

Agnico Eagle Mines Limited**Third Quarter 2021 Results Conference Call**

Event Date/Time: October 28, 2021 — 11:00 a.m. E.T.

Length: 53 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Sean Boyd

Agnico Eagle Mines Limited — Vice-Chairman and Chief Executive Officer

Dominique Girard

Agnico Eagle Mines Limited — Senior Vice President, Operations — Canada and Europe

Guy Gosselin

Agnico Eagle Mines Limited — Senior Vice President, Exploration

CONFERENCE CALL PARTICIPANTS

Tyler Langton

J.P. Morgan — Analyst

Fahad Tariq

Credit Suisse — Analyst

Ralph Profiti

Eight Capital — Analyst

John Tumazos

John Tumazos Very Independent Research — Analyst

Michael Jalonon

Bank of America — Analyst

Tanya Jakusconeck

Scotiabank — Analyst

PRESENTATION

Operator

At this time, I would like to welcome everyone to the Agnico Eagle Third Quarter 2021 Results Conference Call.

Mr. Boyd, you may now begin your conference.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, Operator, and good morning, everyone, and thank you for joining us for our third quarter 2021 conference call.

Just to take note of the fact that this presentation will include certain forward-looking statements.

Just like to start off with a summary and a bit of an overview. Very strong quarter from a production perspective, a cost perspective, from a cash generation perspective as well. We had record quarterly production, as expected, in the third quarter, producing over 520,000 ounces excluding production from the Hope Bay mine. A big part of this performance was really driven by the performance of our Abitibi mines and our Meliadine mine.

If you look at the Abitibi platform, Goldex, Canadian Malartic, and LaRonde, those three mines collectively produced, in the quarter, 222,000 ounces of gold, total cash cost below \$600 an ounce.

If you look at Meliadine, we'll get into that in a minute, had a record quarter from a production standpoint, producing about 97,000 ounces of gold at total cash cost of \$634, so really strong performance from that base, producing almost two-thirds of the production ounces for the Company in the quarter.

As a result of the strong production and cost performance in the quarter, we've maintained our 2021 guidance. We did provide commentary in the press release on cost inflation. As we said in the press release, we're seeing cost inflation on consumables and supplies in the order of about 5 percent to 7 percent going into next year. That's roughly half of our cost structure. The other half would be largely labour, and our labour expected increase would be less than what we're seeing in our consumables and our reagents, so we're not seeing any abnormal pressure on the wage side, and we thought it was important to give you our sense. We did update you last quarter, and we wanted to give you what we're seeing in the current environment.

Also of note, as you know, on September 28, a month ago, both Agnico and Kirkland Lake announced a merger of equals that would combine and create the best-in-class gold company operating in pro-mining jurisdictions, unlocking significant synergies, so this is really a transaction to unlock value amounting to about \$2 billion over 10 years. This is basically done to take advantage of what is really a regional consolidation opportunity which drives a lot of those synergies, and as we've said before, when you look at from Detour down to Kirkland Lake across the Val-d'Or, that relatively small geographical footprint, the combined Company will produce annually almost two million ounces of gold with a combined reserve and resource of almost 70 million ounces.

If you look at the combined Canadian production from this Company, as we've said before, over 2.5 million ounces, with the potential to get to about three million ounces, so this is the major building block of this Company going forward, not only unlocking value through synergies, but creating the highest-quality platform for creating additional value going forward.

We continue to work with our partners at Kirkland Lake Gold, continue to discuss and plan for a successful integration of the two businesses, making good progress. We've been asked about the combination of these two businesses. Well, as we've said in the past and said on September 28, I think the magic of this combination is the fact that we're taking two high-quality businesses, one with nine mines, one with three mines, and Kirkland, two of their three mines are on the same rough geological belt as our business in Quebec, and we do have development projects in Ontario, so from an integration standpoint, from a manageability standpoint, from a cultural standpoint, these line up extremely well, and we're highly confident that we'll have a successful integration of these two high-quality businesses.

A big part of our story has been the exploration success over our long history; but more recently, over the last year or so, we're seeing significant exploration results at many of our largest cash flow generators and our largest producers, including at three of our largest gold mines, and we'll talk about that as well. As you've heard us say before, this is the largest exploration budget in the history of Agnico, around \$160 million, and I think it's important to note that Kirkland Lake Gold actually spends more than we do, and so when you think about that combination again, it will be a company that actually has the best upside potential in terms of adding value through the drill bit, and that will be a core part of the strategy, given that it's been a core part of the strategy and a big part of the success of both companies individually over the last couple of years.

We'll have a more detailed update of the exploration story of Agnico on November 2, and so we're still compiling that information around this, but some of the highlights were included in our press release.

LaRonde continues to be a major focus for exploration even after being in production for over 30 years, because we do have a lot of undrilled ground to the west of LaRonde on the old Barrick Bousquet property. That's going to require access to drill, so we're extending three exploration drifts into the LZED5 (phon) property, the former Bousquet property. That will be a big part of the exploration story over the next two to three years, and we also continue to see good promise to the east of the mine, and we put in a recent drill hole that was encountered on the 20 North Zinc South Zone, and the NSRs of these intersections are several hundreds of dollars, so highly-valued rock in the lower part of the mine, which is not inconsistent with what we've seen over the 30-year history of this mine where we've seen polymetallic zones that run high NSR values, so we're going to also, as well as the focus on the west part of LaRonde, also focus on the east part of LaRonde.

At Meliadine, we continue to drill that deposit as we go deeper, continue to encounter higher grade over meaningful widths, which is important and again reinforcing the concept that we first understood very early on as we were looking at this opportunity; and after we bought it, doing a bulk sample, we found that that bulk sample returned more gold than was indicated in the block model, so we continue to see a lot of visible gold in the drill holes, suggesting that this deposit not only continues and gets bigger, it's also retaining its high-quality nature in terms of grade, and we'll get to in a minute, and you can see that that translates into higher production and very good cash generation coming out of Meliadine.

At Amaruq, as you know, that's a focus for us. In the region of the Amaruq deposit, we continue to drill largely to the west. We're drilling also between Whale Tail and IVR, but of note in the quarter was in the Mammoth area. That's about 600 metres west of the Whale Tail pit. We're encountering good thicknesses, decent grades within 250 metres of surface, so it's early but potentially significant, and that'll be a focus as we move into next year to continue to follow up our drilling in that area, because that's what we're looking for: near-surface mineralization close to our existing infrastructure.

The Odyssey Project continues to have tremendous potential. We continue to get—as we drill the core of East Gouldie, as Guy Gosselin has said many times, it's very consistent, very tabular, almost like LaRonde. When you drill a hole within the envelope or within the outline, you're hitting gold very consistent, and the excitement is really what do we see as we move to the east in that favourable geological pattern, and what we've seen as we've drilled in between that wide step-out that we talked about over the last few months is we continue to see the potential to maybe add additional zones in that gap; again, early, but it's a real focus for exploration at Canadian Malartic.

In Upper Beaver, we're seeing the potential to add additional mineralization as we drill deeper: high gold grades, very good copper grades over very good thicknesses, and a potential new zone, so we're focused on that as we move forward, and that will be an important part of extracting additional value out of the combination of Agnico and Kirkland, because of the proximity of Upper Beaver to Kirkland's Macassa mine, and in addition to that, we've got a sizeable resource right on the boundary in the AK Zone, which is easily accessible with a tunnel drift from the Macassa operation, so we'll be able to provide more clarity on that as we move through the next couple of months.

On ESG, we continue to rank very high in ESG ratings. It's a focus for us. It will be a focus in the combined Company as we put those two businesses together. We see lots of opportunities, particularly in communities, particularly on renewable energy in the combined Company, so that'll be an important focus. The highlight in the quarter was really the reintegration of the Nunavummiut workforce in Nunavut, both at Meliadine and Meadowbank. We've been able to do that successfully. We're happy to have them back. We missed them while they were away, and that's an important step in building the business and building the platform in Nunavut.

On climate change, we announced recently our commitment to zero by 2050 and also recently committed to implement the Task Force on Climate Related Financial Disclosure. We talked about that at our Health and Safety Committee yesterday and at the Board level, so that's a primary focus, and our Mexican mines continue to win awards in terms of safety and corporate and social responsibility, so that was a big highlight in the quarter.

I'll spend a little time on the next page, mostly just to go down some of our assets and talk about some of the highlights, and I'll just use this page as a bit of a guide and a reference.

Before getting into the individual mines, just want to highlight the strong operating margin in the quarter coming off of that record production, and really particularly from the big three mines, looking at LaRonde, continues to be our biggest cash flow generator, almost \$150 million of operating margin in the quarter; Canadian Malartic at \$93 million; and Meliadine sort of entering into that group of the big three mines with record production, but also strong cash flow generation at \$85 million, so that cash flow is a significant part of our overall cash margin in the quarter of over \$500 million.

Just starting with LaRonde, a very strong quarter. We had very good grades in the West mine. We set a new quarterly tonnage record at LZ5, which is important in terms of continuing to optimize that asset. A lot of that productivity comes from using automated equipment where we continue to be well advanced there with Sandvik, and Sandvik will acknowledge that LaRonde's one of the mines that they deal with, which is further ahead than most mines in terms of integrating and utilizing automated equipment. Our Board was just at site this week at Goldex, at Canadian Malartic, at LaRonde and were able to see some of that automation in progress.

Continue to focus on exploration, as we said, as we move to the west, and really, what we're looking at is as part of the full potential exercise here, LaRonde's strong production, we think, will be bolstered going forward in an ability to extend the mine life as we drill out both the western and eastern side of that deposit and that trend, so good performance there at LaRonde.

At Canadian Malartic, again, record quarterly tonnage mined and record quarterly tonnage milled in the quarter, resulting in strong gold production and very good cash generation. The focus continues to be on optimizing the Odyssey Project. We got to see the new concrete head frame. I think it's complete in terms of the form. It's up about 97 metres, so an extremely big head frame to match the big underground opportunity that exists there, and you need the big head frame if this is going to become, which it is, the largest underground gold mine in the country in Canada as we build it out, but as we said, the focus is we're on target in terms of development there, on budget in terms of development, but the focus is also on exploration and how big is that structure and how do we integrate that into the mine plan and improving the economics of that project, which we believe we can continue as we look to optimize that project.

Kittilä, quarterly record in terms of mill feed and quarterly record gold production, so a lot of records in the quarter, which, I think, is a testament to the ability, once we've expanded some of these mines, now to focus on optimizing the assets until it's certainly one of those, although we're already working on the next phase of expansion at that mine. Continue to get good drill results there as we drill deeper. That deposit continues at depth, continues to be wide open. It's already a very large mine in terms of mine life, and again, another optimization opportunity and expansion opportunity there.

At Meadowbank, good production coming out of the Amaruq deposit, 90,000 ounces; in September, was over 30,000 ounces in September at 34,000 ounces. The focus now is really on optimization, really on cost reduction as we go forward. We need to get the cost down. We have a definite plan in terms of optimizing that asset as we move forward, but the key for us is to get the tonnage, get the long-haul truck performance, which we've been getting. That's allowed us to process good tonnage, which has resulted in good production going forward, so there's still work to do there. Our goal is to make it as high a quality mine as we have at Meliadine. It shows you that can be done in Nunavut; but as we move into the fourth quarter, we did have a one-week shutdown in early October, and that was really to do some tie-in work in the mill as we add a new circuit there to improve the recoveries in that plant, so with that one-week shutdown, we'll have lower production in the fourth quarter at Meadowbank.

I'll just finish with Meliadine on this page. As we said, record quarterly production of 97,000 ounces, hitting commercial production at the Tiriganiaq open pit in August. We're progressing on our Phase 2 expansion, which is important to continue to optimize this asset. We know from exploration that this asset will continue to grow. Had a successful searift. We discharged the saline water to the sea,

almost all completed at this point, and the NIRB has reviewed the permit application. The NIRB recommendation for the waterline project was positive, and we're just waiting for the approval from the Federal Government as they review the NIRB report. We expect to receive that before the end of this year.

So, just wrapping up here before we open it up for questions, just on financial highlights, normalized earnings of \$0.60; operating cash flow before working capital, a very strong result at \$1.69. Again, that's driven by the record production. Strong cash position, but we should note, post the merger announcement with Kirkland Lake, all of our rating agencies put Agnico Eagle on a positive ratings watch, so that's a positive sign on the merger from the rating agencies.

So, just in conclusion, a good, strong quarter; record production; very good cash generation; lots of good exploration results that we'll be able to spend more time on next week with a more fulsome release and another call to have Guy and his team go through them with those that are interested; and we're all focused now on getting to the vote November 26, so we ask those shareholders of both Kirkland and Agnico to get out and vote for the merger. We're excited about it. We look forward to the combined platform and working with our partners at Kirkland Lake to continue to deliver the type of value that both companies have delivered individually, to do it together in a lower-risk, higher-quality platform.

Thanks for your attention on that, and we'll be happy to take questions.

Operator.

Q & A

Operator

Your first question comes from Tyler Langton from J.P. Morgan. Please go ahead.

Tyler Langton — Analyst, J.P. Morgan

...my questions. Maybe just to start, I appreciate sort of the details on the inflationary pressures. Maybe, just can you talk a little bit about sort of the actions that you're taking to offset some of the pressures on consumables, and then just labour? And kind of, I guess, sort of with those efforts, I mean, is it something where sort of overall inflation might be up sort of in the low single-digit range when you kind of sort of lump everything together?

Dominique Girard — Senior Vice President, Operations – Canada and Europe, Agnico Eagle Mines Limited

Yes, I will answer that in maybe two. One is on the procurement, what we're looking, we call it the strategic sourcing. It's a lot about to—what we see in the crystal ball coming with the inflation and to do the timing of buying stocks and the quantity based on that. Again, this is a lot with—going with communication with externally and internally, but we have a good procurement team on top of it to secure the price. I will say, other than that, it's mainly all about productivity: how could we be better at the maintenance at the operation using automation to, at the end of the day, use less material.

Maybe on the workforce, we do every year negotiation with our employees. This is year after year, the same thing. We don't expect something very exceptional this year; might have a bit of pressure

higher, but this will not add to too much inflation on that part, so overall, it continue to improve what we do. We have plan in place on the cost side and on the workforce management, as well as the procurement strategy.

Tyler Langton — Analyst, J.P. Morgan

I mean, I guess the 5 percent to 7 percent increase in consumables, and then labour costs up less, are those sort of net of the efforts you're making, or is that something where those efforts could kind of sort of lead to lower costs?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Those are individual, so consumables going up, ballpark, 5 percent to 7 percent. Obviously, it's hard to predict. Labour, less than that. And then all those efforts that Dominique's talking about are going to work to offset as much of that as we possibly can.

Tyler Langton — Analyst, J.P. Morgan

Okay, that's helpful, and then just final question on your cost guidance for the year I guess to kind of hit sort of the higher end of the year, it looks like costs are coming down a little bit in Q4. Could you just, I guess, give us some details on what may be driving those lower costs in the quarter?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Well, as Dominique said, really it's mostly to do with mine sequencing and the grade that you're going to get. Within the year, that's the key driver. It's hard to make a big difference within a year, so usually, Tyler, within a year, it's just a function of where you are in the mine sequence.

Tyler Langton — Analyst, J.P. Morgan

Got it. Okay, perfect.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

But there has been pressure this year, no doubt about it.

Tyler Langton — Analyst, J.P. Morgan

Great. Thanks.

Operator

Your next question comes from Fahad Tariq from Credit Suisse. Please go ahead.

Fahad Tariq — Analyst, Credit Suisse

Hi. Good morning. Thanks for taking my question.

Just a follow-up on some of the things you're doing to mitigate, can you talk about once the merger is complete, will a larger platform in Canada help with some of the mitigation from an inflation perspective; maybe bigger purchases, a greater scale of procurement, etc.?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Absolutely. Absolutely it will. One of the big advantages of this merger of equals is the opportunity on the synergies, and let's be honest, most of the synergies will be operational and associated with a bigger footprint in a particular platform, so it does, of course, give you better purchasing power; it does, of course, give you better negotiating power; but it's more than that. It's also logistics, its warehousing, it's a number of things, and then, of course, above and beyond that, opportunities to share infrastructure, so absolutely, a bigger position in a region where you have more influence is a competitive advantage.

Fahad Tariq — Analyst, Credit Suisse

Okay, great, and my only other question, one of your competitors today that also has a large Canadian platform talked about absenteeism at mines because of COVID. Can you talk a little bit about are you seeing that in any of your mines, Hope Bay excluded, and maybe some of the measures you're taking to combat infections on site?

Dominique Girard — Senior Vice President, Operations – Canada and Europe, Agnico Eagle Mines Limited

Yes. No, we don't have significant absenteeism issue. Some action that we took for our employees and for the business is to have mandatory vaccination in Nunavut, which is, let's say, more sensitive with the camp occupation and the flight, so since October 15, everybody need to have one shot

to take the plane, and November 15, it's going to be two shot. So far, we have a good response, good cooperation with the employees, and there's no issue on that.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, one of the other things that we have noted as we've looked, there's no doubt that attracting skilled workers is getting harder. What we've been able to do and what our focus has been in the last little while is transitioning some of our higher-quality contract workforce into Agnico Eagle direct employment, and that's just to give them certainty, to give us more certainty, and to ensure that we maintain that skill level, and that ultimately gets reflected into productivity and cost, etc., so that's one of the things that we've done specifically to try to manage that situation.

Fahad Tariq — Analyst, Credit Suisse

Okay, great. Yes, that's helpful colour. Thank you.

Operator

Your next question comes from Ralph Profitì from Eight Capital. Please go ahead.

Ralph Profitì — Analyst, Eight Capital

Thanks for taking my questions.

Sean, I wanted to come back to this cost reduction at Meadowbank, because you put it in the context of Meliadine as the target. And just wondering, is the goal here to get that cash structure down

into that sort of \$700 an ounce range, or are you talking more sort of generic terms about productivity, maintenance, automation, and Meliadine as sort of the benchmark?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, I think that, as we've been saying over the last few quarters, this at Amaruq, as far as unit cost, is sequencing, and so the next couple of years sequencing in the pit, moving to higher grade a couple of years after that where that will lower the unit cost dramatically from what will be over the next couple of years, so part of that is sequencing, but part of that is just fitting the cost structure to the asset and to the mine and the opportunity.

One of the things that is different, clearly, at Amaruq versus Meliadine is Amaruq is lower-grade. Amaruq is also more remote relative to major infrastructure. Meliadine has the advantage of being closer to Rankin Inlet, so built in, Meliadine certainly has an advantage, so I think the concept that I was referring to is more in terms of the cash generation potential of Amaruq as a mine while we continue to explore for other assets is to ensure that we're generating maximum cash from that asset.

Unidentified Speaker

One thing to remember about Amaruq is it's a satellite deposit. It is a higher cash cost than Meliadine, but it's leveraging off existing infrastructure at Meadowbank, and our primary objective is to get the best return on capital, on our shareholders' capital, so that is something to keep in mind. It will be a structurally higher cost than Meliadine, but it'll be a very good mine because it had a lot less capital because it's using an existing mill.

Ralph Profiti — Analyst, Eight Capital

Yes, got it. Okay, my follow-up, Sean, is I do want to come back to the inflation mitigation, and presumably that means hedging, supply chain management, inventory, but I'm wondering about the interrelationship between some of the hedging strategy and the currency hedging strategy. Are those independent of each other? Because in this cycle, we have rising fuel prices, but we also do not have the Canadian dollar rising at the same rate, which is actually coming in as a net benefit, so how's Agnico thinking about hedging raw materials versus hedging currency?

Unidentified Speaker

Well, we don't have any hedges on raw materials beyond fuel. Of course, we do diesel. We do currency as well, and I don't think our strategy is particularly changing on how we hedge those things. They're fairly independent of what's going on. At any given moment, we look at the sentiment in the market where we think things are going, and that could cause us to do larger or smaller quantities of hedging at any given moment; but basically, what we're trying to do is to make sure that we deliver better than budget levels to try and make sure that we can do what we said we were going to do in our February guidance annually. That's really the line in the sand and governs how we hedge. The when is, quite honestly, very opportunistic, and over the years, it's worked out; but as you well know, past performance does not guarantee future success, but no change to the strategy overall. I think we'll still get our opportunities, because volatility seems to be existing still, and I don't think it's going to go away, so we kind of feed off the volatility.

Ralph Profiti — Analyst, Eight Capital

Got it. Understood. Thanks for that.

Operator

Your next question comes from John Tumazos from John Tumazos' Very Independent Research.

Please go ahead.

John Tumazos — Analyst, John Tumazos Very Independent Research

Good morning. Good morning. Congratulations on all the good things.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you, John.

John Tumazos — Analyst, John Tumazos Very Independent Research

Usually when large companies merge exploration, they fire half of the geologists or something like that. My sense is that your team and the Kirkland team are going to be very smart and not do that. Maybe you're going to eliminate administrative duplication and get more drilling for the same money or something smart like that. I hired a fellow, Bill (phon), that was with Santa Fe that was let go when Newmont bought Santa Fe, and I know juniors that are hiring Newmont people from the Barrick/Newmont consolidation. I'm sure that you've thought this through meticulously, because that's an important part of the company.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, that's a big part, good point, John. That's a big part of the historical value creation of both companies is that Agnico has been around, as you know, for a long time, and we've generally just followed geological potential and found our way into Finland and Mexico and throughout the Abitibi Belt and in Nunavut. Kirkland, as everybody knows, has created a lot of value based on making geological assessments that others were also making, and they come up with a different view, and through determined drilling and focused drilling and fairly aggressive budgets, created a lot of value, so that won't change.

Actually, we see this as a big differentiator between Barrick/Newmont and the new Agnico; would be not just the focus on exploration, but the ability to actually add value through exploration, and it's because if you look at a combined asset basis, a lot of the exploration news is coming at some of our biggest assets with the biggest NAVs, the biggest production, the biggest cash flow generation, and that gives us an opportunity to turn that into brownfield development opportunities, which creates value sooner, and I think we also are making the assumption, which I think it is fair, is that, certainly, we know from Agnico's perspective, the market has tended to pay us earlier than most when we have exploration success. I would suggest that's probably the same with Kirkland, so this'll be a big part of the focus, and geologists will be important.

I think the constraint will be as we look at combining two big budgets, it's the constraint that everybody's feeling right now is to get quality drillers and quality drills, so in that context, we'll have to make sure that we get the best drills and the best drillers at the right projects that are going to drive the most value. That'll really be the exercise.

I don't know if Guy has anything to add there.

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

No, I think you nailed it down, Sean. I think that there's a lot of complementary of the land package, both driven by obvious near-term potential to grow around Detour, a lot of synergies potential in Kirkland Lake. Obviously, we'll need to wrap our head around how do we realign priorities after, but certainly no change in the big game plan to create a lot of value around existing operation.

John Tumazos — Analyst, John Tumazos Very Independent Research

Could I ask a follow-up on Hope Bay now that you've had it almost a year?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes.

John Tumazos — Analyst, John Tumazos Very Independent Research

I know the costs are a little high and it's not consolidated with the—it's not described with the continuing operations, but you probably know more now than you did at the beginning.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, maybe Guy can start and then Dominique will sort of roll into some of the thinking, because the thinking now will be driven off of what Guy finds from the drill. This is a large exploration play, and then what Guy is able to determine in terms of upside and potential will flow into how Dominique and

his team look at what we need from a processing standpoint and where that processing capacity should be on that large land package.

Guy, maybe you could start.

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

I think, from an exploration standpoint, to start with, we certainly confirm what we thought, meaning that all of the zone at Doris remains open, both the BTM that is currently being mined in the central area, West Valley, we're confirming that we can extend those zones.

We've also resumed drilling more aggressively on the Madrid, confirming that we can identify additional parallel zone or extension of the known zone and the deposit to the north, so lots of positive results from that standpoint, so confirming that we'll be able to significantly grow the resources, and more importantly, I think, worth taking a step back, nothing wrong about what's been done over the last five years, but we're mostly focused at putting the mine into production, and we can now take a look back at what was done previously in the time of Newmont at bigger scale, at property scale, go back into the bigger, large land position in the Belt, all of the huge amount of dataset that were collected at the time and really look at the entire land package as a whole and reinitiate exploration at property scale

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

And maybe...

John Tumazos — Analyst, John Tumazos Very Independent Research

How long do you think it'll take before you know whether it's part of the long-term team or not? Is this a four-year effort, or one-year effort, or—excuse me for interjecting, Sean.

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

Well maybe, starting with, again, at Madrid, which we know we can extend Doris, but the bigger prize is at Madrid where the core—that's currently the centre of gravity, so we'll certainly need, as you mentioned, a couple of years. How many? Is it one, is it two? We certainly want to ramp up drilling the sooner the better that we can make our mind about the centre of gravity, grow the deposit at Madrid, put our head around Boston (phon), and we certainly want to do it right, and we know we can continue to grow, so it's all about defining the centre of gravity, the best thing.

Maybe I can hand over Dominique on that.

Dominique Girard — Senior Vice President, Operations – Canada and Europe, Agnico Eagle Mines Limited

Yes, John, back to your question, what's new since we're there, other than the geologists that they are more and more excited with what we saw. At the mill, the team did good work to do some improvement, and we're currently doing a trade-off. Should we look to extend/expand that mill to bring it to higher throughput while minimizing the capital, or should we just go to a bigger mill? When we started and when the first visit I did there with Ammar, Martine (phon), my first visit to the mill was not very positive; but now, the team are improving it gradually, so that's the trade-off. It's ongoing, and that's going to be compared to—should we redo a new mill maybe at Madrid, this is still study on-going.

The huge geology (inaudible) potential is just a question of time. What is exactly that timing, that's going to depend on the results.

John Tumazos — Analyst, John Tumazos Very Independent Research

Merci beaucoup. Bonne chance.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Thank you.

Operator

Your next question comes from Mike Jalonon from Bank of America. Please go ahead.

Michael Jalonon — Analyst, Bank of America

Hi, Sean.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Hi, Mike.

Michael Jalonon — Analyst, Bank of America

Just had a question. You've been discussing with Kirkland Lake how to plan for a successful integration, and I just keep thinking about Upper Beaver, Upper Canada, those projects, I mean, 19 kilometres from Macassa mill, and I know there's copper at Upper Beaver. But is there any thought there

putting a copper circuit in Macassa? That way you don't have to build a mill, a tailings empanelment, nothing, and that could speed that thing into production. To me, that's a huge synergy that's not really being talked about much. Thanks.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes, that's certainly part of the discussions and was also a big part of the thinking as we were doing sort of reciprocal due diligence, and that was the one connection which was probably one of the things that started the discussions a couple of years ago is we were thinking about Upper Beaver, what we were going to do there. As we continued to get good results, it was clear that Upper Beaver was a mine and was going to be an attractive mine with low unit costs once it got built. The question was when to build it, what to actually build, and so that was one of the things that was driving our desire to talk to Kirkland about these types of opportunities.

The other thing that accelerated some of that thinking in the camp is the fact that Guy and his team were drilling on the boundary of our property package and Kirkland Lake, and started to grow a deposit called the AK deposit, which is about, at this point, I think about 700,000 ounces, 680,000 or something like that, and that project, as we looked at it, was certainly much better from a return perspective and risk perspective and low CAPEX by extending a drift from the Macassa property to access and mine that, so that's part of the synergies as well, so we also have that whole sort of concept of how do we process it, where do we process it, what should be done at the Macassa mill. That stuff is ongoing now in terms of even looking at taking samples of ore and doing tests on some ideas that the teams have, so we're looking at that inside out.

They also have the Holt processing facility. We're not sure whether that fits, but we're looking at this as a collection of assets in the area, and I think this just sort of reinforces this concept of regional consolidation. That's how we've approached this. This wouldn't have been announced, we wouldn't have done this if this didn't provide the synergy and optimization benefits from the regional proximity of these assets to be able to move collective skills around and to take advantage of physical infrastructure but also to ramp up exploration.

We know that Kirkland's had some good results on the Amalgamated Break. We have the Upper Canada property, which we don't talk much about, so there's lots of opportunities here that our collective teams are working through and will be thinking more on as we move through the next several weeks and into next year, and we'll be able to provide a lot more colour on that early in the new year as we get more clarity on some of these slots, but that work is ongoing and was ongoing even during the due diligence.

Michael Jalonen — Analyst, Bank of America

How long would this drift have to be? Is that until you caught up with the AK Zone?

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Guy, maybe you can sort of update Mike.

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

Yes, exactly. The AK currently sits within 300 metres from the property boundary from the shallow (phon) infrastructure and the ramp that Kirkland Lake already have on their (inaudible) resources at Macassa, so all of that could quickly be connected and make that surface zone at Macassa along with the AK as an interesting supplemental source of ore to maximize the processing facility at Macassa and provide flexibility for the operation.

Michael Jalonen — Analyst, Bank of America

Doesn't Agnico also own some of the old mines to the east of Macassa?

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

Yes, also on the Tolburn (phon) and the rest of the Break to the east, so you're right, we'll, at the same time, consolidate the entire... They already control—Kirkland currently control already three-quarter of the whole Break. We were already sitting on that Tolburn and Glencorag (phon) to the extreme east, so all of that former main Break at Kirkland Lake will all be now part of one entity, which removing all of those property boundary constraints will create a lot of opportunity moving forward.

Michael Jalonen — Analyst, Bank of America

Okay, great. Thanks. Look forward to seeing how it shakes out.

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

Thank you.

Operator

Your next question comes from Tanya Jakusconek. Please go ahead.

Tanya Jakusconek — Analyst, Scotiabank

Hi. Good morning, everyone. Thank you for taking my questions. Wanted to ask Dominique and Guy some questions, if I could.

Dominique, can we go back to the Meadowbank Complex? I just want to have a better understanding of what's happening in the pit at Amaruq. I understand about the rain and it gets really sticky down there, but just want to understand what exactly has happened to change your mining sequence. And we've got into these lower grades and more dilution, so what are we doing to get back to the higher grade, and what are we doing to improve dilution? Thank you.

Dominique Girard — Senior Vice President, Operations – Canada and Europe, Agnico Eagle Mines Limited

Yes, maybe I could start back with the rain challenges. We get more rain than planned. In fact, by September, it was more rain that we received the entire 2019, and 2019 was an exceptional year. What's happening is, as we're drilling into the permafrost, when there is rain and your hole fills with water, it's freezing, so you need to do the hot (phon) loading to be able to avoid that you have issues, so that creates challenges, and during—it was more July and August where we had drill and blast challenges, plus in addition of that, some drillers that had difficulty to stop at the time, and we had the decrease of the inventory, broken inventory, so we were not able to deploy the shovels and the trucks

to move the tonnes, but this is back on track now. The inventory is 1.5 million tonnes since the end of September, so this is behind us.

The other, also, aspect, as we talked the last quarter, we had some wall stability challenge that we're looking for. The team are still working on how we're going to mitigate that, so that postponed some higher-grade material, but that material is going to be back, so this is, let's say, (inaudible) with the operation. On the good side, maintenance are bidding record availability; this is a very good news. Long-haul trucks are also doing their target.

This is also very good news, and on the grade side, I will let Guy to talk about the dilution that it's happening a bit.

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

Yes, so over, I'd say, the last couple of years, since the start-up basically, as we are narrowing down the drill spacing and some portion of the deposit, while in some area, we were pleasantly surprised in the Whale Tail where grade was better than expected, but in some other area, there is some more complex folding pattern at what was encountered with the larger drill spacing, but overall, the ounces are there, and we see, unfortunately, that in some area, while we need to mine water, and currently, there's a team on site that look at, okay, even with that more complex folding pattern in some portion of the pit, how can we get rid out of that additional internal dilution that we have to integrate, because, bottom line, we see that the ounces are there.

We just need, actually, in some of those more complex portion, to take more external and internal dilution when mining those, which impacts the costs, obviously, because we are integrating a little bit more dilution, but there is a team currently working on it to see how we can improve moving forward, but in some portion of Whale Tail, we were pleasantly surprised, for example, in September, where we got our good production month, because the grade was higher than expected.

Tanya Jakusconek — Analyst, Scotiabank

Okay, so are you comfortable with your dilution factor that you've incorporated into your reserves or mine plan right now?

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

Well, we've run multiple assumptions over the last year-and-a-half, and at year-end this year, what you'll see in the reserve will be that adjustment with all of that being factored, but I would say, bottom line, ounces are the same. We may see some portion that will add some more internal dilution.

Tanya Jakusconek — Analyst, Scotiabank

Okay, and maybe, Guy, that I have you on, it's good to see some exploration results coming out of Amaruq, because we're trying to extend the open-pit mine life. I know you're going to have a detailed review with us on November 2, but can you talk a little bit about what you're finding and how you see this open-pit mine life extending?

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

We're looking at all sorts of opportunity, as you are alluding to, because we are looking at ways could we optimize the ultimate pit at Whale Tail, look at that was left open in the Mammoth area where we're getting results. We're also looking at all of the residual inventory as well that were left behind around Vault and Portage, so there's an intense effort currently being put that's looking. Obviously, in order to continue on the ground, we would benefit from other source of open pit, and we're actively working on it at, on all aspect; (inaudible), all residual mineral inventory at any of the previous pits, and also at camp scale, at larger properties scale with regional exploration at generating new drill target, and we've been getting some narrow but good grade to the west that we'll talk about next week, but still, it's always we're facing the pressure is always on exploration to find new pits and find new resources, and the team is good at it, and I trust that we'll be successful.

Tanya Jakusconek — Analyst, Scotiabank

On Meliadine, again, the drilling that you put out yesterday continues to show really good grades, and you've been capping at that deposit. What do you need to see before you think that your capping factor is too conservative? What do we need to—when do you change it?

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

Well, it's an ongoing effort, and it's not unlike what we were having at LaRonde and what we did at LaRonde as well. Same thing is happening at Meliadine. We knew for a fact, as Sean alluded to previously, when we did the bulk sample, the only way we can get to the ounces we got in the bulk sample was by not putting any capping. Obviously, when you're a QP (phon), you look at the rule of

thumb, the way you do it, you need to put a reasonable capping, but as you're processing and as you're reconciling over several quarter, then you can relax.

You're capping, which we've been addressing. In some zone, when we get enough experience, we're increasing the CAPEX just as the ongoing exercise of reconciliation between the mill and the model, but currently, we're pleasantly surprised, because the additional ounces we're getting are a lot due to the fact that we're getting more gold than the model is currently predicting, so we're working on it. On some deposit, it is slightly more challenging. On some other, we're seeing some plus.

Tanya Jakuscone — Analyst, Scotiabank

Thank you.

Operator

There are no further questions at this time. Please proceed.

Sean Boyd — Vice-Chairman and Chief Executive Officer, Agnico Eagle Mines Limited

Yes. Thank you, Operator, and thank you, everyone, for your attention. Thank you for the questions and interest, and as we noted, please watch for the exploration update release on November 2, and I believe there's a call we've set up there, so if you need details on that, please reach out to the IR Department.

On November 3, look for the circular for the merger of Agnico Eagle and Kirkland. That's out, as we said, on November 1, so our in-house counsel just held up one finger. It's November 1. It wasn't the

finger you think. It was the index finger, so we're still all good, and we look forward to your vote to approve what we're very excited about, which is the combination of Agnico Eagle and Kirkland Lake, so thanks again.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.