

PALOS

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Weekly Commentary

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Agnico Eagle Mines: A Canadian Mine Builder

Agnico Eagle Mines Limited (TSX/NYSE: AEM) is a senior Canadian gold mining company with operations in four countries: Canada, Mexico, Finland and Australia. In addition, AEM has a pipeline of future projects in the United States and Columbia. Founded in 1957, Agnico Eagle is recognized for its leading environmental and social governance achievements. The company's management is proud of its stated commitment to maintain the highest level of community involvement, worker health and safety, and care for the environment.

The company is led by President & Chief Executive Officer (CEO) Mr. Ammar Al-Joundi who possesses over twenty years of experience in the mining industry, banking and capital markets. Mr. Sean Boyd (Executive Chair), formerly CEO from 1998-2022, joined AEM in 1985 and has held the positions of Chief Financial Officer (1990 to 1998) and Comptroller (1985 to 1990). Mr. Boyd is recognized industry wide for his professional achievements and community involvement.

On September 20, Agnico Eagle presented at the Denver Gold Forum (Americas), an annual invitation only event that showcases over eighty percent of the world's publicly traded gold and silver mining companies. Mr. Al-Joundi presented on behalf of AEM, highlighting how management believes AEM is differentiated from its peers and how the company's strategy and objectives have remained consistent through its history. Agnico "has maintained the same strategy since 1957". Our mission remains to build a "high quality, low-risk business" that generates "superior returns for our shareholders" in a manner that prioritizes social responsibility, the environment and respect for the communities where AEM builds and operates its mines.

On September 20, Agnico announced a 50/50 joint venture (JV) with Canadian senior mining company **Teck Resources (TSX/NYSE: TECK)**. According to the terms of the JV, AEM will join forces with TECK on the **Minas de San Nicolas (MSN)** project located in Zacatecas, Mexico. The project, previously 100% owned by TECK, is viewed as one of the most valuable mining assets in Mexico with proven and probable reserves that are high in copper and zinc. The project also contains deposits of gold and silver. The cost of the JV will be US\$ 580 million with half (US\$290 million) being used to acquire the 50% interest in MSN and the remainder used for project development. Development funding will be allocated as the project advances and is expected to be in the range of US\$50 million over the first two years.

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While copper and zinc will diverge from AEM's traditional focus on gold, the company's foray into copper mining will diversify the portfolio. Macro trends are implying that demand for copper could grow substantially in coming decades given its importance to the electric vehicle and renewable energy industries. At year-end 2022, AEM's balance sheet had around US\$ 1 billion in cash and ample credit availability for financing the project. Following a feasibility study and a final investment decision by 2024, production at MSN could begin in 2026. With an estimated 15-year life of mine (LOM) and using current metals pricing projections, the mine could generate full payback within three years.

Agnico Eagle has a rich history of creating value for its shareholders. The company has grown from a single Canadian mine in 2005 to over 11 mines in five jurisdictions today and has robust potential in its project pipeline and current mine expansion potential. Notable is the fact that AEM operates in countries that are characterized as "mining friendly" and geopolitically safe. Management is highly experienced in mine permitting, has operational expertise and has an excellent reputation for engaging with governments and communities where they operate. The recent merger with Canadian miner Kirkland Lake has firmly established AEM as the kings of the Abitibi region. Leveraging the Kirkland Lake infrastructure assets is beneficial to mitigating rising operating costs during the current inflationary cycle. AEM has been paying dividends since 1983 with the payout increasing fifty-fold during this time. Excess capital is anticipated to be used for share buybacks as well as management believes its shares are currently undervalued.

We believe Agnico Eagle has earned its position as one of the best mining companies in the world. Jurisdictional safety, management experience, operational expertise and a high-quality resource portfolio offer clear risk reducing advantages. The Palos Equity Income Fund, the **Palos Income Fund LP** and the **Palos-Mitchell Alpha Fund** are currently invested in Agnico Eagle Mines.

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Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$7.79	-15.07%
Palos Equity Income Fund - RRSP	PAL101	\$6.14	-14.29%
Palos Merchant Fund L.P. (Dec 31, 2021) ²	PAL500	\$1.16	24.67%
Palos WP Growth Fund - RRSP	PAL213	\$12.54	-33.50%
Palos-Mitchell Alpha Fund ³	PAL300	\$7.64	-25.67%
S&P TSX Composite (Total Return with dividends reinvested)			-11.07%
S&P 500 (Total Return with dividends reinvested)			-23.88%
S&P TSX Venture (Total Return with dividends reinvested)			-36.68%
Chart 2: Market Data ¹			Value
US Government 10-Year			3.83%
Canadian Government 10-Year			3.17%
Crude Oil Spot			US \$79.49
Gold Spot			US \$1,662.40
US Gov't10-Year/Moody BAA Corp. Spread			224 bps
USD/CAD Exchange Rate Spot			US \$0.7231

¹ Period ending September 30th, 2022. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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