to doing that. We're not asking the regulators to allow us to do anything that we haven't done up there in the past. There's

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no significant technical challenges to that project. It's actually relatively straight forward, and we're just treating it basically as a satellite deposit to Meadowbank very similar to the Vault deposit.

Andrew Quail

Yeah.

Sean Boyd

Vault happens to be closer, but the whole concept is almost identical.

Andrew Quail

Yeah. And I suppose second question is maybe about liquidity or debt. I mean obviously you guys have been paying down debt and you do have some maturities coming up, but obviously you have a hate for liquidity and you do have a lot of optionality, organic optionality. If we did see a higher gold price over the next couple of years, are you guys—is there a level of debt or is there is number in your head for leverage that you're comfortable with?

Sean Boyd

Well, in terms of the repayment schedule there is a payment due next year, but it's quite modest at...

Andrew Quail

Yeah.

Sean Boyd

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One hundred and fifteen million dollars, so extremely manageable. The next payment is not until 2020. But the objective in 2015 was to go into '16 with a stronger financial position. That's why the focus is on reducing that net debt position.

One of the key sort of parameters we've always used is that we wanted to keep moving this business forward in a way that didn't increase the financial risk. And one of our sort of data points is our investment-grade credit rating on the debt. We could likely take on a few \$100 million more of debt and not negatively impact that credit rating. So that's a bit of our buffer there.

So that's what really guides us. That's what guided us in the transaction with Osisko. We did put up \$500 million in cash. That was sort of our rough limit there in terms of not impacting the investment-grade credit rating.

So there is room, but I think we're going to move forward steadily and cautiously with some of these development plans. And that's reflected in the approach we took to Meliadine in 2006.

Andrew Quail

Thanks very much.

Operator

Thank you. And we'll move to our next question from the line of John Bridges of JP Morgan. Please go ahead.

John Bridges — JP Morgan

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Thanks, Sean, and congratulations again on the result. Just interested in the Meliadine; you've taken it down from 200 million spending to 90 million. How did you frame that? Because you do have a lot of calls on your funding and so the Amaruq and some of these others may offer better returns. How did you frame that?

Sean Boyd

Well, essentially it's important for us, given the performance in the underground development to keep that underground development going. Even in 2013 and '14 when the gold price was under a lot of pressure that was the one thing that we were maintaining because it is starting as an underground mine; that's where the best grades are; that drives the return. So it was important to keep that moving, which is still the focus in 2016.

The big difference from what we could have spent to what we have decided to spend is really on the surface. And we decided that there was a couple of key components on the surface that made sense to move forward for it because they lower the cost of doing business up there, including doing exploration work. So that was sort of the minimum that we thought, and we had numbers that were a lot higher than that.

But we still think that as we look at Meliadine and we're involved in the process of taking that large resource and taking subsets of that and running them through different mine plans and generating higher returns. So that's a project that we feel will still be a mainstay for us as we move

forward combined with Amaruq gives us a really strong platform for a number of years. And it was trying to strike that right balance, I think...

John Bridges

Interesting. And then in your release you spoke about finding a sort of analogue to Amaruq at a very early stage. Could you talk about what you got there? And is this one of a number of targets you've identified with the geophys? Or is this a one-off?

Sean Boyd

I'll let our exploration guys give you an update on the Amaruq drilling and the drilling of it.

Guy Gosselin — Vice-President, Exploration, Agnico Eagle Mines Limited

Hi. It's Guy speaking. So basically what we've identified—since the early days we came in Nunavut, we've identified a bunch of early stage opportunities like we did at Amaruq, and we've identified a significant amount of them close to 10 or 1,000 of other opportunities. And we are continuing with our plan to assess the potential of these early stage opportunities and move them forward and start to work on them at a measured pace.

This is our plan in the near term.

Sean Boyd

I think, John, just to add to that is that as we look at Nunavut we know there'll be additional investments in infrastructure up there. We know—we've talked to the government about how that area opens up. And what we wanted to do was stake a bunch of ground that we feel will

benefit from infrastructure investment over the next 10 years or so covering major greenstone belts between Rankin Inlet and Baker Lake.

And so we've done some initial work on some of those properties, and we're encouraged by what we see. But it's more just taking that long-term view of that's a part of the world we want to be, and we want to get as much ground as we can, get it as cheap as we can, get it early. And then use our exploration team, which has an excellent track record of turning those early ideas into resources and ultimately meaningful parts of our business.

So that's what we're going to continue to do up there.

John Bridges

Yeah. Well done. It's that long-term view that sets you apart. Congratulations.

Sean Boyd

Thank you.

Operator

Thank you. And we will move to our next question from the line of Phil Russo of Raymond James. Please go ahead.

Phil Russo — Raymond James

Thanks. Morning, Sean and the team.

Sean Boyd

Good morning.

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Phil Russo

Just on the three-year guidance on 2018, happy to see you've been able to maintain some stability there. I just wonder what's your feelings about sort of embedded portfolio risk here as you sort of ask a few mines to do a little bit more to plug the gap, but I know you talked about other optionality in the portfolio to come in around that time. But it just seems like three or four assets have to sort of step up to bridge the gap. Are you guys comfortable they can get there?

Sean Boyd

We are. And if we actually look at it, there's several of them that will contribute to that. And if we run down the list quickly, from LaRonde the expectation from LaRonde was strictly based on the mine plan, so we're not sort of deviating or pushing that particular asset, which it will be a significant producer for us in 2018. That's simply a function of the grade.

The potential add-on there we still need to complete the work in that Bousquet Zone, but given its proximity being right next to LaRonde it certainly makes a lot of sense. We've studied that in the past. The challenge we always had is it would have required significant investment in LaRonde processing capacity to find a home for it. Well, now there is a home for it if it makes sense, so I think that one we could see ultimately 400,000 ounces coming out of that.

Malartic, it's simply the mine plan. No change there. Goldex as well we're not—we see that number as being very comfortable. And the Goldex team is—it's their own ideas that we saw a few weeks back based on the cost, and more importantly the development performance that

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they're getting underground, which is exceeding plan and their expectations, which opens up the possibility to access some of the other material there. So again, that's good.

Kittila, again that's the mine plan. The mine plan was expected to average a couple hundred thousand ounces over the next five years or so. And now the focus is what does the Sisar Zone mean in terms of accessibility to good grade, thick—relatively thick mineralization. That's not factored in.

And Mexico, there's really been no changes there with the exception of La India where we're seeing some potential there as we drill. And with additional ground that we've added at La India we haven't really been that focused on some of that exploration in close proximity to the pit. That starts this year. So that stuff can come into production fairly quickly after drilling.

So we're very comfortable with this, and these are plans that our guys generated. And a lot of good ideas have come forward in the last six months or so that we're sort of supporting and helping move forward with our technical service group.

Phil Russo

Great. Thanks, Sean. Just maybe one more just on Meliadine. Would you make the same decision at today's gold price?

Sean Boyd

Yes. Yeah. The way we sort of concluded on that is that, yeah, I guess if we had of said it needs to be 2019 then we could have done it in 2019. What we were not comfortable with was the increased financial risk and the fact that that would have been a tight time line.

So given that we expect to be in Nunavut for 20 or 30 years we concluded that an extra year really makes no difference. If it's an extra two years it doesn't really make a lot of difference. What's important is how we build it.

But we didn't want to sort of place all our eggs in one basket, and we wanted to move forward on exploration. We're still focused on early stage M&A. There's a lot of things that we're capable of doing in this market, and we wanted to make sure we struck the right balance.

Phil Russo

Fair enough. And one more quick one. So you spent 100 million—

Sean Boyd

I should add, though...

Phil Russo

Yeah.

Sean Boyd

Which I think is kind of interesting if you're looking at the screen this morning, the Canadian dollar gold price, \$720. That's approaching—the \$1,720—that's approaching all-time highs. It's not bad to have two-thirds of your production coming out of Canada.

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Phil Russo

Why not go and hedge then some of your cash flows and then go and do it?

Sean Boyd

Well, we'll be looking at hedging currency; there's no doubt about that.

Phil Russo

Yeah. Okay. No, great. The 100 million capital that you'll spend this year and the extra year you did take to build Meliadine, how does the upfront capital here for Meliadine change? Will it go higher? Or stay the same? Or...

Sean Boyd

At this point it hasn't changed. So we're working through a lot of those things and will over the next four quarters to fine tune a lot of that analysis; we do more detailed engineering.

Phil Russo

Sounds good. Thanks a lot.

Sean Boyd

Thank you.

Operator

Thank you. And we'll move to our next question from the line of David Haughton of CIBC.

Please go ahead.

David Haughton — CIBC

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Good morning, Sean and team. Thank you for the update. Just going back to Amaruq, I'm looking at your slide presentation on Page 20, and you've got a comment there and I know that John Bridges touched on this before about looking for the second pit. Is your thinking there that the second pit would be the IRV Zone? Or are you thinking about something outside of that footprint?

Sean Boyd

Yeah. Alain will touch on that, but it's really two spots are the focus right now, and that's where we have our drills right now.

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

When you look in the map you can recognize the Whale Tail. This is where we...

David Haughton

Yeah.

Alain Blackburn

Have the resource conversion. But IVR is a new idea last year when we drilled. We find in fact three zones: the 1.3 and the V2 was a higher grade. And the V2 is completely open to the east and what we will focus this year to be sure that we can develop the resource. And we're just moving a rig between Whale Tail and V Zone, and we try to link Whale Tail with V horizontally.

This is one of the focus to be sure we can increase the resource on the V Zone. But when looking at the western part on the Mammoth Lake we just start last week to drill along the trend.

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And we have two rigs, and we're thinking that we can find something else based on the past prospective phase on the past drilling. And we are very optimistic to find something there.

It's a question of time to build it on the grade.

David Haughton

Yeah. It looks like the Whale Tail going over to Mammoth Lake could be a single pit even. Is that how you're thinking about it?

Alain Blackburn

Yeah. For now it's a single pit, and if you look in the long section you can see that the zone is completely open to the east and at depth. And along the trend to the west we need to continue to drill a deeper hole to link Mammoth I and Whale Tail. It's not finished. This could be an underground composition (phon) between Mammoth I and Whale Tail.

David Haughton

And can you see the potential in the northeastern corner for Whale Tail to link up with the R Zone, the V Zone, and the I Zone just as one larger pit?

Alain Blackburn

Exactly. Exactly. Last year we drilled a few holes between Whale Tail and IVR, and one of that holes hit economic grade. And we tried to understand how we can link the V Zone and the Whale Tail to the northeast corner.

David Haughton

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Okay. And, Sean, you'd mentioned about road being approved; going slow 2016. The money being spent on the road in 2016, is that part of the Meadowbank sustaining CapEx? Or is it part of the exploration at Amaruq? Whereabouts have you ascribed that expenditure?

Sean Boyd

Yeah. It has to be expensed, so it's in exploration.

David Haughton

Got it. So that's why the exploration is up around that...

Sean Boyd

That's right.

David Haughton

Forty-three million mark.

Sean Boyd

That's right.

David Haughton

Okay. And also we're still in that part of the world looking at Meadowbank; very sharp drop-off in production in 2018; it looks like the ore body would run out mid-2018. Can you see scope for that ore body vault or maybe an extension to extend beyond 2018?

Sean Boyd

Not at the moment, no. It's sort of end of Q3 2018.

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David Haughton

Okay. So it's a pretty sharp drop-off and then you have that hiatus period before...

Sean Boyd

Yeah.

David Haughton

Amaruq starts up.

Sean Boyd

But at that point if everything falls into place a lot of the Meadowbank employees would be working on the construction, et cetera, of Amaruq. So there would still be a lot of activity up there using the Meadowbank skill set and team to build the satellite deposit and get everything ready at Amaruq.

David Haughton

All right. I'll leave it there. Thank you very much.

Sean Boyd

Thank you.

Operator

Thank you. And we'll move to our next question from John Tumazos of John Tumazos Very Independent Research. Please go ahead.

John Tumazos — John Tumazos Very Independent Research

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Congratulations on everything. It's interesting is how the world turns for the better in a couple weeks.

Sean Boyd

Thanks, John.

John Tumazos

How do you balance the tightrope, the scenarios, make a 180 degree turn where your gold bull shareholders might be impatient that the Amaruq 3.6 million ounces—some juniors would already have a definitive feasibility study done saying that the mill is already there and the tailings and all that—the gold bull shareholders might say your gold price assumptions is US 975 when you superimpose the conservative currency at the top, the 1,100. And then someone financially conservative, like a director or maybe even a funky person like me, might say your CapEx is 491; without Meliadine going balls out and you've got four development projects that are big and good and 13 others that are medium-size, and 10 or 20 exploration projects you don't have time to talk about. Just tell us how you walk the tightrope? I'm sure you're the master of that.

Sean Boyd

Well, I guess that's a compliment. Thank you.

John Tumazos

Certainly it's a compliment, Sean.

Sean Boyd

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Okay. No, just as you were talking I'm thinking that's what we do every day. I think the bottom line is it's a long-term business, and that's what really drives us. And you hit on the point. It's really ultimately balance.

And I've been here 30 years. A lot of the guys sitting here around the table have been with us for close to that time, and certainly have been in the Industry for that time. We've never sort of, as you know, viewed this as a race. It's more on how do we just sort of move this thing forward and improve the quality of the business as we do it. And continue to make it a great place for our people to work, and make it a place that communities really want us around.

And we're still here. 2017 will be our 60th year in business, Agnico. So in order to work your way through such a challenging business and still be here in a good, strong position after 60 years means that you were right; we get the balance right.

And as far as Amaruq goes, really the permitting drives everything there. And so we could actually have that thing built very quickly, given that it's relatively straight forward and compares to what we've done up there in the past. And we have the skill sets right in the region to do it. But really it's the permitting that drives that.

So we can't really accelerate the drilling. We're doing as much as we can, given the camp size. We're going to have 10 drills going. That's a lot of drill core that has to move south. So logistically there's not much we can do there.

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As far as sort of pressures that come from people that are more financially oriented or more promotional oriented, we tend to—we're good listeners, but if you look at Agnico's history we're not one to follow the crowd. We're not one to jump at every pitch book, whether it's going back to the rage of hedging or to grow because of the sake of growing. So we're sort of our own guys.

We sort of just move forward in a pace that's comfortable for us. We do a lot of thinking. I think one thing we do better than our competitors is we push the strategic thinking down a lot deeper in our company than most of our competitors. We spend a lot of time with our top 100 people talking strategy and getting together and talk strategy.

We just had a big strategy session three weeks ago where we had our top 100 people. That was a follow-up from a Board strategy session in December with senior management and a follow-up from another session in October with our top 100 people.

So it's a lot of years of experience. Some of it's feel, but at the end of the day it's something we've got to be comfortable with, and it works.

So I think the other thing is we kind of have gotten good at knowing what we're good at and knowing what we're not good at. And we sort of stick to that, and those are our guide posts that we use as we move forward.

That's sort of a, I don't know, long-winded around the corner...

John Tumazos

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Thank you. You're hitting all the points. If the gold price were to sustain this wonderful last few weeks, as we all hope and pray, would the Board—would your Board let your team come back and say, well, maybe there's a couple more things we can do and add 100 million, 200 million to the capital budget?

Sean Boyd

Well, that's hard to do as well because the biggest single chunk would be Nunavut, and it's all a function of the barge season. So our planning had to be done on the barge season for this year, so that barge season and the planning around it we can't all of a sudden scramble and significantly increase the capital, which would be maybe surface construction.

So there are some constraints in that part of our business, which is the biggest single capital component. So logistics really weigh heavily on that, and you got to have a lot of foresight. So that's one area where we can't just throw a lot more dollars on just because the gold price has gone up.

But I think where we may see additional investment could be on the exploration front. And that's just driven off of results, so we'll be monitoring that very closely. And that's a way that we think, and if you look at the team lead by Alain Blackburn and Guy Gosselin, they've got a really good track record. So we're all ears when they talk, so if they continue to get good results and need more budget to grow that resource and allow us to plan better then we will support that.

John Tumazos

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Thank you very much.

Sean Boyd

Thank you.

Operator

Thank you. And we'll move to our next question from the line of Scott Macdonald of Scotiabank. Please go ahead.

Scott Macdonald — Scotiabank

Good morning, guys. Congratulations on a great quarter.

Sean Boyd

Thank you.

Scott Macdonald

Just a couple questions on the new resource numbers at Sisar and El Barqueño. Just starting with Sisar, I guess we were pleasantly surprised to see a new resource there. Maybe you could give us a bit of colour on how you were able to get this resource out so quickly and then what the drilling plan is for this year and when we might see an updated resource?

Alain Blackburn

Yes. Alain speaking. I am pleased you were surprised. And when you're looking at the resource that we released it's 650,000 ounces close to 6 grams. And when we drilled in the ramp last year and we had 12 new holes, but when we did the compilation we saw that above the ramp

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that we have previous holes; they are close to the Main Zone. That changed a little bit the interpretation.

And we had the two holes coming from previous years because the interpretation changed. Why? Because above the ramp, that zone, the 2 Zone, the Main Zone, the 3 Zone, and the Sisar Zone are closer. And going down the distance between the 2 Zone are larger and why we bring close to 24 holes, and that 24 holes brings the new resources.

Scott Macdonald

Okay. Great. And could you give us any colour on the drilling plan for this year and when we'll get a new resource?

Alain Blackburn

On Sisar?

Scott Macdonald

Sisar, yeah.

Alain Blackburn

Yeah. We have a three to four rigs in the ramp, and the new resource will be at the end of this year.

Scott Macdonald

Okay.

Alain Blackburn

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Because don't forget, that new resource is just about 1.4 kilometre.

Scott Macdonald

Right.

Alain Blackburn

And we have a new hole that we released at 1.9, and we have to drill also between the 1.4 and 1.9 kilometre and take time to drill that hole. It's a long hole.

Scott Macdonald

Okay. Great. And then I guess a similar question on El Barqueño. So it said in the release you've got 11,000 metres of drilling that were not incorporated into the resource. When might we expect to get that incorporated into a new number? Would that also be just at the end of the next year?

Alain Blackburn

At the end of next year, yeah, you are right. Yeah.

Scott Macdonald

Okay. And I think we were maybe expecting that the grade might be a little bit higher at El Barqueño. Are you able to speak to that at all? How that result compared to your expectation?

Alain Blackburn

Yeah. Yeah. I can understand this on the previous release. You saw a strong hole that we released. And I'm guessing the expectation could be higher than a gram that we released. But when

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we're doing resource calculation we apply the mining metre (phon) to the inferred or indicated; anyways, we apply the mining metre.

In that case there's open pit, and what we decide is to apply the line (phon) upgrade as 0.22. And when we put a grade at 22, that everything is above 0.22, you can operate in the resource. That brings down the average grade.

I don't expect if we can get 2 gram when we put that 0.22 as a grade. That is a part of the math.

Scott Macdonald

Okay.

Alain Blackburn

If you put higher top grade your average grade will be much higher than 1 gram.

Scott Macdonald

Okay. Great. Thanks for clarifying.

Operator

Thank you. And we'll move to our next question from Mike Parkin of Desjardins. Please go ahead.

Mike Parkin — Desjardins

Hi, guys. With regards to the Canadian Malartic and the Barnat Extension, I see there that the permits are continuing to advance on schedule. I was just wondering when you would think that could start to contribute to the overall ore mix into the mill?

Sean Boyd

Just based on the permitting schedule that's late 2018 and 2019, so that's the rough schedule we have there.

Mike Parkin

Okay. And is—so the 2018 guidance, does that factor in the assumption of Barnat? Or is that upside to those numbers?

Sean Boyd

No. That doesn't factor that in.

Mike Parkin

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

Operator

Thank you. And we'll move to our next question from the line of Sid Subramani from Veritas Investment Research. Please go ahead. Your line is now open. Please go ahead.

Sid Subramani — Veritas Investment Research

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Hi. Good morning. Thank you, guys. Just want to understand if there was an impairment test done and the rationale behind using a lower price for reserves, but sticking to the older price gold for the impairment test?

Unidentified Speaker

Sorry. Could you repeat the end of that? Your voice is very faint on our microphone.

Sid Subramani

Yeah. Sure. I just want to understand the rationale behind lowering the gold price for the reserves versus, I think, sticking to the higher price, which was about 40 for the impairment testing that you'd done at the end of last year?

Unidentified Speaker

Sure. So when we do our reserve calculation we definitely try and come out with something quite conservative. But when the audit firms do their evaluation for the impairment testing they're looking at a longer-term kind of straight average pricing to do their testing.

Sid Subramani

Thank you very much. That's it for me.

Operator

Thank you. Once again, ladies and gentlemen, if you have any questions, please press *, 1 on your touch-tone phone. There are no further questions at this time.

We do have a question from John Van Dusen of CBC News. Please go ahead.

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Sean Boyd

Hello.

Operator

Your line is open. Please go ahead.

John Van Dusen — CBC News

Hi, there. Can you hear me?

Sean Boyd

Yes. We can.

John Van Dusen

Just wondering if you could talk a little bit about what the slow down at Meadowbank will mean for the workforce up there?

Sean Boyd

It's not a slow down at Meadowbank. In fact, at Meadowbank we've laid out our three-year production profile, and we've continued to maintain strong investment at the Amaruq satellite deposit which would, based on our time line, come into production in 2019, which would benefit the Meadowbank workforce.

John Van Dusen

And you mentioned that some of the workforce would be used for that construction?

Sean Boyd

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That's correct.

I think that's it. Thank you, everyone, for tuning in to our fourth quarter conference call, and look forward to seeing everybody. We're out visiting a number of our shareholders and hopefully potential investors over the next few weeks.

So look forward to seeing everybody.

Thank you.

Operator

Thank you. Ladies and gentlemen, this does conclude your 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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