

AGNICO EAGLE MINES LTD

FORM 6-K (Report of Foreign Issuer)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of March, 2012

Commission File Number 001-13422

Agnico-Eagle Mines Limited

(Translation of registrant's name into English)

145 King Street East, Suite 400, Toronto, Ontario M5C 2Y7

(Address of Principal Executive Offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes

No

(If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82-)

EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit Description</u>
99.1	Agnico-Eagle Mines Limited's Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular dated March 12, 2012
99.2	Agnico-Eagle Mines Limited's Management's Discussion and Analysis
99.3	Agnico-Eagle Mines Limited's Annual Audited Consolidated Financial Statements

Exhibit Numbers 99.1, 99.2 and 99.3 submitted with this Form 6-K are hereby incorporated into Agnico-Eagle Mines Limited's registration statement on Form S-8 (SEC Reg. No. 333-152004).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGNICO-EAGLE MINES LIMITED

Date: March 28, 2012

By: R. Gregory Laing
Title: General Counsel, Senior Vice President Legal, and Corporate Secretary

QuickLinks

[EXHIBITS](#)
[SIGNATURE](#)



**Notice of Annual and Special Meeting
of Shareholders
Friday, April 27, 2012
Management Proxy Circular**

AGNICO-EAGLE MINES LIMITED

Suite 400
145 King Street East
Toronto, Ontario
M5C 2Y7

NOTICE OF 2012 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Date: Friday, April 27, 2012

Time: 11:00 a.m. (Toronto time)

Place: The Harbour Ballroom, Westin Harbour Castle, 1 Harbour Square, Toronto, Ontario

- Business of the Meeting:**
1. Receipt of the financial statements of Agnico-Eagle Mines Limited ("Agnico-Eagle") for the year ended December 31, 2011 and the auditors' report on the statements;
 2. Election of directors;
 3. Appointment of auditors;
 4. Consideration of and, if deemed advisable, the passing of an ordinary resolution approving amendments to Agnico-Eagle's Stock Option Plan;
 5. Consideration of and, if deemed advisable, the passing of a non-binding, advisory resolution accepting Agnico-Eagle's approach to executive compensation; and
 6. Consideration of any other business which may be properly brought before the Annual and Special Meeting of Shareholders.

By order of the Board of Directors



R. GREGORY LAING
General Counsel, Senior Vice-President, Legal
and Corporate Secretary
March 12, 2012

To be effective at the meeting, proxies must be deposited with Computershare Trust Company of Canada no later than 48 hours prior to the commencement of the meeting.

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is provided in connection with the solicitation by the management of Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") of proxies for use at the Annual and Special Meeting of Shareholders. Unless otherwise stated, all information in this Circular is given as of March 12, 2012 and all dollar amounts are stated in Canadian dollars.

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1: VOTING INFORMATION	2
SECTION 2: BUSINESS OF THE MEETING	4
Election of Directors	4
Compensation of Directors and Other Information	13
Appointment of Auditors	17
Financial Statements	18
Amendments to Stock Option Plan	18
Advisory Vote on Approach to Executive Compensation	19
SECTION 3: COMPENSATION AND OTHER INFORMATION	20
Compensation Discussion & Analysis	20
Performance Graph	29
Compensation of Officers	29
Indebtedness of Directors, Executive Officers and Senior Officers	37
Additional Items	37
APPENDIX A: STATEMENT OF CORPORATE GOVERNANCE PRACTICES	A-1
APPENDIX B: STOCK OPTION PLAN RESOLUTION	B-1
APPENDIX C: ADVISORY RESOLUTION ON APPROACH TO EXECUTIVE COMPENSATION	C-1
APPENDIX D: AMENDED AND RESTATED EMPLOYEE STOCK OPTION PLAN	D-1

SECTION 1: VOTING INFORMATION

Who is soliciting my proxy?

The management of Agnico-Eagle is soliciting your proxy for use at the Annual and Special Meeting of Shareholders.

What will I be voting on?

You will be voting on:

- the election of directors (page 4);
- the appointment of Ernst & Young LLP as the Company's auditors (page 17);
- amendments to Agnico-Eagle's Stock Option Plan (the "Stock Option Plan") (page 18);
- a non-binding, advisory basis, as to whether to accept Agnico-Eagle's approach to executive compensation (page 19); and
- other business brought before the meeting if any other matter is put to a vote.

What else will happen at the meeting?

The financial statements for the year ended December 31, 2011 together with the auditors' report on these statements will be presented at the meeting.

How will these matters be decided at the meeting?

A majority of votes cast, by proxy or in person, will constitute approval of each of the matters specified in this Circular.

How many votes do I have?

You will have one vote for each common share of the Company you own at the close of business on March 12, 2012, the record date for the meeting. To vote shares that you acquired after the record date, you must, no later than the commencement of the meeting:

- request that the Company add your name to the list of voters; and
- properly establish ownership of the common shares or produce properly endorsed share certificates evidencing that the common shares have been transferred.

How many shares are eligible to vote?

At the close of business on March 12, 2012 there were 170,928,545 common shares of the Company outstanding. Each common share held at that date entitles you to one vote. BlackRock, Inc. filed a report dated January 6, 2012 with securities regulators stating that it controls 18,161,284 (or approximately 10.63%) of Agnico-Eagle's common shares. To the knowledge of the directors and senior officers of the Company, no other person or corporation owns or exercises control or direction over 10% or more of the outstanding common shares.

How do I vote?

If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the meeting or by proxy, as explained below. If your shares are registered in the name of an intermediary, such as a bank, trust company, securities broker or other financial institution, please see the instructions below under the heading "How can a non-registered shareholder vote?"

Voting by proxy for registered shareholders

In addition to voting in person at the meeting, you may vote by mail by completing the form of proxy and returning it in the enclosed envelope to Computershare Trust Company of Canada (the "Depositary"). **You may**

also appoint a person (who need not be a shareholder), other than one of the directors or officers named in the proxy, to represent you at the meeting by inserting the person's name in the blank space provided in the proxy and returning the proxy to the Depositary no later than 48 hours prior to the commencement of the meeting.

You may also vote by phone or via the Internet. To vote by phone, in Canada and the United States only, call the toll-free number listed on the proxy from a touch tone phone. When prompted, enter your Holder Account Number and Proxy Access Number listed on the proxy and follow the voting instructions. To vote via the Internet, go to the website specified on the proxy and enter your Holder Account Number and Proxy Access Number listed on the proxy and follow the voting instructions on the screen. **If you vote by telephone or via the Internet, do not complete or return the proxy form.**

How will my proxy be voted?

On the form of proxy, you can indicate how you would like your proxyholder to vote your shares for any matter put to a vote at the meeting and on any ballot, and your shares will be voted accordingly. If you do not indicate how you want your shares to be voted, the persons named in the proxy intend to vote your shares in the following manner:

- (i) **for the election of management's nominees as directors;**
- (ii) **for the appointment of management's nominees, Ernst & Young LLP, as the auditors and the authorization of the directors to fix the remuneration of the auditors;**
- (iii) **for the proposed amendments to the Stock Option Plan;**
- (iv) **for the acceptance of Agnico-Eagle's approach to executive compensation; and**
- (v) **for management's proposals generally.**

What if I want to revoke my proxy?

You can revoke your proxy at any time prior to its use. You may revoke your proxy by requesting, or having your authorized attorney request, in writing to revoke your proxy. This request must be delivered to Agnico-Eagle's address (as listed in this Circular) before the last business day preceding the day of the meeting or to the Chairman of the meeting on the day of the meeting or any adjournment.

How are proxies solicited?

The solicitation of proxies will be primarily by mail; however, proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The cost of this solicitation will be paid by the Company.

How can a non-registered shareholder vote?

If your common shares are not registered in your name, they will be held by an intermediary such as a bank, trust company, securities broker or other financial institution. **Each intermediary has its own procedures that should be carefully followed by non-registered shareholders to ensure that their shares are voted at the meeting, including when and where the proxy or voting instruction form is to be delivered.** If you are a non-registered shareholder, you should have received this Circular, together with either (a) the voting instruction form from your intermediary to be completed and signed by you and returned to the intermediary in accordance with the instructions provided by the intermediary, or (b) a form of proxy, which has already been signed by the intermediary and is restricted as to the number of shares beneficially owned by you, to be completed by you and returned to the Depositary no later than 48 hours prior to the commencement of the meeting. To vote in person at the meeting, a non-registered shareholder should, in the case of a voting instruction form, follow the instructions set out on the voting instruction form and, in the case of a form of proxy, insert his or her name in the blank space provided and return the form of proxy to the Depositary no later than 48 hours prior to the commencement of the meeting.

SECTION 2: BUSINESS OF THE MEETING

Election of Directors

The articles of Agnico-Eagle provide for a minimum of five and a maximum of fifteen directors. By special resolution of the shareholders of Agnico-Eagle approved at the annual and special meeting of Agnico-Eagle held on June 27, 1996, the shareholders authorized the board of directors of the Company (the "Board of Directors" or the "Board") to determine the number of directors within the minimum and maximum. The number of directors to be elected is thirteen as determined by the Board of Directors by resolution passed on February 15, 2012. The names of the proposed nominees for election as directors are set out below. Each director will hold office until the next annual meeting of shareholders of Agnico-Eagle or until their successors are elected or appointed or the position is vacated.

The Board of Directors does not have a mandatory retirement policy for directors based solely on age. Due in part to the Company's practice of conducting annual evaluations of the Board of Directors, committees and individual directors, the Board of Directors approved and adopted a resignation policy primarily based on the directors' performance, commitment, skills and experience. As set out in greater detail under "Appendix A: Statement of Corporate Governance Practices — Assessment of Directors" below, each of the directors' performances will continue to be evaluated annually.

Majority Voting Policy

As part of its ongoing review of corporate governance practices, on February 20, 2008 the Board of Directors adopted a policy providing that in an uncontested election of directors, any nominee who receives a greater number of votes "withheld" than votes "for" will tender his or her resignation to the Chairman of the Board of Directors promptly following the shareholders' meeting. The Corporate Governance Committee will consider the offer of resignation and will make a recommendation to the Board of Directors on whether to accept it. In considering whether or not to accept the resignation, the Corporate Governance Committee will consider all factors deemed relevant by the members of such Committee. The Corporate Governance Committee will be expected to accept the resignation except in situations where the considerations would warrant the applicable director continuing to serve on the Board of Directors. The Board of Directors will make its final decision and announce it in a press release within 90 days following the shareholders' meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board of Directors or the Corporate Governance Committee at which the resignation is considered.

The persons named on the enclosed form of proxy intend to VOTE FOR the election of each of the proposed nominees whose names are set out below and who are all currently directors of Agnico-Eagle unless a shareholder has specified in his or her proxy that his or her common shares are to be withheld from voting for the election of a proposed nominee. The security ownership amounts presented in the table reflect ownership of common shares, options to purchase common shares ("Options") under the Stock Option Plan (as described below), warrants to purchase common shares ("Warrants") and Restricted Share Units ("RSUs") under the Restricted Share Unit Plan, as of March 12, 2012. The common share ownership amounts set out below do not include common shares underlying immediately exercisable Options, Warrants or RSUs.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS



Dr. Leanne M. Baker	Independent
Age: 59	Sebastopol, California
	Director since 2003

Dr. Baker is the President, Director and Chief Executive Officer of Sutter Gold Mining Inc. ("Sutter"), a gold company that is developing its Lincoln Project in California's Mother Lode. Sutter's shares trade on the TSX Venture Exchange and the OTCQX. Previously, Dr. Baker was employed by Salomon Smith Barney where she was one of the top-ranked mining sector equity analysts in the United States. Dr. Baker is a graduate of the Colorado School of Mines (M.S. and Ph.D. in mineral economics).

Value of At-Risk Investment ⁽¹⁾	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
\$297,670		
5,500 Common Shares	Board of Directors	9/11 (82%)
250 Warrants	Audit Committee (Chair)	5/6 (83%)
50,944 Options	Compensation Committee	2/2 (100%)
3,000 RSUs		
Has until August 24, 2013 (two years following the adoption of the new minimum Director shareholding policy) to meet Director shareholding requirement		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Corporate Finance and Mineral Economics	Sutter Gold Mining Inc.	—
	Reunion Gold Corporation	Audit Committee Compensation and Corporate Governance Committee
	McEwen Mining Inc.	Audit Committee
	Kimber Resources Inc.	Compensation Committee (Chair)



Douglas R. Beaumont, P. Eng.	Independent
Age: 79	Mississauga, Ontario
	Director since 1997

Mr. Beaumont , now retired, was most recently Senior Vice-President, Process Technology of SNC Lavalin. Prior to that, he was Executive Vice-President of Kilborn Engineering and Construction. Mr. Beaumont is a graduate of Queen's University (B.Sc.).

Value of At-Risk Investment ⁽¹⁾	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
\$663,979		
17,960 Common Shares	Board of Directors	11/11 (100%)
50,944 Options	Corporate Governance Committee	2/2 (100%)
1,000 RSUs	Compensation Committee	5/5 (100%)
Meets Director shareholding requirements		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Mining and Metallurgy	—	—

Value of At-Risk Investment ⁽¹⁾ \$175,100	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
2,000 Common Shares	Board of Directors	11/11 (100%)
4,721 Options	Compensation Committee	3/3 (100%)
3,000 RSUs		
Has until February 14, 2016 (five years from joining the Board) to meet Director shareholding requirements		
Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Investment Management	—	—



Clifford J. Davis **Independent**
Age: 69 **Kemble, Ontario** **Director since 2008**

Mr. Davis is a mining industry veteran and formerly a member of the senior management teams of New Gold Inc., Gabriel Resources Ltd. and TVX Gold Inc. Mr. Davis is a graduate of the Royal School of Mines, Imperial College, London University (B.Sc., Mining Engineering).

Value of At-Risk Investment ⁽¹⁾ \$315,180	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
6,000 Common Shares	Board of Directors	10/11 (91%)
800 Warrants	Health, Safety and Environment	4/4 (100%)
17,744 Options	Committee (Chair)	2/2 (100%)
3,000 RSUs	Compensation Committee	
Has until August 24, 2013 (two years following the adoption of the new minimum Director shareholding policy) to meet Director shareholding requirement		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Mining	Zenyatta Ventures Ltd.	Compensation Committee Nominating and Corporate Governance Committee Audit Committee



Robert J. Gemmell **Independent**
Age: 55 **Toronto, Ontario** **Director since 2011**

Mr. Gemmell, now retired, spent 25 years as an investment banker in the United States and in Canada. Most recently, he was President and Chief Executive Officer of Citigroup Global Markets Canada and its predecessor companies (Salomon Brothers Canada and Salomon Smith Barney Canada) from 1996 to 2008. In addition, he was a member of the Global Operating Committee of Citigroup Global

Markets from 2006 to 2008. Mr. Gemmell is a graduate of Cornell University (B.A.), Osgoode Hall Law School (LL.B) and the Schulich School of Business (MBA).

Value of At-Risk Investment ⁽¹⁾ \$455,260	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
10,000 Common Shares	Board of Directors	11/11 (100%)
5,824 Options	Compensation Committee (Chair)	3/3 (100%)
3,000 RSUs		
Meets Director shareholding requirements		
Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Corporate Finance and Business Strategy	—	—



Bernard Kraft, CA **Independent**
Age: 81 **Toronto, Ontario** **Director since 1992**

Mr. Kraft is a retired senior partner of the Toronto accounting firm Kraft, Berger LLP, Chartered Accountants and now serves as a consultant to that firm. He is also a principal in Kraft Yabrov Valuations Inc. Mr. Kraft is recognized as a Designated Specialist in Investigative and Forensic Accounting by the Canadian Institute of Chartered Accountants. Mr. Kraft is a member of the Canadian Institute of Chartered Business Valuators, the Association of Certified Fraud Examiners and the American Society of Appraisers.

Value of At-Risk Investment ⁽¹⁾ \$478,268	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
12,657 Common Shares	Board of Directors	11/11 (100%)
15,944 Options	Audit Committee	6/6 (100%)
1,000 RSUs	Corporate Governance Committee	2/2 (100%)
Meets Director shareholding requirements		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Audit and Accounting	St. Andrews Goldfields Limited	Audit Committee Governance Committee Health, Safety and Environment Committee
	Harte Gold Corp.	Audit Committee



Mel Leiderman, CA, TEP, ICD.D **Independent**
Age: 59 **Toronto, Ontario** **Director since 2003**

Mr. Leiderman is the managing partner of the Toronto accounting firm Lipton LLP, Chartered Accountants. He is a graduate of the University of Windsor (B.A.) and is a certified director of the Institute of Corporate Directors

(ICD.D).

Value of At-Risk Investment ⁽¹⁾ \$315,180	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
6,000 Common Shares	Board of Directors	11/11 (100%)
40,944 Options	Audit Committee	6/6 (100%)
3,000 RSUs	Compensation Committee	2/2 (100%)
Has until August 24, 2013 (two years following the adoption of the new minimum Director shareholding policy) to meet Director shareholding requirement		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Audit and Accounting	Colossus Minerals Inc.	Audit Committee Corporate Governance and Compensation Committee



James D. Nasso, ICD.D **Independent**
Age: 78 **Toronto, Ontario** **Director since 1986**

Mr. Nasso is now retired and is a graduate of St. Francis Xavier University (B.Comm.).

Value of At-Risk Investment ⁽¹⁾ \$780,561	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
18,289 Common Shares	Chairman of the Board	11/11 (100%)
68,944 Options	Audit Committee	4/4 (100%)
4,000 RSUs	Corporate Governance Committee	4/4 (100%)
Meets Director shareholding requirements	Health, Safety and Environment Committee	2/2 (100%)

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Management and Business Strategy	—	—



Dr. Sean Riley **Independent**
Age: 58 **Antigonish, Nova Scotia** **Director since 2011**

Dr. Riley has served as President of St. Francis Xavier University since 1996. Prior to 1996, his career was in finance and management, first in corporate banking and later in manufacturing. Dr. Riley is a graduate of St. Francis Xavier University (B.A. (Honours)) and of Oxford University (M. Phil, D. Phil, International Relations).

Value of At-Risk Investment ⁽¹⁾ \$175,100	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
2,000 Common Shares	Board of Directors	11/11 (100%)
5,824 Options	Audit Committee	2/2 (100%)
3,000 RSUs		
Has until January 1, 2016 (five years from joining the Board) to		

meet Director
shareholding
requirements

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Management and Business Strategy	—	—



J. Merfyn Roberts, CA **Independent**
Age: 61 **London, England** **Director since 2008**

Mr. Roberts has been a fund manager and investment advisor for more than 25 years and has been closely associated with the mining industry. Mr. Roberts is a graduate of Liverpool University (B.Sc., Geology) and Oxford University (M.Sc., Geochemistry) and is a member of the Institute of Chartered Accountants in England and Wales.

Value of At-Risk Investment ⁽¹⁾ \$315,180	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
6,000 Common Shares	Board of Directors	11/11 (100%)
500 Warrants	Corporate Governance	4/4 (100%)
23,144 Options	Committee (Chair)	4/4 (100%)
3,000 RSUs	Audit Committee	
Has until August 24, 2013 (two years following the adoption of the new minimum Director shareholding policy) to meet Director shareholding requirement		
Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Investment Management	Eastern Platinum Limited	Audit Committee
	Rambler Metals and Mining plc	Compensation and Corporate Governance Committee
	Mena Hydrocarbons Inc.	Remuneration Committee Audit Committee
	Blackheath Resources Inc.	—



Howard R. Stockford, P. Eng. **Independent**
Age: 70 **Toronto, Ontario** **Director since 2005**

Mr. Stockford is a retired mining executive with 50 years of experience in the industry. Most recently he was Executive Vice-President of Aur Resources Inc. ("Aur") and a director of Aur from 1984 until August 2007, when it was taken over by Teck Cominco Limited. Mr. Stockford has previously served as President of the Canadian Institute of Mining, Metallurgy and Petroleum and is a member of the Association of Professional Engineers of Ontario, the Prospectors and Developers Association of Canada and the Society of Economic Geologists. Mr. Stockford is a graduate of the Royal School of Mines, Imperial College, London University, U.K. (B.Sc., Mining Geology).

Value of At-Risk Investment ⁽¹⁾ \$317,561	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
6,068 Common Shares	Board of Directors	11/11 (100%)
44,694 Options	Compensation Committee	5/5 (100%)
3,000 RSUs	Health, Safety and Environment Committee	4/4 (100%)
Has until August 24, 2013 (two years following the adoption of the new minimum Director shareholding policy) to meet Director shareholding requirement Board of Directors		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Executive Management, Mining	Victory Nickel Inc.	Audit Committee Corporate Governance Committee Technical Committee



Pertti Voutilainen, M.Sc., M. Eng. **Independent**
Age: 71 **Espoo, Finland** **Director since 2005**

Mr. Voutilainen is a mining industry veteran. Most recently, he was the Chairman of the board of directors of Ridderhyttan Resources AB. Previously, Mr. Voutilainen was the Chairman of the board of directors and Chief Executive Officer of Kansallis Banking Group and President after its merger with Union Bank of Finland until his retirement in 2000. He was also employed by Outokumpu Corp., Finland's largest mining and metals company, for 26 years, including as Chief Executive Officer for 11 years. Mr. Voutilainen holds the honorary title of Mining Counselor (Bergsrad), which was awarded to him by the President of the Republic of Finland in 2003. Mr. Voutilainen is a graduate of Helsinki University of Technology (M.Sc.), Helsinki University of Business Administration (M.Sc.) and Pennsylvania State University (M. Eng.).

Value of At-Risk Investment ⁽¹⁾ \$770,440	Board/Committee Memberships ⁽²⁾	Attendance at Meetings during 2011
21,000 Common Shares	Board of Directors	11/11 (100%)
50,944 Options	Corporate Governance Committee	4/4 (100%)
1,000 RSUs	Health, Safety and Environment Committee	4/4 (100%)
Meets Director shareholding		

Area of Expertise	Other Public Board Directorships	Other Public Board Committee Memberships
Mining and Finance	—	—

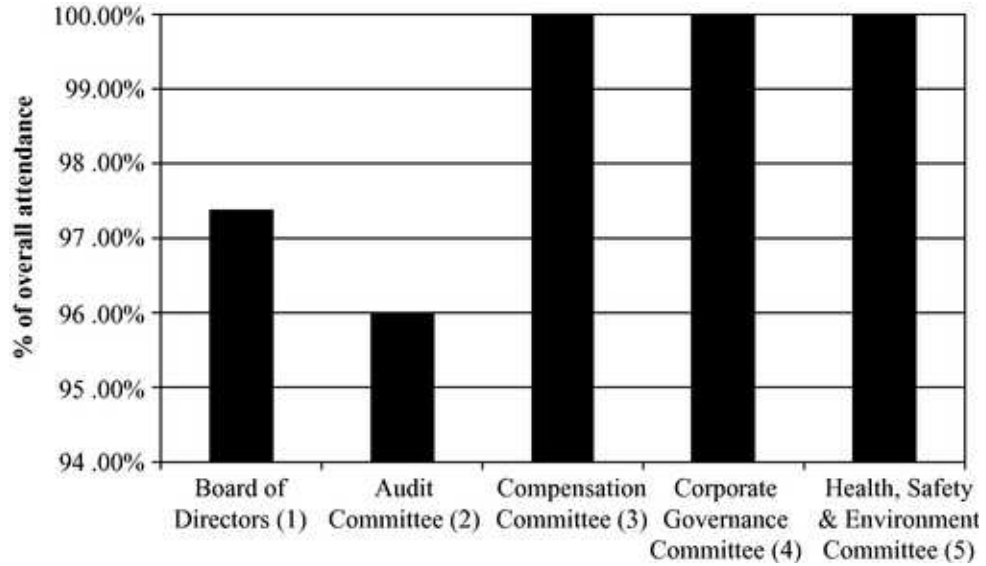
(1) Indicates the total market value of common shares and RSUs held by a director based on a closing price of the Company's shares on the Toronto Stock Exchange (the "TSX") of \$35.02 on March 12, 2012.

(2) Membership of the Board Committees was adjusted on April 29, 2011.

Overall Meeting Attendance

The attendance by each nominee for election as director at Board and Committee meetings in 2011 is indicated in the biography of each individual director. The overall meeting attendance in 2011 is set forth below. Membership of the Board Committees was adjusted on April 19, 2011.

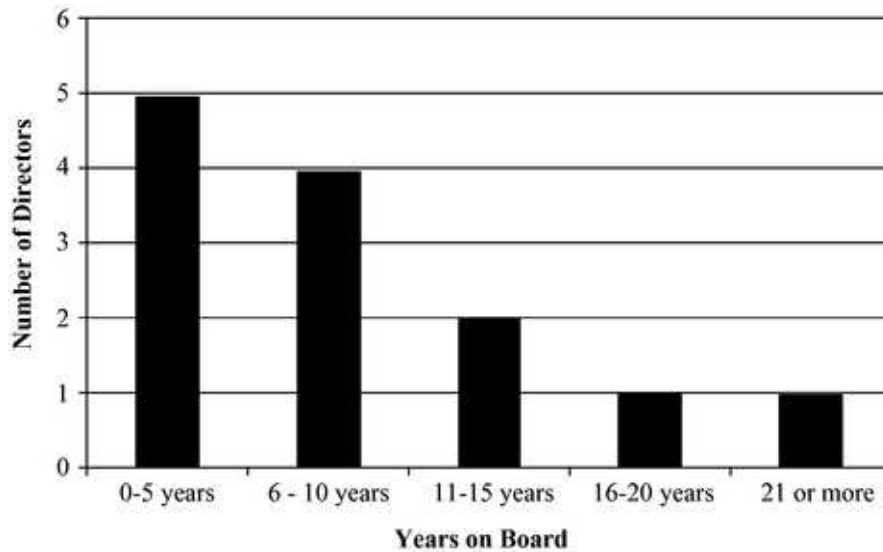
2011 Board and Committee Meetings



-
- (1) 14 members; 11 meetings
 - (2) 5 members; 4 meetings and 4 members; 2 meetings
 - (3) 5 members; 2 meetings and 4 members; 3 meetings
 - (4) 5 members; 2 meetings and 4 members; 2 meetings
 - (5) 5 members; 2 meetings and 4 members; 2 meetings

Director Tenure

The following graph sets out the number of years the thirteen nominees for election as director have served on the Company's Board.



Compensation of Directors and Other Information

Mr. Boyd, who is a director and the Vice-Chairman, President and Chief Executive Officer of the Company, does not receive any remuneration for his services as director of the Company. In addition, Mr. Scherkus, who was a director and the President and Chief Operating Officer of the Company (until February 2012), did not receive any remuneration for his services as a director of the Company in 2011.

Effective as of July 1, 2011, director compensation was amended to more closely align the equity component of director compensation with shareholder interests by discontinuing the former practice of granting Options to non-executive directors and replacing such Option grants with grants of RSUs. As RSUs are effectively shares, the equity value of director compensation will now correspond directly with share price movements, thereby directly aligning director and shareholder interests.

The tables below set out the annual retainers (annual retainers for the Chairs of the Board of Directors and other Committees are in addition to the base annual retainer) and attendance fees paid to the other directors during the year ended December 31, 2011. Directors do not receive meeting attendance fees.

	Compensation during the period between January 1, 2011 and June 30, 2011 ⁽¹⁾	
Annual Board retainer (base)	\$	115,000
Additional Annual retainer for Chairman of the Board	\$	125,000
Additional Annual retainer for Chairman of the Audit Committee	\$	25,000
Additional Annual retainer for Chairs of other Board Committees	\$	10,000

(1) The annualized retainers set out above were prorated for a period of six months during which these retainers were in effect.

	Compensation during the period between June 30, 2011 ⁽¹⁾ and December 31, 2011	
Annual Board retainer (base)	\$	120,000
Additional Annual retainer for Chairman of the Board	\$	120,000
Additional Annual retainer for Chairman of the Audit Committee	\$	25,000
Additional Annual retainer for Chairs of other Board Committees	\$	10,000

(1) The annualized retainers set out above were prorated for a period of six months during which these retainers were in effect.

In addition, each non-executive director received a grant of Options in January 2011 (February 2011 for Ms Celej, who joined the Board on February 14, 2011) having a value per director of not greater than \$100,000 (see "Director Compensation Table" on page 14 of this information circular).

Beginning in 2012, each director will receive an annual grant of 3,000 RSUs (Chairman of the Board — 4,000 RSUs). If a director meets the minimum share ownership requirement (as described under "Director Shareholding Guidelines" below), he or she can elect to receive cash in lieu of a portion of the RSUs to be granted, subject to receipt of a minimum grant of 1,000 RSUs. No RSUs were granted to non-executive directors in 2011.

Director Shareholding Guidelines

To align the interests of directors with those of shareholders, directors, other than Mr. Boyd, are required to own a minimum of 10,000 Agnico-Eagle common shares and/or RSUs. Directors have a period of the later of: (i) two years from the date of adoption of this policy (August 24, 2011) or (ii) five years from the date of joining the Board, to achieve this ownership level through open market purchases of common shares, grants of RSUs or the exercise of Options held.

As of March 12, 2012, all of the directors have achieved the minimum share ownership requirement, other than Dr. Riley who has until January 1, 2016 and Ms Celej who has until February 14, 2016 (five years from the time each became a director) to achieve the minimum share ownership requirement.

The table below sets out the number and the value of common shares and RSUs held by each director of the Company; all directors have increased their total shareholding (common shares and RSUs) in the Company since the last Management Proxy Circular.

Aggregate common shares and RSUs owned by director and aggregate value thereof as of March 12, 2012					
Name	Aggregate Number of Common Shares (#)	Aggregate Value of Common Shares ⁽¹⁾ (\$)	Aggregate Number of RSUs (#)	Aggregate Value of RSUs ⁽¹⁾ (\$)	Deadline to meet Guideline
Leanne M. Baker	5,500	192,610	3,000	105,060	August 24, 2013
Douglas R. Beaumont	17,960	628,959	1,000	35,020	Meets Guideline
Sean Boyd	116,812	4,090,756	24,660	863,593	n/a
Martine A. Celej	2,000	70,040	3,000	105,060	February 14, 2016
Clifford J. Davis	6,000	210,120	3,000	105,060	August 24, 2013
Robert J. Gemmell	10,000	350,200	3,000	105,060	Meets Guideline
Bernard Kraft	12,657	443,248	1,000	35,020	Meets Guideline
Mel Leiderman	6,000	210,120	3,000	105,060	August 24, 2013
James D. Nasso	18,289	640,480	4,000	140,080	Meets Guideline
Sean Riley	2,000	70,040	3,000	105,060	January 1, 2016
John Merfyn Roberts	6,000	210,120	3,000	105,060	August 24, 2013
Howard R. Stockford	6,068	212,250	3,000	105,060	August 24, 2013
Perti Voutilainen	21,000	735,420	1,000	35,050	Meets Guideline

(1) The valuation is based on \$35.02, being the closing price of the Company's shares on the TSX on March 12, 2012.

The following table sets out the compensation provided to the members of the Board of Directors, other than Messrs. Boyd and Scherkus, for the Company's most recently completed financial year.

Director Compensation Table

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total ⁽³⁾ (\$)
Leanne M. Baker	138,750	n/a	99,998	n/a	n/a	n/a	238,748
Douglas R. Beaumont	120,000	n/a	99,998	n/a	n/a	n/a	219,998
Martine A. Celej	117,500	n/a	99,991	n/a	n/a	n/a	217,491
Clifford J. Davis	125,000	n/a	99,998	n/a	n/a	n/a	224,998
Robert Gemmell	125,000	n/a	99,998	n/a	n/a	n/a	224,998
Bernard Kraft	117,500	n/a	99,998	n/a	n/a	n/a	217,498
Mel Leiderman	123,500	n/a	99,998	n/a	n/a	n/a	223,498
James D. Nasso	240,000	n/a	99,998	n/a	n/a	n/a	339,998
John Merfyn Roberts	125,000	n/a	99,998	n/a	n/a	n/a	224,998
Sean Riley	117,500	n/a	99,998	n/a	n/a	n/a	217,498
Howard R. Stockford	120,000	n/a	99,998	n/a	n/a	n/a	219,998
Perti Voutilainen	117,500	n/a	99,998	n/a	n/a	n/a	217,498

(1) For a discussion of the key assumptions underlying the value of the option-based awards, other than for Ms Celej, see Note 1 to the "Summary Compensation Table". For the option grant for Ms Celej, the value of the option-based award, being \$21.18, was determined using the Black-Scholes option pricing model. The Black-Scholes

option pricing model is a commonly used pricing model that assumes the valued option can only be exercised at expiration. The options for Ms Celej were granted at an exercise price of \$70.28, which was the closing price for the common shares of the Company on the TSX on the day prior to the date of grant. Key additional assumptions used were: (i) the risk free interest rate, which was 2.97%; (ii) current time to expiration of the Option which was assumed to be 2.5 years; (iii) the volatility for the common shares of the Company on the TSX, which was 31.27%; and (iv) the dividend yield for the common shares of the Company, which was 0.98%.

The following table sets out the value vested during the most recently completed financial year of the Company of incentive plan awards granted to the directors of the Company, other than Messrs. Boyd and Scherkus.

Incentive Plan Awards Table — Value Vested During Fiscal Year 2011

<u>Name</u>	<u>Option-Based Awards — Value Vested During the Year</u>	<u>Share-Based Awards — Value Vested During the Year</u>	<u>Non-Equity Incentive Plan Compensations — Value Earned During the Year</u>
	(\$)	(\$)	(\$)
Leanne M. Baker	nil	n/a	n/a
Douglas R. Beaumont	nil	n/a	n/a
Martine A. Celej	nil	n/a	n/a
Clifford J. Davis	6,822	n/a	n/a
Robert Gemmell	nil	n/a	n/a
Bernard Kraft	nil	n/a	n/a
Mel Leiderman	nil	n/a	n/a
James D. Nasso	nil	n/a	n/a
Sean Riley	nil	n/a	n/a
John Merfyn Roberts	6,822	n/a	n/a
Howard R. Stockford	nil	n/a	n/a
Pertti Voutilainen	nil	n/a	n/a

The following table sets out the outstanding Option awards of the directors of the Company, other than Messrs. Boyd and Scherkus, as at December 31, 2011.

Outstanding Incentive Plan Awards Table

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options ⁽¹⁾ (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Leanne M. Baker	35,000	54.63 ⁽²⁾	1/2/2013	nil	nil	nil
	4,000	51.33 ⁽²⁾	1/4/2014			
	6,120	54.00 ⁽²⁾	1/2/2015			
	5,824	76.70 ⁽²⁾	1/4/2016			
Douglas R. Beaumont	25,000	48.09	1/2/2012	nil	nil	nil
	35,000	54.42	1/2/2013			
	4,000	62.77	1/2/2014			
	6,120	56.92	1/2/2015			
Martine A. Celej	5,824	76.60	1/4/2016			
	4,721	70.26	2/21/2016	nil	nil	nil
	1,800	33.26	11/3/2013	6,822	nil	nil
	4,000	62.77	1/2/2014			
Clifford J. Davis	6,120	56.92	1/4/2015			
	5,824	76.60	1/4/2016			
	5,824	76.60	1/4/2016	nil	nil	nil
	4,000	62.77	1/2/2014	nil	nil	nil
Robert Gemmell	6,120	56.92	1/4/2015			
	5,824	76.60	1/4/2016			
	4,000	62.77	1/2/2014	nil	nil	nil
	6,120	56.92	1/4/2015	nil	nil	nil
Bernard Kraft	5,824	76.60	1/4/2016			
	25,000	54.42	1/2/2013	nil	nil	nil
	4,000	62.77	1/2/2014			
	6,120	56.92	1/4/2015			
Mel Leiderman	5,824	76.60	1/4/2016			
	25,000	54.42	1/2/2013	nil	nil	nil
	4,000	62.77	1/2/2014			
	6,120	56.92	1/4/2015			
James D. Nasso	5,824	76.60	1/4/2016			
	53,000	54.42	1/2/2013	nil	nil	nil
	4,000	62.77	1/2/2014			
	6,120	56.92	1/4/2015			
John Merfyn Roberts	5,824	76.60	1/4/2016			
	7,200	33.26	11/3/2013	27,288	nil	nil
	4,000	62.77	1/2/2014			
	6,120	56.92	1/4/2015			
Sean Riley	5,824	76.60	1/4/2016			
	5,824	76.60	1/1/2016	nil	nil	nil
	28,750	54.42	1/2/2013	nil	nil	nil
	4,000	62.77	1/2/2014			
Howard R. Stockford	6,120	56.92	1/4/2015			
	5,824	76.60	1/4/2016			
	35,000	54.42	1/2/2013	nil	nil	nil
	4,000	62.77	1/2/2014			
Pertti Voutilainen	6,120	56.92	1/4/2015			
	5,824	76.60	1/4/2016			

(1) Based on a closing price of the Company's shares on the TSX of \$37.05 on December 31, 2011.

(2) Value of Dr. Baker's awards are in United States dollars and based on a closing price of the Company's shares on the New York Stock Exchange (the "NYSE") of US\$36.32 on December 31, 2011.

In 2009, shareholders of Agnico-Eagle approved an amendment to the Employee Share Purchase Plan to prohibit participation by non-executive directors. During the year ended December 31, 2011, Agnico-Eagle

issued a total of 5,077 common shares to the following executive directors under its Employee Share Purchase Plan as follows:

• Mr. Boyd	2,910
• Mr. Scherkus	2,167

The following table sets out the attendance of each of the directors to the Board of Directors meetings and the Board Committee meetings held in 2011.

<u>Director</u>	<u>Board Meetings Attended</u>	<u>Committee Meetings Attended</u>
Leanne M. Baker	9 of 11	7 of 8
Douglas R. Beaumont	11 of 11	7 of 7
Sean Boyd	11 of 11	N/A
Martine A. Celej	11 of 11	3 of 3
Clifford J. Davis	10 of 11	6 of 6
Robert Gemmell	11 of 11	3 of 3
Bernard Kraft	11 of 11	8 of 8
Mel Leiderman	11 of 11	8 of 8
James D. Nasso	11 of 11	8 of 8
John Merfyn Roberts	11 of 11	8 of 8
Eberhard Scherkus	11 of 11	8 of 8
Sean Riley	11 of 11	2 of 2
Howard R. Stockford	11 of 11	7 of 7
Perti Voutilainen	11 of 11	6 of 6

Appointment of Auditors

The persons named in the enclosed form of proxy intend to VOTE FOR the appointment of Ernst & Young LLP as Agnico-Eagle's auditors, and for the directors to fix the remuneration of the auditors unless a shareholder has specified in his or her proxy that his or her common shares are to be withheld from voting for the appointment of Ernst & Young LLP as Agnico-Eagle's auditors. Representatives of Ernst & Young LLP are expected to be present at the meeting to respond to appropriate questions and make a statement if they wish to do so. Ernst & Young LLP became Agnico-Eagle's auditors in 1983. Fees paid to Ernst & Young LLP for 2011 and 2010 are set out below.

	<u>Year ended December 31, 2011 (\$ thousands)</u>	<u>Year ended December 31, 2010 (\$ thousands)</u>
Audit fees	2,655	2,264
Audit related fees	21	18
Tax consulting fees	72	103
All other fees	76	97
Total	2,824	2,482

Audit fees were paid for professional services rendered by the auditors for the audit of Agnico-Eagle's annual financial statements and related statutory and regulatory filings and for the quarterly review of Agnico-Eagle's interim financial statements. Audit fees also include prospectus related fees for professional services rendered by the auditors in connection with corporate financing activity by Agnico-Eagle during a year. These services consisted of the audit or review, as required, of financial statements included in the prospectuses, the review of documents filed with securities regulatory authorities, correspondence with securities regulatory authorities and all other services required by regulatory authorities in connection with the filing of these documents.

Audit related fees consist of fees paid for assurance and related services performed by the auditors that are reasonably related to the performance of the audit of the Company's financial statements. This includes consultation with respect to financial reporting, accounting standards and compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Tax consulting fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services included the review of tax returns, assistance with eligibility of expenditures under the Canadian flow-through share tax regime and tax planning and advisory services in connection with international and domestic taxation issues.

All other fees were paid for services other than the fees listed above and include fees for professional services rendered by the auditors in connection with the translation of securities regulatory filings required to comply with securities laws in certain Canadian jurisdictions.

No other fees were paid to auditors in the previous two years.

The Audit Committee has adopted a policy that requires the pre-approval of all fees paid to Ernst & Young LLP prior to the commencement of the specific engagement.

Financial Statements

The audited annual financial statements for the year ended December 31, 2011 have been mailed to Agnico-Eagle shareholders with this Circular.

Amendments to Stock Option Plan

The Stock Option Plan provides participants with an incentive to enhance shareholder value by providing a form of compensation that is tied to increases in the market value of the Company's common shares. Details on the Stock Option Plan can be found on page 31 of this Circular.

Currently, the Company has reserved 23,300,000 common shares for issuance under the Stock Option Plan. As at March 12, 2012, 22,736,715 Options have been granted under the Stock Option Plan with 563,285 Options available for future grants, representing 13.3% and 0.3%, respectively, of the 170,928,545 common shares issued and outstanding as of March 12, 2012. The Compensation Committee considers the Stock Option Plan to be an integral part of overall compensation in order to attract and retain employees with the skills and commitment needed to lead and grow the Company's business. The need to attract and retain skilled employees will be particularly important during the next few years as the Company continues to optimize and attempts to expand its multi-mine platform. Accordingly, the Compensation Committee is recommending to increase the number of common shares reserved for issuance under the Stock Option Plan by 3,500,000 shares from 23,300,000 common shares to 26,800,000 common shares, representing 2.0%, 13.6% and 15.7%, respectively, of the 170,928,545 common shares issued and outstanding as of March 12, 2012.

The Board of Directors has also determined that it would be advisable to amend the Stock Option Plan to (a) provide that the participation limit of 1% on the number of common shares of the Company which may be reserved for issuance to non-executive directors pursuant to Options, warrants, share purchase plans or other compensation arrangements is applicable to the non-executive directors as a group, rather than each non-executive director on an individual basis; and (b) provide that shareholder approval is required to extend the term of an Option beyond the original expiry date of such Option.

The Company considers grants of Options under the Stock Option Plan to be a key factor in its ability to attract and retain skilled and experienced personnel at many levels. This is demonstrated by the granting of Options to not only officers, but also to a larger number of other employees to enhance their incentive to continue to grow per share value. In 2011, 167 employees were granted Options (147 in 2010; 77 in 2009).

The Company's practice of granting Options to employees even at a mid level of management is a fundamental compensation tenet and it is important that the number of Options available to be granted under the Stock Option be increased to maintain this practice and thereby fostering the growth and performance of the Company.

The aggregate number of outstanding Options as at December 31, 2011 was 8,959,051, representing 5.24% of all common shares issued and outstanding as of December 31, 2011, and 2,630,785 Options were granted in 2011 representing 1.54% of all common shares issued and outstanding as of December 31, 2011.

At the meeting, shareholders will be asked to consider an ordinary resolution (attached to this Circular as Appendix B) to approve the above amendments to the Stock Option Plan. If the resolution is approved, the number of common shares available for future Option grants will be 4,063,285.

As at March 12, 2012, 11,657,901 Options granted under the Stock Option Plan were unexercised and 11,078,814 Options granted under the plan had been exercised, representing 6.8% and 6.5% of the 170,928,545 common shares issued and outstanding as of March 12, 2012, respectively. The unexercised Options together with the shares available for future grants would leave 12,221,186 common shares reserved for issuance under the Stock Option Plan. This amount represents 7.1% of the 170,928,545 common shares issued and outstanding as of March 12, 2012. In addition, if the resolution is approved, the unexercised Options together with the common shares available for future grants would leave 15,721,186 common shares reserved for issuance under the Stock Option Plan, representing 9.2% of the 170,928,545 common shares issued and outstanding as of March 12, 2012. A copy of the Stock Option Plan which has been amended and restated to reflect the proposed amendments is attached to this Circular as Appendix D.

The TSX requires that the resolution amending the Stock Option Plan be passed by the affirmative vote of at least a majority of the votes cast, by proxy or in person. In addition to shareholder approval, the proposed amendments are subject to regulatory approval. If you do not indicate how you want your common shares to be voted, the persons named in the proxy intend to vote your common shares for the proposed amendments to the Stock Option Plan.

Advisory Vote on Approach to Executive Compensation

The Board believes that the Company's compensation program must be competitive with companies in its peer group, provide a strong incentive to its officers to achieve Agnico-Eagle's goals and ensure that interests of management and the Company's shareholders are aligned. A detailed discussion of the Company's executive compensation program is provided under "Compensation Discussion & Analysis" starting on page 20 of this Circular. In line with recent developments and emerging governance trends in respect of executive compensation, commonly known as "Say on Pay", the Board has determined to provide shareholders with a "Say on Pay" advisory vote at the meeting to endorse or not endorse the Company's approach to executive compensation.

At the meeting, the shareholders will be asked to consider the following resolution, which is also attached to this Circular as Appendix C:

BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of the Company, the shareholders accept the approach to executive compensation disclosed in this Circular.

Because this vote is advisory, it will not be binding upon the Board of Directors. However, the Board and the Compensation Committee will take the outcome of the vote into account in their ongoing review of executive compensation.

SECTION 3: COMPENSATION AND OTHER INFORMATION

Compensation Discussion & Analysis

Compensation Program Philosophy

The officers of Agnico-Eagle have a significant influence on corporate performance and creating shareholder value. With this in mind, Agnico-Eagle's philosophy regarding compensation is that it must:

- be competitive in order to attract and retain employees with the skills and commitment needed to lead and grow Agnico-Eagle's business;
- provide a strong incentive to achieve Agnico-Eagle's goals; and
- ensure that interests of management and Agnico-Eagle's shareholders are aligned.

Elements of Compensation

The compensation paid to Agnico-Eagle's officers has four components:

- base salary and benefits;
- annual incentive compensation (bonuses);
- long-term incentive compensation in the form of Options, RSUs for eligible senior officers and participation in the Employee Share Purchase Plan; and
- career compensation in the form of retirement benefits.

The Compensation Committee reviews each component of compensation for each officer and makes compensation recommendations to the Board of Directors. In its evaluation of each officer, the Compensation Committee considers, among other things, executive compensation surveys, recommendations by any executive compensation consultant retained by the Compensation Committee, evaluations prepared by the Vice-Chairman, President and Chief Executive Officer or Chief Operating Officer, as applicable, for each officer other than the Vice-Chairman, President and Chief Executive Officer and an evaluation prepared by the Chairman for the Vice-Chairman, President and Chief Executive Officer. The Board of Directors reviews the recommendations and gives final approval on compensation of Agnico-Eagle's officers. The Board of Directors has complete discretion over the amount and composition of each officer's compensation.

In 2011, the Company's management retained Mercer (Canada) Limited ("Mercer") to provide consulting services with respect to a market review of the total direct compensation levels for the Named Executive Officers (as defined below) relative to 11 gold and base metals companies in Agnico-Eagle's peer group. Mercer was also retained to review Agnico-Eagle's long-term incentive structure and to compare it with Agnico-Eagle's mining peer group and best practices. In 2011, the Company paid a total of \$29,275 in fees to Mercer. The information provided by Mercer was used by the Compensation Committee and the Board of Directors in recommending and approving, respectively, the revised long-term incentive structure for Agnico-Eagle's senior executives. In recommending these revisions to the compensation of the senior executives, the Compensation Committee also considered the PricewaterhouseCoopers LLP 2011 "Mining Industry Salary Survey — Corporate Report" (the "**PwC Survey**").

The Company's total compensation plan is designed to drive long-term increases in shareholder value. To get the right plan requires an understanding of the Company's objectives and the individuals charged with delivering the expected results. The Company's total compensation plan is designed to ensure that the plan does not result in behavior that is inconsistent with the goals and objectives of the Company.

During 2011, the Compensation Committee considered the implications of the risks (with specific regard to retention) associated with the Company's compensation policies and practices and looked at the long-term incentive structure for the Company's senior executives. Using the executive compensation review completed in

June 2011 by Mercer, the Company redesigned its long-term incentive structure and revised its RSU plan to strengthen its approach to long-term retention.

All directors and officers of the Company are prohibited from short-selling and trading in derivatives of the Company's securities.

Industry Positioning and Competitive Environment

Agnico-Eagle is continuing to experience rapid changes in production, reserves, operations, employees and the international scope of its business. The success of the Company in delivering value for shareholders is largely determined by the quality and consistency of its strategy and the execution thereof. In this regard, it is very important to ensure that compensation programs are designed to attract, motivate and retain key employees in order to achieve or exceed the strategic objectives of the Company.

The Company has worked strategically over the last several years, upgrading its physical asset base and its human resources. One of the clear competitive advantages the Company needs to maintain in the gold mining industry is a high quality, experienced senior management team that works together to create value for its shareholders.

With the recent growth of the gold industry, the competition for high quality executive talent has intensified. The Company competes for executive talent primarily with other Canadian gold mining companies. In response, the Company has strived to and needs to continue to create an environment where employees want to work and take on increasing responsibility. Retaining certain key executives of the Company, who may have otherwise been receptive to other employment opportunities, has been particularly important in context of the Company's recent operating challenges.

To continue its record of success in a very tight and competitive labour market, it is important that the executive management group has the proper incentives to remain focused on the growth strategy. In this regard the compensation policy aims to target the 75th percentile of base salary paid to executives having comparable responsibilities and experience at other North American companies engaged in the same or similar lines of business as Agnico-Eagle.

Base Salary

To retain a competent, strong and effective executive management group, the salaries paid by Agnico-Eagle must be competitive with others in the industry generally, as well as within the regional markets in which the executive is located. Base salary levels take into account the officers' individual responsibilities, experience, performance and contribution toward enhancing shareholder value.

The base salary policy is structured to provide a solid base compensation level for executives to encourage achievement of the Company's goals while ensuring that the interests of management and the Company's shareholders are aligned.

Annual base salaries are established using internal and external surveys of average base salaries paid to officers of other mining companies of similar size to Agnico-Eagle. In its internal survey, Agnico-Eagle reviewed the 2011 management proxy circulars of eight mining companies: Barrick Gold Corporation, Centerra Gold Inc., Goldcorp Inc., Inmet Mining Corporation, Kinross Gold Corporation, Newmont Mining Corporation, Teck Resources Limited and IAMGOLD Corporation. Information in these management proxy circulars reflects actual compensation paid in 2010.

The factors for consideration for the companies in the internal survey included: (i) the company operates primarily in the gold mining sector with a focus on exploration, development and production; (ii) the company is listed on a U.S. stock exchange; (iii) the company has operations in countries in addition to its home country; and (iv) the company's market capitalization is between approximately one-third to three times that of Agnico-Eagle (Agnico-Eagle would rank sixth out of the nine companies in the peer group survey). Agnico-Eagle competes with these peer group companies and other gold and mining companies for shareholders, capital, personnel and mining properties, and therefore Agnico-Eagle believes that this survey is a good representation of gold mining industry salaries and an appropriate basis for comparisons to Agnico-Eagle.

The external survey used was the PwC Survey. The PwC Survey reflected executive base salary remuneration of 154 North American mining companies as at July 1, 2011. Of these 154 companies, only a minority had NYSE listings and only a dozen were larger than Agnico-Eagle, as measured by market capitalization. The information from Agnico-Eagle's internal survey was used to test and validate the 75th percentile position for the Named Executive Officers in 2011 and was adapted to reflect the compensation of the executive officers of Agnico-Eagle, while the information from the external survey was used to verify that the results of the internal survey are consistent with Canadian industry standards.

Annual Incentive Compensation

Annual incentive compensation for Agnico-Eagle's senior officers is based on two factors, namely Agnico-Eagle's performance and the senior officers' contribution to that performance, weighted 40% and 60%, respectively. The 40% component is a corporate component based on the Company's goals. The evaluation of Agnico-Eagle's performance is based on its achievements of various specific targets such as return on equity, profitability, production goals and meeting capital expenditure budgets. The 60% component is a subjective component based on individual goals established at the beginning of the year for each executive and linked to the achievement of the Company's goals. Agnico-Eagle's incentive compensation policy provides for targets for annual incentive compensation as a percentage of base salary of 100% for the Vice-Chairman, President and Chief Executive Officer, 75% for the Chief Operating Officer and 50%, ranging up to 75% in exceptional cases, for Senior Vice-Presidents. These targets are then multiplied by a performance factor (ranging from 0 to 1.5) to arrive at a final bonus as a percentage of salary. The performance factor is based on the general personal performance of the officer during the year and is determined (i) by the Compensation Committee with respect to the Chief Executive Officer, (ii) by the Chief Executive Officer and Chief Operating Officer with respect to the officers who directly report to each of them and (iii) by the Chief Executive Officer with the input of the Chief Operating Officer and the Chief Financial Officer with respect to the officers who indirectly report to each of them.

The performance factor, together with the targets, create a limit (the "maximum permissible bonus") on the annual incentive compensation as a percentage of base salary to 150% of base salary for the Vice-Chairman, President and Chief Executive Officer, 112.5% of base salary for the Chief Operating Officer and 75% to 112.5% of base salary for Senior Vice-Presidents. The following formula demonstrates how bonuses are calculated:

$$\begin{aligned} & ((\text{Corporate Component} \times 40\%) + (\text{Individual Component} \times 60\%)) \\ & \times \text{Target Percentage} \times \text{Performance Factor} \\ & = \\ & \text{Bonus as a Percentage of Salary} \end{aligned}$$

For 2011, based on the level of completion of the Company's goals established for the year and the performance of the executive officers compared to the level of performance surveyed for short-term compensation of the comparator groups, the Compensation Committee rated Agnico-Eagle's performance at 60% or 24% of the possible 40% for the corporate component.

The determination that the corporate component would be 60% of the base entitlement reflected the performance at the corporate level based on results with respect to the accomplishment of the following short-term operational targets: the positive safety performance at all of the Company's operations; the successful bid for Grayd Resource Corporation ("Grayd"); the return on equity level being higher than planned; the solid operating performance of the Company's non-Canadian assets at the Pinos Altos and Kittila mines with respect to cash flow generation due, in part, to strong ore throughput, metal recoveries and containment of costs per tonne at these operations; and the progress at the LaRonde mine extension.

The remaining 60% of the bonus for each of the Senior Vice-President, Finance and Chief Financial Officer and the three other most highly compensated officers (together with the Vice-Chairman, President and Chief Executive Officer, the "Named Executive Officers"), other than the Vice-Chairman, President and Chief Executive Officer (who is assessed by the Chairman of the Board of Directors), was determined by the individual performance of such officer as assessed by the Chairman of the Board of Directors and the Vice-Chairman, President and Chief Executive Officer with reference to the achievements noted above, as applicable to each

Named Executive Officer, and ultimately determined by the Compensation Committee. In line with the individual and corporate results for 2011, it was determined, based on the achievement of the respective annual personal objectives, that the entitlement tied to corporate performance for the Named Executive Officers for 2011 would vary amongst the Named Executive Officers from a low of 68% to a high of 84% of the targeted amount with an average entitlement of 79%. Globally, this reflects, among other things, record operating cash flow, the operating performance at the LaRonde, Pinos Altos, Kittila and Lapa mines, the attainment of the Company's safety performance objectives, the continuing minimization of dilution of the existing shareholders, the increased amount of the dividends (on an annualized basis), the achievement of commercial production at the LaRonde mine extension, the acquisition of the La India project and the overall individual efforts to achieve the annual goals of the Company and to meet the financial targets in a challenging operating environment caused, in large part, by the closure of the Goldex mine in October 2011.

All of the recommended entitlements are consistent with the short-term incentive policy and, in turn, the Company's compensation policy.

2011 Corporate Objectives and Results

In 2011, Agnico-Eagle had record operating cash flow and record annual gold production at Pinos Altos and Kittila. The Company also increased its quarterly dividends, achieved commercial production at the LaRonde Extension and acquired the La India project, which met the Company's corporate development objectives. Gold production was below target, largely due to the closure of the Goldex mine in October 2011 and lower than expected grades at Meadowbank and LaRonde, and total cash costs per ounce were higher than forecast.

The following sections summarize the Company's 2011 performance relative to its key objectives in five major areas. A performance score is calculated for each of the areas to arrive at an overall score for corporate performance that is used in the short-term incentive compensation calculation.

SAFETY

- **Improve Combined Lost Time Injury Frequency Below 3.7**

This objective was met.

The lost time injury frequency was 3.16, which is well below the target rate of 3.7. The Goldex mine won top honours at the annual Quebec Provincial Mining Rescue Competition 2011 and the LaRonde mine won best performance for the technical and written exam event at the same competition. The Meadowbank mine won two events at the Territories Mine Rescue Competition 2011.

Performance score: 14 out of 15.

OPERATING AND FINANCIAL PERFORMANCE

Not all operating objectives, particularly with respect to production and capital costs, were met. However, financial performance, balance sheet management and return on equity performance were all strong. Overall, there was a performance score of 13 out of 25 for operating and financial performance.

- **Achievement of the 2011 Business Plan (Budget)**

Gold production and cash cost results in 2011 were lower and higher, respectively, than budgeted targets. There were several factors that contributed to the production shortfall and cost escalation relative to the budget with the most significant being operational issues at the Meadowbank mine (temporary suspension due to fire and installation of a permanent secondary crusher) and the closure of the Goldex mine in October 2011.

Performance score: 3 out of 10.

- **Achieve Capital Expenditures Budget for All Projects**

Overall performance was generally good but was approximately \$141 million above budget. More than half of the increase was comprised of non-economic items (expected insurance recovery from the fire at the Meadowbank mine, Meliadine project costs being capitalized and the timing of expenditures incurred in an earlier period). The remaining amount was primarily due to dyke construction at the Meadowbank mine and the negative effect of foreign exchange movements.

Performance score: 2 out of 5.

- **Balance Sheet Management**

This objective was met.

In 2011, the Company's balance sheet and financial position was enhanced with the renegotiation of the Company's credit facility, which improved financial flexibility, extended the term of the facility, lowered borrowing costs and reduced financial risk. In addition, the Company's investment grade credit rating was reaffirmed despite the loss of cash flow due to the closure of the Goldex mine.

Performance score: 5 out of 5.

- **Return on Equity Higher than 7%**

This objective was met (subject to adjustment).

The return on equity in 2011 was -17.7%. However, after adjustment for the Meadowbank mine and Goldex mine write-downs, return on equity in 2011 was 7.3%, slightly higher than the budgeted number of 7%.

Performance score: 3 out of 5.

GOLD RESERVE GROWTH

- **Increase Gold Reserves to greater than 22 Million Ounces**

This objective was not met.

The objective was negatively impacted primarily by the closure of the Goldex mine, which resulted in the reclassification of 1.6 million ounces from reserves to resources, and by the new mine plan for the Meadowbank mine, which reduced the amount of reserves. Good drilling results at the Kittila mine, the Pinos Altos mine and the Meliadine project and gains in the price of gold were largely offset by increasing operating costs for purposes of converting mineral resources to mineral reserves. The Kittila mine and the Meliadine project have record high reserves and resources.

Performance score: 11 out of 15

CORPORATE DEVELOPMENT

- **Complete or Position the Company to Complete One Large Accretive Acquisition**

This objective was met.

The Company's successful bid for Grayd provided a gold project that is ready to begin permitting and construction in Mexico where the Company has mine building and operating skills. The potential to grow the resource is promising on the large land package acquired. The Company also completed a strategic \$70 million investment in Rubicon Minerals Corporation ("Rubicon"), an advanced stage exploration company with an attractive gold resource in the Red Lake region of Ontario.

Performance score 16 out of 20.

SHAREHOLDER RETURN/RELATIVE SHARE PRICE PERFORMANCE

- **Be in the top quartile of share price performance in the S&P/TSX Global Gold Index**

This objective was not met.

In 2011, the price of the common shares of the Company decreased 51.6% on the TSX (compared to a 14.3% decrease for the S&P/TSX Global Gold Index) and decreased 52.6% on the NYSE (compared to a 20.3% decrease for the XAU index). The graph below sets out the relative performance in 2011 of the Company, the S&P/TSX Global Gold Index, the price of gold and the XAU index.

Performance score 6 out of 25.



For the purposes of the 2011 short-term incentive compensation calculation, the corporate component was 60% of the base entitlement. A summary of the calculation of the corporate performance score is set out in the table below.

Key Performance Measures	Score	Weighting	Comments
Safety	14	15%	Met objectives
Operating and Financial Performance	13	25%	Operations slightly below production and above cost targets, but financial performance strong
Gold Reserve Growth	11	15%	Did not meet objectives
Corporate Development	16	20%	Met objectives
Shareholder Return/ Relative Share Price Performance	6	25%	Did not meet objectives
Total Corporate Performance Score	60	100%	Performance below expectations

2011 Individual Performance Measures for Named Executive Officers

Sean Boyd — Vice-Chairman, President and Chief Executive Officer

In 2011, Mr. Boyd's responsibilities and objectives included delivering first quartile share price performance; achieving superior growth per share in terms of reserves, production and revenues; developing and executing on corporate strategic goals and objectives; oversight of operating performance and acquisition/divestiture initiatives; and representing the Company before stakeholders.

Mr. Boyd's accomplishments in 2011 included:

- positioned the Company for future growth in production, reserves and cash flow;
- achieved record operating cash flow with cash provided by operating activities up 46% compared to the previous year;
- achieved record annual gold production at Pinos Altos and Kittila of 204,380 ounces and 143,560 ounces, respectively;
- achieved record gold reserves at the Kittila mine and the Meliadine project of 5.2 million ounces and 2.9 million ounces, respectively;
- achieved commercial production at the LaRonde mine extension in November 2011;
- positioned the Company to be in a financial condition to increase its dividend in 2012; and
- successfully completed the acquisition of Grayd (the La India project).

Eberhard Scherkus — President and Chief Operating Officer

Mr. Scherkus's key objectives in 2011 included overall responsibility for all operational and technical aspects of the business, including exploration, environment, safety, mine development and production and the technical assessment of potential expansion and acquisition opportunities.

Mr. Scherkus's accomplishments in 2011 included:

- led the technical assessment efforts that resulted in the successful acquisition of the La India project and the strategic investment in Rubicon;
- continued improvement in overall safety performance;
- directed the successful exploration programs at Meliadine and Kittila, resulting in new discoveries and continued expansion of gold resources and conversion of gold reserves;
- continued to retain senior technical executives in a very competitive environment and led efforts to attract senior experienced technical personnel to build and operate the Company's growth projects; and
- led the community efforts in Finland, Mexico and Nunavut in a manner that established strong local and regional working relationships.

Ammar Al-Joundi — Senior Vice-President, Finance and Chief Financial Officer

In 2011, Mr. Al-Joundi's objectives included overall responsibility for all financial aspects of the Company, including financial reporting, treasury, capital allocation, budgeting, internal audit and control and input on corporate strategy and acquisitions.

In 2011, Mr. Al-Joundi's accomplishments included:

- implemented an enhanced budgeting process;
- executed an amended non-amortizing, unsecured US\$1.2 billion revolving credit facility maturing on June 22, 2014, through a syndicate of banks;
- provided oversight for monitoring future IFRS conversion issues; and
- improved internal audit controls, financial reporting and risk management assessment and programs and managed base metal and fuel hedging programs.

Alain Blackburn — Senior Vice-President, Exploration

In 2011, Mr. Blackburn's objectives included increasing resources by 2.0 million ounces of gold, increasing reserves to at least 22 million ounces of gold, assisting in evaluations of potential acquisitions and establishing a long-term exploration strategy with respect to geographical focus and reserve and resource growth. It should be

noted that the suspension of mining at the Goldex mine, and the associated reclassification of its reserves to resources, combined with higher costs at the Meadowbank mine, which resulted in a new mine plan and lower resources, significantly impacted reserves in 2011.

Mr. Blackburn's accomplishments in 2011 included:

- increased reserves by 296,430 ounces (net of production) at Kittila;
- increased indicated resources to 9.6 million ounces;
- supervised the geological evaluation of the La India project; and
- supervised an exploration strategy incorporating geological focus, reserves replacement and growth and resource growth.

Donald G. Allan — Senior Vice-President, Corporate Development

In 2011, Mr. Allan's objectives included identifying, assessing and acting on acquisition opportunities, oversight of documentation to effect corporate and property transactions and management of a portfolio of strategic investments.

Mr. Allan's accomplishments in 2011 included:

- completion of the acquisition of Grayd and the strategic investment in Rubicon;
- generated gains of approximately \$5 million from management of the portfolio of strategic investments; and
- directed global assessment of precious metals acquisition and growth opportunities, improving the efficiency of the process and increasing the volume of opportunities approved.

Options

Options provide a link between officers' compensation and increases in the value of the Company's common shares, and therefore create an incentive to enhance shareholder value over the long term. Grants of Options are based on four factors:

- the employee's performance;
- the employee's level of responsibility within Agnico-Eagle;
- the number and exercise price of Options previously issued to the employee; and
- the Company's past practices.

Long-term incentives for officers and key employees are provided through Options granted under the Stock Option Plan and are not subject to any performance goals or similar conditions.

Long-term incentives are an integral part of the compensation strategy of Agnico-Eagle. The internal compensation survey, described above, compares the number of Options issued to Agnico-Eagle's executive officers relative to the companies surveyed. A further consideration is the number of Options held as a percentage of shares outstanding. Based on these findings, the Company believes that the Options issued to the executives of Agnico-Eagle are generally in line with industry averages. Currently, the maximum number of Options granted per year permitted under the terms of the Stock Option Plan is 2% of common shares outstanding, or approximately 3,418,570 million Options. Absent other circumstances, the Compensation Committee's policy is to recommend to award Options that vest such that a maximum of 25% of the Options granted vest upon the date granted with the remaining Options vesting equally on the next three anniversaries of the Option grant.

In connection with the evaluation of management's performance conducted near the end of each fiscal year, the Compensation Committee makes a recommendation in respect of the number of Options to be granted to officers and directors of the Company. If such recommendation is deemed acceptable to the Board of Directors, the Board of Directors approves the grant of the Options on the first trading day in January and such grant

becomes effective immediately with an exercise price equal to the closing price of the immediately preceding trading day.

Share Ownership

In order to align the interests of Agnico-Eagle and those of its officers and employees, the Company encourages ownership of common shares and facilitates this through its Employee Share Purchase Plan. Details of this plan can be found on page 34 of this Circular. The Company has also adopted a policy that the Chief Executive Officer is required to own the equivalent of at least three years of his base salary in common shares of Agnico-Eagle. Mr. Boyd, the current Chief Executive Officer of the Company, meets this share ownership value requirement. A new Chief Executive Officer would have three years after being appointed to that position to comply with this provision. The Company does not have stock ownership requirements for any other Named Executive Officer.

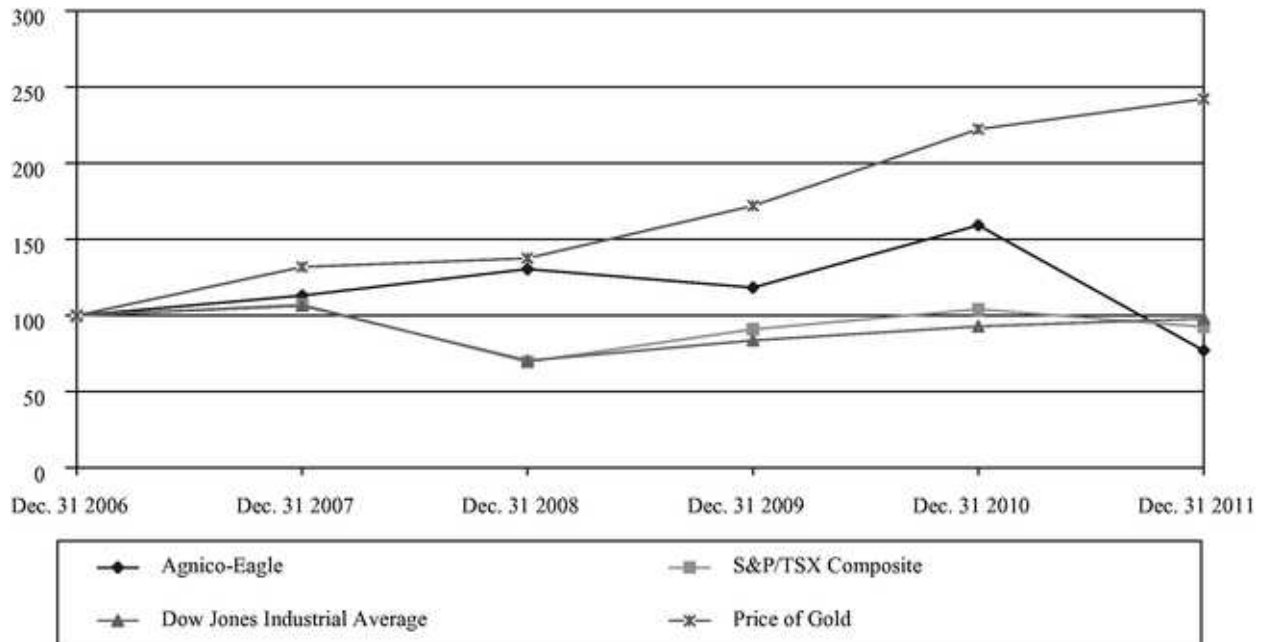
The following table summarizes each senior officer's holdings of common shares and RSUs of Agnico-Eagle as at March 12, 2012:

Sean Boyd, Director, Vice-Chairman, President and Chief Executive Officer	141,472
Ammar Al-Joundi, Senior Vice-President, Finance and Chief Financial Officer	29,498
Donald G. Allan, Senior Vice-President, Corporate Development	21,881
Alain Blackburn, Senior Vice-President, Exploration	13,355
Louise Grondin, Senior Vice-President, Environment and Sustainable Development	16,348
Tim Haldane, Senior Vice-President, Latin America	17,574
R. Gregory Laing, General Counsel, Senior Vice-President, Legal and Corporate Secretary	22,456
Marc Legault, Senior Vice-President, Project Evaluation	20,603
Jean-Luk Pellerin, Senior Vice-President, Human Resources	nil
Daniel Racine, Senior Vice-President, Mining	19,576
Jean Robitaille, Senior Vice-President, Technical Services and Project Development	50,312
David Smith, Senior Vice-President, Strategic Planning and Investor Relations	22,263
Yvon Sylvestre, Senior Vice-President, Operations	15,353

Performance Graph

The following graph compares the total cumulative return of \$100 invested in the Company's common shares on December 31, 2006 with the cumulative total return for each of the Dow Jones Industrial Average, S&P/TSX Composite Index and the price of gold over the five-year period ended December 31, 2011 (in each case, assuming reinvestment of dividends). The graph below shows what a \$100 investment in each of the above mentioned indices and in the Company's common shares, made at December 31, 2006, would be worth in each of the five years following the initial investment.

Agnico-Eagle Mines Limited Stock Price ⁽¹⁾ vs. Dow Jones Industrial Average, S&P/TSX Composite and Price of Gold



Note:

- (1) Assumes reinvestment of dividends of US\$0.12 paid in 2007 (\$0.13), US\$0.18 paid in each of 2008 (\$0.19), 2009 (\$0.21) and 2010 (\$0.19) and US\$0.64 paid in 2011 (\$0.63).

The price of Agnico-Eagle's common shares has marginally underperformed the S&P/TSX Composite Index and the Dow Jones Industrial Average during the five-year period ended December 31, 2011. The compensation of the Named Executive Officers has generally mirrored this performance, with share price performance outpacing compensation increases in three of the past five years. However, aggregate compensation of the Named Executive Officers has decreased during each of the last two years.

Compensation of Officers

The senior officers of Agnico-Eagle are:

- Sean Boyd, Vice-Chairman, President and Chief Executive Officer
- Ammar Al-Joundi, Senior Vice-President, Finance and Chief Financial Officer
- Donald G. Allan, Senior Vice-President, Corporate Development
- Alain Blackburn, Senior Vice-President, Exploration
- Louise Grondin, Senior Vice-President, Environment and Sustainable Development
- Tim Haldane, Senior Vice-President, Latin America

- R. Gregory Laing, General Counsel, Senior Vice-President, Legal and Corporate Secretary
- Marc Legault, Senior Vice-President, Project Evaluation
- Jean-Luk Pellerin, Senior Vice-President, Human Resources
- Daniel Racine, Senior Vice-President, Mining
- Jean Robitaille, Senior Vice-President, Technical Services and Project Development
- David Smith, Senior Vice-President, Strategic Planning and Investor Relations
- Yvon Sylvestre, Senior Vice-President, Operations

The following Summary Compensation Table sets out compensation during the fiscal year ended December 31, 2011 for the Named Executive Officers of Agnico-Eagle measured by total compensation earned during the fiscal years ended December 31, 2011, 2010 and 2009.

Summary Compensation Table — Agnico-Eagle Mines Limited

Name and Principal Position	Year	Salary	Share-Based Awards (2)	Option-Based Awards (3)	Non-Equity Incentive Plan Compensation (1)		Pension Value	All Other Compensation (4)	Total Compensation (5)
					Annual Incentive Plans	Long-Term Incentive Plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sean Boyd	2011	1,260,000	52,000	4,120,800	1,197,000	n/a	257,642	95,005	6,982,447
Vice-Chairman and Chief Executive Officer	2010	1,200,000	46,250	4,893,000	1,656,000	n/a	320,034	19,200	8,134,484
Eberhard Scherkus	2009	925,000	39,000	6,147,500	1,175,000	n/a	794,877	21,264	9,102,641
President and Chief Operating Officer	2011	800,000	38,750	2,403,800	656,000	n/a	172,669	100,707	4,171,926
Ammar Al-Joundi	2010	775,000	33,000	2,854,250	775,000	n/a	51,758	19,200	4,508,208
Senior Vice-President, Finance and Chief Financial Officer	2009	660,000	33,000	4,303,250	596,000	n/a	203,100	21,944	5,817,294
Alain Blackburn	2011	490,000	23,750	1,030,200	457,000	n/a	119,080	56,202	2,154,832
Senior Vice-President, Exploration	2010	151,635	7,308	1,615,500 ⁽⁶⁾	322,000	n/a	nil	5,908	2,102,351
Donald G. Allan	2011	438,000	15,600	1,030,200	335,000	n/a	92,980	55,092	1,966,872
Senior Vice-President, Corporate Development	2010	425,000	15,600	1,631,000	344,000	n/a	25,350	19,200	2,460,150
	2009	340,000	15,600	2,459,000	260,000	n/a	70,050	23,444	3,168,094
Donald G. Allan	2011	420,000	16,900	1,030,200	378,000	n/a	96,730	57,216	1,999,046
Senior Vice-President, Corporate Development	2010	400,000	13,000	1,223,250	276,000	n/a	78,950	19,700	2,010,900
	2009	340,000	14,300	1,844,250	175,000	n/a	55,250	19,700	2,448,500

- (1) All amounts earned on non-equity incentive plan compensation were paid during the financial year.
- (2) This represents the Company's contribution to shares purchased by the Named Executive Officers pursuant to the Employee Share Purchase Plan.
- (3) The value of option-based awards, being \$17.17 (2010 — \$16.31; 2009 — \$24.59) per Option, was determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model is a commonly used pricing model that assumes the valued option can only be exercised at expiration. All Options were granted at an exercise price of \$76.60 (2010 — \$56.92; 2009 — \$62.77), which was the closing price for the common shares of the Company on the TSX on the day prior to the date of grant. Key additional assumptions used were: (i) the risk free interest rate, which was 1.96% (2010 — 1.87%; 2009 — 1.3%); (ii) current time to expiration of the Option which was assumed to be 2.5 years; (iii) the volatility for the common shares of the Company on the TSX, which was 34.63% (2010 — 44%; 2009 — 64%); and (iv) the dividend yield for the common shares of the Company, which was 0.88% (2010 — 0.43%; 2009 — 0.42%).
- (4) Consists of premiums paid for term life and health insurance, automobile allowances, education and fitness benefits and, beginning in 2011, extended health coverage and computer-related allowances for the Named Executive Officers.
- (5) The total compensation was paid in Canadian dollars. The Company reports its financial statements in United States dollars. On December 31, 2011 the Noon Buying Rate was C\$1.00 equals US\$1.0170.

Stock Option Plan

Under the Stock Option Plan, Options to purchase common shares may be granted to directors, officers, employees and consultants of the Company. The exercise price of Options granted may be denominated in Canadian dollars or United States dollars, but generally may not be less than the closing market price for the common shares of the Company on the TSX or the NYSE, respectively, on the trading day prior to the date of grant. The maximum term of Options granted under the Stock Option Plan is five years and the maximum number of Options that can be issued in any year is 2% of the Company's outstanding common shares. In addition, a maximum of 25% of the Options granted in an Option grant vest upon the date granted with the remaining Options vesting equally on the next three anniversaries of the Option grant. The value of Options granted to non-executive directors participating in the Stock Option Plan is limited to \$100,000 per year; however, in July 2011, the Board amended its director compensation program such that non-executive directors now receive RSUs instead of Options. The number of common shares which may be reserved for issuance to any one person pursuant to Options (under the Stock Option Plan or otherwise), warrants, share purchase plans or other compensation arrangements may not exceed 5% of the outstanding common shares. Additionally, the number of common shares which may be reserved for issuance to insiders of the Company pursuant to Options (under the Stock Option Plan or otherwise), warrants, share purchase plans or other compensation arrangements, at any time, cannot exceed 10% of outstanding common shares and the number of common shares issued to insiders of the Company pursuant to Options (under the Stock Option Plan or otherwise), warrants, share purchase plans or other compensation arrangements, within any one year period, cannot exceed 10% of the outstanding common shares.

The Stock Option Plan provides for the termination of an Option held by an Option holder in the following circumstances:

- the Option expires (no later than five years after the Option was granted);
- 30 days after the Option holder ceases to be an employee, officer, director of or consultant to the Company or any subsidiary of the Company;
- twelve months after the death of the Option holder; and
- where such Option holder is a director, four years after the date he or she resigns or retires from the Board of Directors (provided that in no event will any Option expire later than five years after the Option was granted).

The Company has proposed certain changes to the Stock Option Plan affecting the number of common shares of the Company that may be reserved for issuance pursuant to Options and other equity-based compensation arrangements to non-executive directors of the Company at any time and the requirement for shareholder approval for the extension of the term of any Option. See "Section 2: Business of the Meeting — Amendments to Stock Option Plan".

An Option granted under the Stock Option Plan may only be assigned to eligible assignees, including a spouse, a minor child, a minor grandchild, a trust governed by a registered retirement savings plan of such participant, a corporation controlled by such participant and of which all other shareholders are eligible assignees or a family trust of which such participant is a trustee and of which all beneficiaries are eligible assignees. Assignments must be approved by the Board of Directors and any stock exchange or other authority.

The Board of Directors may amend or revise the terms of the Stock Option Plan without the approval of shareholders as permitted by law and subject to any required approval by any stock exchange or other authority including amendments of a "housekeeping" nature, amendments necessary to comply with applicable law (including, without limitation, the rules, regulations and policies of the TSX), amendments respecting administration of the Stock Option Plan (provided such amendment does not entail an extension beyond the original expiry date), any amendment to the vesting provisions of the Stock Option Plan or any Option, any amendment to the early termination provisions of the Stock Option Plan or any Option, whether or not such

Option is held by an insider (provided such amendment does not entail an extension beyond the original expiry date), the addition or modification of a cashless exercise feature, amendments necessary to suspend or terminate the Stock Option Plan and any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the TSX). No amendment or revision to the Stock Option Plan which adversely affects the rights of any Option holder under any Option granted under the Stock Option Plan can be made without the consent of the Option holder whose rights are being affected.

In addition, no amendments to the Stock Option Plan to increase the maximum number of common shares reserved for issuance, to reduce the exercise price for any Option, to extend the term of an Option, to increase any limit on grants of Options to insiders of the Company, to amend the designation of who is an eligible participant or eligible assignee, to change the participation limits in any given year for non-executive directors or to grant additional powers to the Board to amend the Stock Option Plan or entitlements can be made without first obtaining the approval of the Company's shareholders. In response to a TSX staff notice regarding amendments to security based compensation arrangements, the Stock Option Plan was amended in 2007 such that where the Company has imposed trading restrictions on directors and officers that fall within ten trading days of the expiry of an Option, such Option's expiry date shall be the tenth day following the termination of such restrictions. The Stock Option Plan does not expressly entitle participants to convert an Option into a stock appreciation right.

Under the Stock Option Plan, only eligible persons who are not directors or officers of the Company are entitled to receive loans, guarantees or other support arrangements from the Company to facilitate Option exercises. During 2011, no loans, guarantees or other financial assistance were provided under the plan.

The number of common shares currently reserved for issuance under the Stock Option Plan is 12,221,186 common shares (comprised of 11,657,901 common shares relating to Options issued but unexercised and 563,285 common shares relating to Options available to be issued), being 7.1% of the Company's 170,928,545 common shares issued and outstanding as at March 12, 2012.

In 2011, officers exercised Options to receive notional proceeds of, in aggregate, \$4,089,391 (7 people) (\$21,775,538 (17 people) in 2010; \$23,741,131 (17 people) in 2009). In 2011, the Company received proceeds from the exercise of Options in the amount of \$3,822,087 (\$76,129,773 in 2010; \$42,395,941 in 2009).

The following table sets out the value vested during the most recently completed financial year of the Company of incentive plan awards granted to the Named Executive Officers.

Incentive Plan Awards Table — Value Vested or Earned During Fiscal Year 2011

<u>Name</u>	<u>Option-Based Awards — Value Vested During the Year</u> (\$)	<u>Share-Based Awards — Value Vested During the Year</u> (\$)	<u>Non-Equity Incentive Plan Compensation — Value Earned During the Year</u> (\$)
Sean Boyd	nil	n/a	1,197,000
Eberhard Scherkus	nil	n/a	656,000
Ammar Al-Joundi	nil	n/a	457,000
Alain Blackburn	nil	n/a	335,000
Donald G. Allan	nil	n/a	378,000

The following table sets out the outstanding Option awards of the Named Executive Officers as at December 31, 2011.

Outstanding Incentive Plan Awards Table

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options ⁽¹⁾ (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share Based Awards that have not Vested (\$)	Market or Payout Value of Vested Share Based Awards not Paid Out or Distributed (\$)
Sean							
Boyd	100,000	48.09	1/2/2012	nil	nil	nil	nil
	200,000	54.42	1/2/2013	nil			
	250,000	62.77	1/2/2014	nil			
	300,000	56.92	1/4/2015	nil			
	240,000	76.60	1/4/2016	nil			
Eberhard							
Scherku	75,000	48.09	1/2/2012	nil	nil	nil	nil
	125,000	54.42	1/2/2013	nil			
	175,000	62.77	1/2/2014	nil			
	175,000	56.92	1/4/2015	nil			
	140,000	76.60	1/4/2016	nil			
Ammar							
Al-Joundi	75,000	69.44	9/1/2015	nil	nil	nil	nil
	60,000	76.60	1/4/2016	nil			
Alain							
Blackbu	39,750	54.42	1/2/2013	nil	nil	nil	nil
	100,000	62.77	1/2/2014	nil			
	100,000	56.92	1/4/2015	nil			
	60,000	76.60	1/4/2016	nil			
Donald G.							
Allan	30,000	48.09	1/2/2012	nil	nil	nil	nil
	60,000	54.42	1/2/2013	nil			
	75,000	62.77	1/2/2014	nil			
	75,000	56.92	1/4/2015	nil			
	60,000	76.60	1/4/2016	nil			

(1) Based on a closing price of the Company's shares on the TSX of \$37.05 on December 31, 2011. On December 31, 2011, the Noon Buying Rate was C\$1.00 equals US\$1.0170.

The following table shows, as at December 31, 2011, compensation plans under which equity securities of Agnico-Eagle are authorized for issuance from treasury. The information has been aggregated by plans approved by shareholders and plans not approved by shareholders, of which there are none.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued on exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuances under equity compensation plans
Equity compensation plans approved by shareholders	8,959,051	\$ 62.88	3,262,135
Equity compensation plans not approved by shareholders	nil	nil	nil

Employee Share Purchase Plan

In 1997, the shareholders of Agnico-Eagle approved the Employee Share Purchase Plan to encourage directors, officers and full-time employees of Agnico-Eagle to purchase common shares of Agnico-Eagle. In 2009, the Employee Share Purchase Plan was amended to prohibit non-executive directors from participating in the plan. Full-time employees who have been continuously employed by Agnico-Eagle or its subsidiaries for at least twelve months are eligible at the beginning of each fiscal year to elect to participate in the Employee Share Purchase Plan. Eligible employees may contribute up to 10% of their basic annual salary through monthly payroll deductions or quarterly payments by cheque. Agnico-Eagle contributes an amount equal to 50% of the individual's contributions and issues common shares that have a market value equal to the total contributions (individual and Company) under the Employee Share Purchase Plan. In 2008, the shareholders of Agnico-Eagle approved an amendment to the Employee Share Purchase Plan to increase the number of shares available under such plan to 5,000,000 common shares. Of the 5,000,000 common shares approved, Agnico-Eagle has, as of March 12, 2012, 2,150,088 common shares remaining for issuance under the Employee Share Purchase Plan.

Pension Plan Benefits

The Company's basic defined contribution pension plan (the "Basic Plan") provides pension benefits to employees of Agnico-Eagle generally, including the Named Executive Officers. Under the Basic Plan, the Company contributes an amount equal to 15% of each designated executive's pensionable earnings (including salary and short-term bonus) to the Basic Plan. The Company's contributions cannot exceed the money purchase limit, as defined in the *Income Tax Act* (Canada). Upon termination, the Company's contribution to the Basic Plan ceases and the participant is entitled to a pension benefit in the amount of the vested account balance. All contributions to the Basic Plan are invested in a variety of funds offered by the plan administrator, at the direction of the participant.

In addition to the Basic Plan, effective January 1, 2008, in line with the Company's compensation policy that compensation must be competitive in order to help attract and retain the executives needed to lead and grow the Company's business and to address the weakness of the Company's retirement benefits when compared to its peers in the gold production industry, the Company adopted a supplemental defined contribution plan (the "Supplemental Plan") for designated executives at the level of Vice-President or above. On December 31 of each year, the Company credits each designated executive's account an amount equal to 15% of the designated executive's pensionable earnings for the year (including salary and short term bonus), less the Company's contribution to the Basic Plan. In addition, on December 31 of each year, the Company will credit each designated executive's account a notional investment return equal to the balance of such designated executive's account at the beginning of the year multiplied by the yield rate for Government of Canada marketable bonds with average yields over ten years. Upon retirement, after attaining the minimum age of 55, the designated executive's account will be paid out in either (a) five annual installments subsequent to the date of retirement, or (b) by way of lump sum payment, at the executive's option. If the designated executive's employment is terminated prior to reaching the age of 55, such designated executive will receive, by way of lump sum payment, the total amount credited to his or her account.

Individual Retirement Compensation Arrangement Plans (the "RCA Plans") for Messrs. Boyd and Scherkus provide pension benefits which are generally equal (on an after-tax basis) to what the pension benefits would be if they were provided directly from a registered pension plan. There are no pension benefit limits under the RCA Plans. The RCA Plans provide an annual pension at age 60 equal to 2% of the executive's final three-year average pensionable earnings for each year of continuous service with the Company, less the annual pension payable under the Company's Basic Plan. The pensionable earnings for the purposes of the RCA Plans consist of all basic remuneration and do not include benefits, bonuses, automobile or other allowances, or unusual payments. Payments under the RCA Plans are secured by a letter of credit from a Canadian chartered bank. Messrs. Boyd and Scherkus may retire early, any time after reaching age 55, with a benefit based on service and final average earnings at the date of retirement, with no early retirement reduction. The Company does not have a policy to grant extra years of service under its pension plans. With the departure of Mr Scherkus from the Company in March 2012, his pension plans, including his RCA Plan, were triggered.

The following table sets forth the benefits to Messrs. Boyd and Scherkus and the associated costs to the Company in excess of the costs under the Company's Basic Plan.

Defined Benefit Plan Table

Name	Number of Years of Service ⁽¹⁾ (#)	Annual Benefits Accrued		Accrued Obligation at the Start of the Year (\$)	Compensatory Change (\$)	Non-Compensatory Change (\$)	Accrued Obligation at Year End (\$)
		At Year End ⁽¹⁾ (\$)	At age 60 (\$)				
Sean Boyd	26	759,643	955,064	6,230,164	257,642	1,421,450	7,909,256
Eberhard Scherkus	26	367,008	368,043	4,263,286	172,669	709,329	5,145,284

(1) As at December 31, 2011.

The following tables set forth summary information about the Basic Plan and the Supplemental Plan for each of the Named Executive Officers as at December 31, 2011.

Defined Contribution Plan Table — Basic Plan

Name	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Non-Compensatory (\$)	Accumulated Value at Year End (\$)
Sean Boyd	397,580	22,970	27,578	392,972
Eberhard Scherkus	353,373	22,970	13,507	389,850
Ammar Al-Joundi	22,450	22,970	4,470	41,000
Alain Blackburn	287,608	22,970	24,250	286,328
Donald G. Allan	171,902	22,970	11,110	183,763

Defined Contribution Plan Table — Supplemental Plan

Name	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Non-Compensatory (\$)	Accumulated Value at Year End (\$)
Sean Boyd ⁽¹⁾	nil	nil	nil	nil
Eberhard Scherkus ⁽¹⁾	nil	nil	nil	nil
Ammar Al-Joundi	nil	119,080	nil	119,080
Alain Blackburn	217,423	92,980	5,261	315,664
Donald G. Allan	187,690	96,730	4,542	288,962

(1) Messrs. Boyd and Scherkus do/did not participate in the Supplemental Plan.

Employment Contracts/Termination Arrangements

Agnico-Eagle has employment agreements with all of its executive officers that provide for an annual base salary, bonus and certain pension, health, dental and other insurance and automobile benefits. These amounts may be increased at the discretion of the Board of Directors upon the recommendation of the Compensation Committee. For the current base salary for each Named Executive Officer see "Summary Compensation Table" above. If the individual agreements are terminated other than for cause, death or disability, or upon their resignation following certain events, all of the Named Executive Officers would be entitled to a payment equal to two and one-half times their annual base salary at the date of termination plus an amount equal to two and one-half times their annual bonus (averaged over the preceding two years but not including Options) and a continuation of benefits for up to two and one-half years (or, at the election of the employee, the amount equal

to the Company's cost in providing such benefits) or until the individual commences new employment. Certain events that would trigger a severance payment are:

- termination of employment without cause;
- substantial alteration of responsibilities;
- reduction of base salary or benefits;
- office relocation of greater than 100 kilometres;
- failure to obtain a satisfactory agreement from any successor to assume the individual's employment agreement or provide the individual with a comparable position, duties, salary and benefits; or
- any change in control of the Company.

If a severance payment triggering event had occurred on December 31, 2011, the severance payments that would be payable to each of the Named Executive Officers, other than Mr. Scherkus, would be approximately as follows: Mr. Boyd — \$6,953,763; Mr. Al-Joundi — \$2,339,256; Mr. Blackburn — \$2,081,482; and Mr. Allan — \$2,010,539.

In March 2012, Mr. Scherkus left employment with the Company after more than 26 years of service. In connection with his departure, he received, in accordance with the terms of his employment agreement, an aggregate severance payment of \$4,257,943.

The Company and Mr. Scherkus entered into a consulting agreement dated as of March 16, 2012 (the "Consulting Agreement") pursuant to which Mr. Scherkus has agreed to provide consulting services to the Company for a five-year period. The key terms of the Consulting Agreement include: confidentiality, non-competition and non-solicitation of employee covenants by Mr. Scherkus; that Mr. Scherkus will provide up to one-quarter of his time for consulting services during the term of the Consulting Agreement (including assistance with any litigation matters relating to the closure of the Goldex mine); and payment by the Company of \$400,000 in consulting fees per year.

Succession Planning

The Company continually evaluates succession plans for its executive management team and takes pro-active steps to ensure potential succession candidates have the requisite skills and experience to transition to new roles. This includes inviting potential successors to formal Board or Committee meetings where they make presentations and engage in discussions with directors and encouraging them to attend informal social functions where they may interact with directors in a more relaxed setting. This allows directors to make a comprehensive assessment of such candidates.

The Chief Executive Officer prepares succession planning reports on executive management team members and discusses succession matters in *in camera* sessions with the Compensation Committee and the Board. The Board is responsible for:

- (a) ensuring there is an orderly succession plan for the position of the Chief Executive Officer;
- (b) reviewing and approving the Chief Executive Officer's succession planning report for each of his direct reports and the executive management team;
- (c) ensuring the succession plan includes a process that would respond to an emergency situation which required an immediate replacement of the incumbent Chief Executive Officer or any of his direct reports; and
- (d) ensuring that the Chief Executive Officer has a succession planning process in place for other members of senior management in key positions.

Indebtedness of Directors, Executive Officers and Senior Officers

There is no outstanding indebtedness to Agnico-Eagle by any of its officers or directors. Agnico-Eagle's policy is not to make any loans to directors and officers.

Additional Items

Corporate Governance

Under the rules of the Canadian Securities Regulators (the "CSA"), the Company is required to disclose information relating to its system of corporate governance. The Company's corporate governance disclosure is set out in Appendix A to this Circular. In addition to describing the Company's governance practices with reference to the CSA rules, Appendix A to this Circular indicates how these governance practices align with the requirements and U.S. Securities and Exchange Commission regulations under the Sarbanes-Oxley Act of 2002 and the standards of the NYSE.

Directors' and Officers' Liability Insurance

The Company has purchased, at its expense, directors' and officers' liability insurance policies to provide insurance against possible liabilities incurred by its directors and officers in their capacity as directors and officers of the Company. The premium for these policies for the period from December 31, 2011 to December 31, 2012 is \$748,437. The policies provide coverage of up to \$100 million per occurrence to a maximum of \$100 million per annum. There is no deductible for directors and officers and a \$2,500,000 deductible for each claim made by the Company. The insurance applies in circumstances where the Company may not indemnify its directors and officers for their acts or omissions.

Additional Information

The Company is a reporting issuer under the securities acts of each of the provinces of Canada and a registrant under the United States Securities Exchange Act of 1934 and is therefore required to file certain documents with various securities commissions. To obtain a copy of any of the following documents, please contact the Senior Vice-President, Strategic Planning and Investor Relations:

- the Company's most recent Annual Information Form consisting of the Company's Annual Report on Form 20-F under the United States Securities Exchange Act of 1934;
- the Company's Audited Annual Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2011, which includes the Company's financial information;
- any interim financial statements of the Company subsequent to the financial statements for the year ended December 31, 2011; and
- this Management Proxy Circular.

Alternatively, these documents may be viewed at the Company's website at <http://www.Agnico-Eagle.com> or on the SEDAR website at <http://www.sedar.com>.

Information concerning the Company's Audit Committee, required to be provided by National Instrument 51-110F1, can be found in the Company's Annual Report on Form 20-F under the United States Securities Exchange Act of 1934 which may be reviewed at the websites set out above.

General

Management knows of no matters to come before the meeting other than matters referred to in the Notice. However, if any other matters which are not now known to management should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

Directors' Approval

The Board of Directors of the Company has approved the content and sending of this Management Proxy Circular.

March 12, 2012

A handwritten signature in black ink, appearing to read "R. LAING". The signature is written in a cursive style with a long horizontal stroke at the end.

R. GREGORY LAING
General Counsel, Senior Vice-President,
Legal and Corporate Secretary

APPENDIX A:

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board and management have been following the developments in corporate governance requirements and best practices standards in both Canada and the United States. As these requirements and practices have evolved, the Company has responded in a positive and proactive way by assessing its practices against these requirements and modifying, or targeting for modification, practices to bring them into compliance with these corporate governance requirements and best practices standards. The Company revises, from time to time, the Board Mandate and the charters for the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Health, Safety and Environment Committee to reflect the new and evolving corporate governance requirements and what it believes to be best practices standards in Canada and the United States.

The Board believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The Company's governance practices reflect the Board's assessment of the governance structure and process which can best serve to realize these objectives in the Company's particular circumstance. The Company's governance practices are subject to review and evaluation through the Board's Corporate Governance Committee to ensure that, as the Company's business evolves, changes in structure and process necessary to ensure continued good governance are identified and implemented.

The Company is required under the rules of the CSA to disclose its corporate governance practices and provide a description of the Company's system of corporate governance. This Statement of Corporate Governance Practices has been prepared by the Board's Corporate Governance Committee and approved by the Board.

Board of Directors

Director Independence

The Board consists of thirteen directors. The Board has made an affirmative determination that twelve of its thirteen current members are "independent" within the meaning of the CSA rules and the standards of the New York Stock Exchange. With the exception of Mr. Boyd, all directors are independent of management and free from any interest or any business that could materially interfere with their ability to act as a director with a view to the best interests of the Company. In reaching this determination, the Board considered the circumstances and relationships with the Company and its affiliates of each of its directors. In determining that all directors except Mr. Boyd are independent, the Board took into consideration the facts that none of the remaining directors is an officer or employee of the Company or party to any material contract with the Company and that none receives remuneration from the Company other than directors' fees and Option grants for service on the Board. Mr. Boyd is considered related because he is an officer of the Company. All directors, other than Mr. Boyd, also meet the independence standard as set out in the Sarbanes-Oxley Act of 2002 ("SOX").

The Board may meet independently of management at the request of any director or may excuse members of management from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate. The Board also meets without management before or after each Board meeting, including after each Board meeting held to consider interim and annual financial statements. In 2011, the Board met without management at each Board meeting, being eleven separate occasions, including the four regularly scheduled quarterly meetings.

To promote the exercise of independent judgment by directors in considering transactions and agreements, any director or officer who has a material interest in the matter being considered may not be present for discussions relating to the matter and any such director may not participate in any vote on the matter.

Additional information on each director standing for election, including other public company boards on which they serve and their attendance record for all Board and Committee meetings during 2011, can be found on pages 5 to 11 and 17 of this information circular.

Chairman

Mr. Nasso is the Chairman of the Board and Mr. Boyd is the Vice-Chairman, President and Chief Executive Officer of the Company. Mr. Nasso is not a member of management. The Board believes that the separation of the offices of Chairman and Chief Executive Officer enhances the ability of the Board to function independently of management and does not foresee that the offices of Chairman and Chief Executive Officer will be held by the same person.

The Board has adopted a position description for the Chairman of the Board. The Chairman's role is to provide leadership to directors in discharging their duties and obligations as set out in the mandate of the Board. The specific responsibilities of the Chairman include providing advice, counsel and mentorship to the Chief Executive Officer, appointing the Chair of each of the Board's committees and promoting the delivery of information to the members of the Board on a timely basis to keep them fully apprised of all matters which are material to them at all times. The Chairman's responsibilities also include scheduling, overseeing and presiding over meetings of the Board and presiding over meetings of the Company's shareholders.

Board Mandate

The Board's mandate is to provide stewardship of the Company, to oversee the management of the Company's business and affairs, to maintain its strength and integrity, to oversee the Company's strategic direction, its organization structure and succession planning of senior management and to perform any other duties required by law. The Board's strategic planning process consists of an annual review of the Company's future business plans and, from time to time (and at least annually), a meeting focused on strategic planning matters. As part of this process, the Board reviews and approves the corporate objectives proposed by the Chief Executive Officer and advises management on the development of a corporate strategy to achieve those objectives. The Board also reviews the principal risks inherent in the Company's business, including environmental, industrial and financial risks, and assesses the systems to manage these risks. The Board also monitors the performance of senior management against the business plan through a periodic review process (at least every quarter) and reviews and approves promotion and succession matters.

The Board holds management responsible for the development of long-term strategies for the Company. The role of the Board is to review, question, validate and ultimately approve the strategies and policies proposed by management. The Board relies on management to perform the data gathering, analysis and reporting functions which are critical to the Board for effective corporate governance. In addition, the Vice-Chairman, President and Chief Executive Officer, the Senior Vice-President, Finance and Chief Financial Officer, the Senior Vice-President, Corporate Development, the Senior Vice-President, Exploration and the Senior Vice-President, Technical Services report to the Board at least every quarter on the Company's progress in the preceding quarter and on the strategic, operational and financial issues facing the Company.

Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business. Management seeks the Board's prior approval for significant changes in the Company's affairs such as major capital expenditures, financing arrangements and significant acquisitions and divestitures. Board approval is required for any venture outside of the Company's existing businesses and for any change in senior management. Recommendations of committees of the Board require the approval of the full Board before being implemented. In addition, the Board oversees and reviews significant corporate plans and initiatives, including the annual five-year business plan and budget and significant matters of corporate strategy or policy. The Company's authorization policy and risk management policy ensure compliance with good corporate governance practices. Both policies formalize controls over the management or other employees of the Company by stipulating internal approval processes for transactions, investments, commitments and expenditures and, in the case of the risk management policy, establishing objectives and guidelines for metal price hedging, foreign exchange and short-term investment risk management and insurance. The Board, directly and through its Audit Committee, also assesses the integrity of the Company's internal control and management information systems.

The Board oversees the Company's approach to communications with shareholders and other stakeholders and approves specific communications initiatives from time to time. The Company conducts an active investor relations program. The program involves responding to shareholder inquiries, briefing analysts and fund

managers with respect to reported financial results and other announcements by the Company and meeting with individual investors and other stakeholders. Senior management reports regularly to the Board on these matters. The Board reviews and approves the Company's major communications with shareholders and the public, including quarterly and annual financial results, the annual report and the management information circular. The Board has a Disclosure Policy which establishes standards and procedures relating to contacts with analysts and investors, news releases, conference calls, disclosure of material information, trading restrictions and blackout periods.

The Board's mandate is posted on the Company's website at www.Agnico-Eagle.com.

Position Descriptions

Chief Executive Officer

The Board has adopted a position description for the Chief Executive Officer, who has full responsibility for the day-to-day operation of the Company's business in accordance with the Company's strategic plan and current year operating and capital expenditure budgets as approved by the Board. In discharging his responsibility for the day-to-day operation of Agnico-Eagle's business, subject to the oversight by the Board, the Chief Executive Officer's specific responsibilities include:

- providing leadership and direction to the other members of Agnico-Eagle's senior management team;
- fostering a corporate culture that promotes ethical practices and encourages individual integrity;
- maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating top-quality employees at all levels;
- working with the Chairman in determining the matters and materials that should be presented to the Board;
- together with the Chairman, developing and recommending to the Board a long-term strategy and vision for Agnico-Eagle that leads to enhancement of shareholder value;
- developing and recommending to the Board annual business plans and budgets that support Agnico-Eagle's long-term strategy;
- ensuring that the day-to-day business affairs of Agnico-Eagle are appropriately managed;
- consistently striving to achieve Agnico-Eagle's financial and operating goals and objectives;
- designing or supervising the design and implementation of effective disclosure and internal controls;
- maintaining responsibility for the integrity of the financial reporting process;
- seeking to secure for Agnico-Eagle a satisfactory competitive position within its industry;
- ensuring that Agnico-Eagle has an effective management team below the level of the Chief Executive Officer and has an active plan for management development and succession;
- ensuring, in cooperation with the Chairman and the Board, that there is an effective succession plan in place for the position of Chief Executive Officer; and
- serving as the primary spokesperson for Agnico-Eagle.

The Chief Executive Officer is to consult with the Chairman on matters of strategic significance to the Company and alert the Chairman on a timely basis of any material changes or events that may impact upon the risk profile, financial affairs or performance of the Company.

Chairs of Board Committees

The Board has adopted written position descriptions for each of the Chairs of the Board's committees, which include the Audit Committee, the Corporate Governance Committee, the Compensation Committee and the Health, Safety and Environment Committee. The role of each of the Chairs is to ensure the effective

functioning of his or her committee and provide leadership to its members in discharging the mandate as set out in the committee's charter. The responsibilities of each Chair include, among others:

- establishing procedures to govern his or her committee's work and ensure the full discharge of its duties;
- chairing every meeting of his or her committee and encouraging free and open discussion at such meetings;
- reporting to the Board on behalf of his or her committee; and
- attending every meeting of shareholders and responding to such questions from shareholders as may be put to the Chair of his or her committee.

Each of the Chairs is also responsible for carrying out other duties as requested by the Board, depending on need and circumstances.

Orientation and Continuing Education

The Corporate Governance Committee is responsible for overseeing the development and implementation of orientation programs for new directors and continuing education for all directors.

The Company maintains a collection of director orientation materials, which include the Board Mandate, the charters of the Board's committees, a memorandum on the duties of a director of a public company and a glossary of mining and accounting terms. A copy of such materials is given to each director and updated annually.

The Company holds periodic educational sessions with its directors and legal counsel to review and assess the Board's corporate governance policies. This allows new directors to become familiar with the corporate governance policies of the Company as they relate to its business. In addition, the Company provides extensive reports on all operations to the directors at each quarterly Board meeting and conducts yearly site tours for the directors at a different mine site each year.

The Corporate Governance Committee conducts an annual assessment that addresses the performance of the Board, the Board's committees and the individual directors. These assessments help identify opportunities for continuing Board and director development. In addition, it is open to any director to take a continuing education course related to the skill and knowledge necessary to meet his or her obligations as a director at the expense of the Company.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics, which provides a framework for directors, officers and employees on the conduct and ethical decision making integral to their work. In addition, the Board has adopted a Code of Business Conduct and Ethics for Consultants and Contractors. The Audit Committee is responsible for monitoring compliance with these codes of ethics and any waivers or amendments thereto can only be made by the Board or a Board committee. These codes are available on www.sedar.com.

The Board has also adopted a Confidential Anonymous Complaint Reporting Policy, which provides procedures for officers and employees who believe that a violation of the Code of Business Conduct and Ethics has occurred to report this violation on a confidential and anonymous basis. Complaints can be made internally to the General Counsel, Senior Vice-President, Legal and Corporate Secretary or the Senior Vice-President, Finance and Chief Financial Officer. Complaints can also be made anonymously by telephone, e-mail or postal letter through a hotline provided by an independent third party service provider. The General Counsel, Senior Vice-President, Legal and Corporate Secretary periodically prepares a written report to the Audit Committee regarding the complaints, if any, received through these procedures.

The Board believes that providing a procedure for employees and officers to raise concerns about ethical conduct on an anonymous and confidential basis fosters a culture of ethical conduct within the Company.

Nomination of Directors

The Corporate Governance Committee, which is comprised entirely of independent directors, is responsible for participating in the recruitment and recommendation of new nominees for appointment or election to the Board. When considering a potential candidate, the Corporate Governance Committee considers the qualities and skills that the Board, as a whole, should have and assesses the competencies and skills of the current members of the Board. Based on the talent already represented on the Board, the Corporate Governance Committee then identifies the specific skills, personal qualities or experiences that a candidate should possess in light of the opportunities and risks facing the Company. The Corporate Governance Committee may maintain a list of potential director candidates for its future consideration and may engage outside advisors to assist in identifying potential candidates. Potential candidates are screened to ensure that they possess the requisite qualities, including integrity, business judgment and experience, business or professional expertise, independence from management, international experience, financial literacy, excellent communications skills and the ability to work well in a team situation. The Corporate Governance Committee also considers the existing commitments of a potential candidate to ensure that such candidate will be able to fulfill his or her duties as a Board member.

Compensation

Remuneration is paid to the Company's directors based on several factors, including time commitments, risk, workload and responsibility demanded by their positions. The Compensation Committee periodically reviews and fixes the amount and composition of the compensation of directors. For a summary of remuneration paid to directors, please see "Section 2: Business of the Meeting — Compensation of Directors and Other Information" and the description of the Compensation Committee below.

Board Committees

The Board has four Committees: the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Health, Safety and Environment Committee.

Audit Committee

The Audit Committee is composed entirely of directors who are unrelated to and independent from the Company (currently, Dr. Baker (Chair), Mr. Kraft, Mr. Leiderman and Dr. Riley), each of whom is financially literate, as the term is used in the CSA's Multilateral Instrument 52-110 — Audit Committees. In addition, Mr. Leiderman and Mr. Kraft are Chartered Accountants; Mr. Leiderman is currently in private practice and Mr. Kraft while retired, remains active in the profession and the Board has determined that both of them qualify as audit committee financial experts, as the term is defined in the rules of the United States Securities and Exchange Commission (the "SEC"). The education and experience of each member of the Audit Committee is set out under "Section 2: Business of the Meeting — Nominees for Election to the Board of Directors". Fees paid to the Company's auditors, Ernst & Young LLP, are set out under "Section 2: Business of the Meeting — Appointment of Auditors". The Audit Committee met six times in 2011.

The Audit Committee has two primary objectives. The first is to advise the Board of Directors in its oversight responsibilities regarding:

- the quality and integrity of the Company's financial reports and information;
- the Company's compliance with legal and regulatory requirements;
- the effectiveness of the Company's internal controls for finance, accounting, internal audit, ethics and legal and regulatory compliance;
- the performance of the Company's auditing, accounting and financial reporting functions;
- the fairness of related party agreements and arrangements between the Company and related parties; and
- the independent auditors' performance, qualifications and independence.

The second primary objective of the Audit Committee is to prepare the reports required to be included in the management proxy circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

The Board has adopted an Audit Committee charter, which provides that each member of the Audit Committee must be unrelated to and independent from the Company as determined by the Board in accordance with the applicable requirements of the laws governing the Company, the applicable stock exchanges on which the Company's securities are listed and applicable securities regulatory authorities. In addition, each member must be financially literate and at least one member of the Audit Committee must be an audit committee financial expert, as the term is defined in the rules of the SEC. The Audit Committee must pre-approve all audit and permitted non-audit services to be provided by the external auditors to the Company.

The Audit Committee is responsible for reviewing all financial statements prior to approval by the Board, all other disclosure containing financial information and all management reports which accompany any financial statements. The Audit Committee is also responsible for all internal and external audit plans, any recommendation affecting the Company's internal controls, the results of internal and external audits and any changes in accounting practices or policies. The Audit Committee reviews any accruals, provisions, estimates or related party transactions that have a significant impact on the Company's financial statements and any litigation, claim or other contingency that could have a material effect upon the Company's financial statements. In addition, the Audit Committee is responsible for assessing management's programs and policies relating to the adequacy and effectiveness of internal controls over the Company's accounting and financial systems. The Audit Committee reviews and discusses with the Chief Executive Officer and Chief Financial Officer the procedures undertaken in connection with their certifications for annual filings in accordance with the requirements of applicable securities regulatory authorities. The Audit Committee is also responsible for recommending to the Board the external auditor to be nominated for shareholder approval who will be responsible for preparing audited financial statements and completing other audit, review or attest services. The Audit Committee also recommends to the Board the compensation to be paid to the external auditor and directly oversees its work. The Company's external auditor reports directly to the Audit Committee. The Audit Committee reports directly to the Board of Directors.

The Audit Committee is entitled to retain (at the Company's expense) and determine the compensation of any independent counsel, accountants or other advisors to assist the Audit Committee in its oversight responsibilities.

Compensation Committee

The Compensation Committee is composed entirely of directors who are unrelated to and independent from the Company (currently, Mr. Gemmell (Chair), Mr. Beaumont, Ms Celej and Mr. Stockford). The Compensation Committee met five times in 2011.

The Compensation Committee is responsible for, among other things:

- recommending to the Board policies relating to compensation of the Company's executive officers;
- recommending to the Board the amount and composition of annual compensation to be paid to the Company's executive officers;
- matters relating to pension, option and other incentive plans for the benefit of executive officers;
- administering the Stock Option Plan;
- reviewing and fixing the amount and composition of annual compensation to be paid to members of the Board and committees; and
- reviewing and assessing the design and competitiveness of the Company's compensation and benefits programs generally.

The Compensation Committee reports directly to the Board. The charter of the Compensation Committee provides that each member of the Compensation Committee must be unrelated and independent.

The Board considers Messrs. Gemmell and Beaumont particularly well-qualified to serve on the Compensation Committee given the expertise they have accrued during their business careers: Mr. Gemmell as a senior manager of divisions of a major financial services company (where part of his duties included assessing personnel and setting compensation rates) and Mr. Beaumont as a former founder and senior executive of an international engineering services company (where part of his duties included oversight of the establishment of appropriate compensation structures for the organization).

Corporate Governance Committee

The Corporate Governance Committee is composed entirely of directors who are unrelated to and independent from the Company (currently, Mr. Roberts (Chair), Mr. Kraft, Mr. Nasso and Mr. Voutilainen). The Corporate Governance Committee met four times in 2011.

The Corporate Governance Committee is responsible for, among other things:

- evaluating the Company's governance practices;
- developing its response to the Company's Statement of Corporate Governance and recommending changes to the Company's governance structures or processes as it may from time to time consider necessary or desirable;
- reviewing on an annual basis the charters of the Board and of each committee of the Board and recommending any changes;
- assessing annually the effectiveness of the Board as a whole and recommending any changes;
- reviewing on a periodic basis the composition of the Board to ensure that there remain an appropriate number of independent directors; and
- participating in the recruitment and recommendation of new nominees for appointment or election to the Board.

The Corporate Governance Committee also provides a forum for a discussion of matters not readily discussed in a full Board meeting. The charter of the Corporate Governance Committee provides that each member of the Corporate Governance Committee must be independent, as such term is defined in the CSA rules.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee is comprised of three directors who are unrelated to and independent from the Company (currently Mr. Davis (Chair), Mr. Beaumont and Mr. Stockford). The Health, Safety and Environment Committee met four times in 2011.

The Health, Safety and Environment Committee is responsible for, among other things:

- monitoring and reviewing health, safety and environmental policies, principles, practices and processes;
- overseeing health, safety and environmental performance; and
- monitoring and reviewing current and future regulatory issues relating to health, safety and the environment.

The Health, Safety and Environment Committee reports directly to the Board and provides a forum to review health, safety and environmental issues in a more thorough and detailed manner than could be adopted by the full Board. The Health, Safety and Environment Committee charter provides that a majority of the members of the Committee be unrelated and independent.

Assessment of Directors

The Company's Corporate Governance Committee (see description of the Corporate Governance Committee above) is responsible for the assessment of the effectiveness of the Board as a whole and participates in the recruitment and recommendation of new nominees for appointment or election to the Board of Directors.

Each of the directors participates in a detailed annual assessment of the Board and Board committees. The assessment addresses performance of the Board, each Board committee and individual directors, including through a peer to peer evaluation. A broad range of topics is covered such as Board and Board committee structure and composition, succession planning, risk management, director competencies and Board processes and effectiveness. The assessment helps identify opportunities for continuing Board and director development and also forms the basis of continuing Board participation.

APPENDIX B:

STOCK OPTION PLAN RESOLUTION

BE IT RESOLVED THAT:

1. The Stock Option Plan of the Company be amended by deleting "23,300,000" in the first sentence in section 4 and substituting it with "26,800,000";
2. The Stock Option Plan of the Company be amended by deleting subsection 4(b) in its entirety and replacing it with the following:
"(b) notwithstanding section 4(a),
 - (i) the maximum number of Shares which may be reserved for issuance to non-executive directors of the Corporation pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements, at any time, cannot exceed 1% of the Outstanding Issue; and
 - (ii) the maximum number of Shares which may be reserved for issuance to any one non-executive director pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements cannot exceed an annual equity award value of \$100,000 per such non-executive director; and"; and
3. The Stock Option Plan of the Company be amended by deleting "held by an insider of the Corporation" in paragraph 12(b)(iii); and
4. Any officer or director of the Company is authorized and directed on behalf of the Company to execute and deliver all such documents and to do all such acts as may be necessary or desirable to give effect to this resolution.

APPENDIX C:

ADVISORY RESOLUTION ON APPROACH TO EXECUTIVE COMPENSATION

BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of the Company, the shareholders accept the approach to executive compensation disclosed in this Circular.

C-1

APPENDIX D:

AMENDED AND RESTATED EMPLOYEE STOCK OPTION PLAN

1. Purpose

The Purpose of this stock option plan ("Plan") is to encourage ownership of common shares (the "Shares") of Agnico-Eagle Mines Limited (the "Corporation") by directors, officers, employees and service providers being those persons who are primarily responsible for the management and profitable growth of the Corporation's business, by providing additional incentive for superior performance by such persons and to enable the Corporation to attract and retain valued directors, officers, employees and service providers.

2. Interpretation

For the purpose of this Plan, the following terms shall have the following meanings:

" **Black Out Period** " means any period during which a policy of the Corporation prevents an insider of the Corporation from trading in the Shares;

" **Committee** " means the Compensation Committee appointed by the Board of Directors of the Corporation;

" **Consultant** " means an individual (including an individual whose services are contracted through a personal holding corporation) engaged to provide ongoing management or consulting services for the Corporation or a subsidiary of the Corporation;

" **Eligible Assignee** " means, in respect of any Eligible Person, such person's Spouse, minor children and minor grandchildren, a trust governed by a registered retirement savings plan of an Eligible Person, an Eligible Corporation or an Eligible Family Trust;

" **Eligible Corporation** " means a corporation controlled by an Eligible Person and of which all other shareholders are Eligible Assignees;

" **Eligible Family Trust** " means a trust of which the Eligible Person is a trustee and of which all beneficiaries are Eligible Assignees;

" **Eligible Person** " means, subject to all applicable laws, any employee, officer, director of or Consultant to the Corporation or any subsidiary of the Corporation;

" **Market Price** " shall have the following meaning:

- (a) " **Market Price** ", in respect of options to be granted with an Exercise Price denominated in Canadian dollars, shall mean, at any date, the closing sale price for board lots of the Shares on the TSX on such day. If the Shares did not trade on the TSX on such day, Market Price shall be the closing sale price for board lots of the Shares on the NYSE on such day converted into Canadian dollars at the rate at which United States dollars may be exchanged into Canadian dollars using the inverse Noon Buying Rate. If the Shares did not trade on the TSX or NYSE on such day, Market Price shall be the closing sale price for board lots of the Shares on such stock exchange in Canada on which the Shares are listed on such day as may be selected by the Committee for such purpose. If the Shares do not trade on such day on any such stock exchange, the Market Price shall be the average of the bid and ask prices for board lots of the Shares at the close of trading on the TSX on such date; or
- (b) " **Market Price** ", in respect of options to be granted with an Exercise Price denominated in United States dollars, shall mean, at any date, the closing sale price for board lots of the Shares on the NYSE on such day. If the Shares did not trade on the NYSE on such day, Market Price shall be the closing sale price for board lots of the Shares on the TSX on such day converted into United States dollars at the rate at which Canadian dollars may be exchanged into United States dollars using the Noon Buying Rate. If the Shares do not trade on such day on either such stock exchange, the Market Price shall be the average of the bid and ask prices for board lots of the Shares at the close of trading on the NYSE on such day.

If such Shares are not listed and posted for trading on any stock exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the Committee in its sole discretion;

" **Non-Management Eligible Person** " shall have the meaning ascribed thereto in section 8;

" **Noon Buying Rate** " means the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York, or, in the event such rate is not quoted or published by the Federal Reserve Bank of New York, shall be the exchange rate determined by reference to such other publicly available service for displaying exchange rates as may be determined by the Committee;

" **NYSE** " means the New York Stock Exchange;

" **OBCA** " means the *Business Corporations Act* (Ontario), as amended from time to time;

" **Outstanding Issue** " means the number of Shares outstanding on a non-diluted basis;

" **Spouse** " shall have the meaning given to it in the *Income Tax Act* (Canada);

" **subsidiary** " shall have the meaning given to it in the *Securities Act* (Ontario); and

" **TSX** " means The Toronto Stock Exchange.

3. Administration

The Plan shall be administered by the Committee, which shall consist of not fewer than three directors of the Corporation. Vacancies on the Committee, howsoever caused, shall be filled by the Board of Directors of the Corporation. The Committee shall have full authority to interpret the Plan and to make any such rules and regulations and establish such procedures as it deems appropriate for the administration of the Plan, taking into consideration the recommendations of management. The decisions of the Committee shall be binding and conclusive for all purposes and upon all persons.

4. Number of Shares Reserved

The maximum number of Shares which may be reserved for issuance under the Plan shall be 26,800,000 Shares, subject to adjustment in accordance with section 10 which number may only be increased with the approval of the shareholders of the Corporation. The maximum number of Shares which may be reserved for issuance to any one person pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements shall:

- (a) not exceed 5% of the Outstanding Issue. Any Shares subject to an option granted under the Plan which for any reason is cancelled or terminated without having been exercised shall again be available to be granted under the Plan. All Shares issued pursuant to the exercise of options granted under the Plan will be so issued as fully paid common shares of the Corporation;
- (b) notwithstanding section 4(a),
 - (i) the maximum number of Shares which may be reserved for issuance to non-executive directors of the Corporation pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements, at any time, cannot exceed 1% of the Outstanding Issue; and
 - (ii) the maximum number of Shares which may be reserved for issuance to any one non-executive director pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements cannot exceed an annual equity award value of \$100,000 per such non-executive director; and
- (c) notwithstanding section 4(a),
 - (i) the number of Shares which may be issuable to insiders of the Corporation pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements, at any time, cannot exceed 10% of Outstanding Issue; and

- (ii) the number of Shares issued to insiders of the Corporation pursuant to options (under the Plan or otherwise), warrants, share purchase plans or other compensation arrangements, within any one year period, cannot exceed 10% of the Outstanding Issue.

5. Expiry Date

Options granted under the Plan must expire not later than five years after the date the option was granted. Each option shall be subject to earlier termination as provided in paragraph 7(d) of the Plan.

6. Participation

Options shall be granted under the Plan only to Eligible Persons as shall be designated from time to time by the Committee, Eligible Corporations and Eligible Family Trusts and shall be subject to the rules and regulations of any stock exchange upon which the Shares are listed for trading.

7. Terms and Conditions of Options

The terms and conditions of options granted under the Plan shall be set forth in written option agreements between the Corporation and the optionees. Such terms and conditions shall include the following and such other provisions, not inconsistent with the Plan, as may be deemed advisable by the Committee:

- (a) **Exercise Price:** The exercise price of an option granted under the Plan shall be fixed by the Committee which price shall not be less than the Market Price of the Shares on the trading day immediately preceding the date of the grant. The Committee may also determine that the exercise price per Share may escalate at a specified rate dependent upon the year in which any option to purchase Shares may be exercised by the optionee.
- (b) **Payment:** The full purchase price of Shares purchased under the option shall be paid in cash upon the exercise thereof in the currency in which the Exercise Price is denominated. A holder of an option shall have none of the rights of a shareholder until the Shares are issued to him or her.
- (c) **Exercise of Options:** The Committee may determine when an option will become exercisable and may determine that the option shall be exercisable in installments on such terms as to timing of vesting or otherwise as the Committee deems advisable provided that options granted under the Plan shall vest not more quickly than, in equal installments (computed in each case to the nearest full share), on each of the date of grant of the Option and each anniversary of the date of grant of the Option up to and including the second last anniversary date of the grant. Except as provided in paragraph 7(d) hereof, no option may be exercised unless that optionee is then an Eligible Person. The Plan shall not confer upon the optionee any right with respect to continuation of employment by the Corporation.
- (d) **Termination of Options:** Any option granted pursuant hereto, to the extent not validly exercised, will terminate on the earliest of the following dates:
 - (i) the date of expiration specified in the option agreement, being not later than five years after the date the option was granted;
 - (ii) subject to subparagraph (d)(iv) below, 30 days after the date an optionee ceases to be an Eligible Person for any reason whatsoever other than death;
 - (iii) twelve months after the date of the optionee's death during which period the option may be exercised only by the optionee's legal representative or the person or persons to whom the deceased optionee's rights under the option shall pass by will or the applicable laws of descent and distribution, and only to the extent that the optionee would have been entitled to exercise it at the time of his death; and
 - (iv) where the optionee is a director of the Corporation and ceases to be an Eligible Person by reason of his or her retirement or resignation from the Board of Directors of the Corporation, four years from the date of such retirement or resignation, subject to any resolution that may be passed by the Board of Directors of the Corporation on the recommendation of the Committee shortening such term, and provided that in no event shall any option granted pursuant hereto expire later than five years after the date the option was granted.

- (e) **Assignment to Eligible Assignees:** Subject to obtaining approval in advance from the Corporation and from each stock exchange on which shares of the Corporation are listed and which reserves the right to approve such assignments, Eligible Persons may assign options granted to them under the Plan to Eligible Assignees and Eligible Assignees may, in turn, assign such options to other Eligible Assignees or the original optionee. The original optionee under the Plan must be an Eligible Person at the time of the assignment. Notwithstanding any such assignment, all options granted under the Plan shall be deemed to be the option of the original optionee for the purposes of applying the rules and policies of the stock exchanges on which shares of the Corporation are listed. No consideration may be given to any assignee in connection with any assignment of options granted under the Plan. Subject to the foregoing, no options shall be transferable by the optionee other than by will or the laws of descent and distribution and shall be exercisable during the optionee's lifetime only by him or her.
- (f) **Applicable Laws or Regulations:** The Corporation's obligation to sell and deliver Shares under each option is subject to the compliance by the Corporation and any optionee with applicable securities laws and the requirements of regulatory authorities having jurisdiction and is also subject to the acceptance for listing of the Shares which may be issued in exercise thereof by each stock exchange upon which Shares of the Corporation are listed for trading.
- (g) **Maximum Number of Options Granted Per Fiscal Year:** The maximum number of options which may be granted under the Plan in any fiscal year of the Corporation may not exceed 2% of the Outstanding Issue immediately prior to the grant of such options.

8. Loans to Non-Management Eligible Persons

Subject to Section 20 of the OBCA or any successor or similar legislation and other applicable laws, the Corporation may, at any time and from time to time, lend money (on a non-recourse or limited recourse basis or otherwise) or provide guarantees or other support arrangements to assist an Eligible Person who is not a director or officer of the Corporation (a "Non-Management Eligible Person") to fund all or a part of the purchase price for Shares being purchased pursuant to an option granted to a Non-Management Eligible Person under the Plan on such terms and conditions as the Corporation may determine, provided that each loan made to such Non-Management Eligible Person shall become due and payable in full on the date a Non-Management Eligible Person becomes a director or officer of the Corporation.

9. Compulsory Acquisition or Going Private Transaction

If and whenever there shall be a compulsory acquisition of the Shares of the Corporation following a takeover bid or issuer bid pursuant to Part XV of the OBCA or any successor or similar legislation, then following the date upon which the takeover bid or issuer bid expires, an optionee shall be entitled to receive, and shall accept, for the same exercise price, in lieu of the number of Shares to which such optionee was theretofore entitled to purchase upon the exercise of his or her options, the aggregate amount of cash, shares, other securities or other property which such optionee would have been entitled to receive as a result of such bid if he or she had tendered such number of Shares to this bidder.

10. Certain Adjustments

In the event:

- (a) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any stock dividend to holders of Shares;
- (c) that any rights are granted to all holders of Shares to purchase Shares at prices substantially below fair market value;
- (d) of any distribution of evidences of indebtedness or assets of the Corporation (excluding dividends paid in the ordinary course) to all holders of Shares; or

- (e) that as a result of any recapitalization, merger, consolidation or otherwise, the Shares are converted into or exchangeable for any other securities;

then in any such case, subject to prior approval of the relevant stock exchanges, the number or kind of shares reserved for issuance and available for options under the Plan, the number or kind of shares subject to outstanding options and the exercise price per option shall be proportionally adjusted by the Committee to prevent substantial dilution or enlargement of the rights granted to, or available for, holders of options as compared to holders of Shares.

11. Black Out Period

Notwithstanding anything contained in the Plan or any option issued under the Plan, if the date on which an option expires occurs during, or within 10 days after the last day of a Black Out Period or other trading restriction imposed by the Corporation, in each case, that is applicable to the holder of the option, the date of termination or expiry of such option will be the last day of that 10-day period.

12. Amendment and Discontinuance of Plan

- (a) The Board of Directors of the Corporation may, insofar as permitted by law and subject to any required approval of any stock exchange or other authority, from time to time, without notice to or approval of the shareholders, amend or revise the terms of the Plan or discontinue the Plan at any time; provided, however, that no amendment or revisions may, without the consent of the optionee, in any manner adversely affect the rights of the optionee under any option theretofore granted under the Plan. Examples of the types of amendments that the Board of Directors of the Corporation may make without shareholder approval include, with limitation, the following:
 - (i) amendments of a "housekeeping" nature, including any amendment for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision hereof;
 - (ii) amendments necessary to comply with applicable law, including, without limitation, the rules, regulations and policies of the TSX;
 - (iii) amendments respecting administration of the Plan;
 - (iv) any amendment to the vesting provisions of the Plan or any option issued under the Plan which does not entail an extension beyond the originally scheduled expiry date for any such option;
 - (v) any amendment to the early termination provisions of the Plan or any option issued under the plan, whether or not such option is held by an insider, provided such amendment does not entail an extension beyond the originally scheduled expiry date for any such option;
 - (vi) the addition or modification of a cashless exercise feature, payable in cash or common shares of the Corporation, which provides for a full deduction of the number of underlying common shares from the Plan reserve;
 - (vii) amendments necessary to suspend or terminate the Plan; or
 - (viii) any other amendment, whether fundamental or otherwise, not described in this subsection
- (b) Notwithstanding subsection (a), without approval of the shareholders, no amendment or revision shall:
 - (i) increase the maximum number of Shares reserved for issuance under the Plan;
 - (ii) reduce the exercise price for any option;
 - (iii) extend the term of an option;
 - (iv) increase any limit on grants of options to insiders of the Corporation set out in the Plan;
 - (v) amend section 7(e) or the definitions of "Eligible Assignee", "Eligible Corporation", "Eligible Family Trust" or "Eligible Person";
 - (vi) amend the participation limits in section 4(b); or
 - (vii) grant additional powers to the Board of Directors of the Corporation to amend the Plan or entitlements without the approval of shareholders.

QuickLinks

Exhibit 99.1

NOTICE OF 2012 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
MANAGEMENT PROXY CIRCULAR

SECTION 1: VOTING INFORMATION

SECTION 2: BUSINESS OF THE MEETING

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

2011 Board and Committee Meetings

Director Compensation Table

Incentive Plan Awards Table — Value Vested During Fiscal Year 2011

Outstanding Incentive Plan Awards Table

SECTION 3: COMPENSATION AND OTHER INFORMATION

Summary Compensation Table — Agnico-Eagle Mines Limited

Incentive Plan Awards Table — Value Vested or Earned During Fiscal Year 2011

Outstanding Incentive Plan Awards Table

Equity Compensation Plan Information

Defined Benefit Plan Table

Defined Contribution Plan Table — Basic Plan

Defined Contribution Plan Table — Supplemental Plan

APPENDIX A: STATEMENT OF CORPORATE GOVERNANCE PRACTICES

APPENDIX B: STOCK OPTION PLAN RESOLUTION

APPENDIX C: ADVISORY RESOLUTION ON APPROACH TO EXECUTIVE COMPENSATION

APPENDIX D: AMENDED AND RESTATED EMPLOYEE STOCK OPTION PLAN



Management's Discussion and Analysis
(Prepared in accordance with United States GAAP)
for the year ended December 31, 2011

Agnico-Eagle Mines Limited
Management's Discussion and Analysis
Table of Contents

	<u>Page</u>
Executive Summary	1
Strategy and Results	5
Key Performance Drivers	6
Results of Operations	8
Revenues from Mining Operations	8
Interest and Sundry Income (Expense)	9
Available-for-sale Securities	9
Production Costs	9
Exploration and Corporate Development Expense	16
General and Administrative Expenses	17
Provincial Capital Taxes	17
Amortization Expense	17
Interest Expense	17
Foreign Currency Translation Gain (Loss)	18
Income and Mining Taxes	18
Supplies Inventory	18
Liquidity and Capital Resources	18
Off-Balance Sheet Arrangements	20
2012 Liquidity and Capital Resources Analysis	20
Outlook	20
Gold Production Growth	20
Financial Outlook	22
Risk Profile	24
Metal Price and Foreign Currency	25
Cost Inputs	26
Interest Rates	26
Financial Instruments	26
Operational Risk	26
Regulatory Risk	29
Outstanding Securities	29
Human Capital and the Environment	29
Health, Safety and Environmental Management System	29
International Cyanide Management Code	30
Mine Rescue	30
Towards Sustainable Mining ("TSM")	30
Safety Card Implementation	30
The LaRonde, Lapa, Goldex, and Meadowbank Mines — Canada	30
Kittila Mine — Finland	31
Pinos Altos Mine — Mexico	32
Critical Accounting Estimates	32
Mining Properties, Plant and Equipment and Mine Development Costs	32
Goodwill	33
Revenue Recognition	34
Reclamation Costs	34
Deferred Tax Assets and Liabilities	35
Financial Instruments	35
Stock-Based Compensation	36
Commercial Production	36
Stripping Costs	36
Recently Issued Accounting Pronouncements and Developments	36
International Financial Reporting Standards	37
Mineral Reserve Data	38
Summarized Quarterly Data	39
Five Year Financial and Operating Summary	41

This Management's Discussion and Analysis ("MD&A") dated March 28, 2012 of Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2011, prepared in accordance with United States generally accepted accounting principles ("US GAAP"). The Annual Audited Consolidated Financial Statements and MD&A are presented in United States dollars ("US dollars", "\$" or "US\$"), unless otherwise specified. Certain information in this MD&A is presented in Canadian dollars ("C\$") or European Union euros ("Euro" or "€"). Additional information relating to the Company, including the Company's Annual Report on Form 20-F for the year ended December 31, 2011, is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at www.sedar.com.



NOTE TO INVESTORS CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A, referred to herein as "forward-looking statements", constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" under the provisions of Canadian provincial securities laws. These statements relate to, among other things, the Company's plans, objectives, expectations, estimates, beliefs, strategies and intentions and can generally be identified by the use of words such as "anticipate", "believe", "budget", "could", "estimate", "expect", "forecast", "intend", "likely", "may", "plan", "project", "schedule", "should", "target", "will", "would" or other variations of these terms or similar words. Forward-looking statements in this report include, but are not limited to, the following: the Company's outlook for 2012 and future periods; statements regarding future earnings, and the sensitivity of earnings to gold and other metal prices; anticipated levels or trends for prices of gold and byproduct metals mined by the Company or for exchange rates between currencies in which capital is raised, revenue is generated or expenses are incurred by the Company; estimates of future mineral production and sales; estimates of future costs, including mining costs, total cash costs per ounce, minesite costs per tonne and other expenses; estimates of future capital expenditure, exploration expenditure and other cash needs, and expectations as to the funding thereof; statements regarding the projected exploration, development and exploitation of certain ore deposits, including estimates of exploration, development and production and other capital costs and estimates of the timing of such exploration, development and production or decisions with respect thereto; estimates of mineral reserves, mineral resources and ore grades and statements regarding anticipated future exploration results; estimates of cash flow; estimates of mine life; anticipated timing of events with respect to the Company's minesites, mine construction projects and exploration projects; estimates of future costs and other liabilities for environmental remediation; statements regarding anticipated legislation and regulation regarding climate change and estimates of the impact on the Company; and other anticipated trends with respect to the Company's capital resources and results of operations.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Agnico-Eagle as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions of Agnico-Eagle upon which the forward-looking statements in this MD&A are based, and which may prove to be incorrect, include, but are not limited to, the assumptions set out in this MD&A and the Form 20-F as well as: that there are no significant disruptions affecting Agnico-Eagle's operations, whether due to labour disruptions, supply disruptions, damage to equipment, natural occurrences, political changes, title issues or otherwise; that permitting, development and expansion at each of Agnico-Eagle's mines and mine development projects proceed on a basis consistent with current expectations, and that Agnico-Eagle does not change its exploration or development plans relating to such projects; that the exchange rates between the Canadian dollar, Euro, Mexican peso and the US dollar will be approximately consistent with current levels or as set out in this MD&A and the Form 20-F; that prices for gold, silver, zinc, copper and lead will be consistent with Agnico-Eagle's expectations; that prices for key mining and construction supplies, including labour costs, remain consistent with Agnico-Eagle's current expectations; that production meets expectations; that Agnico-Eagle's current estimates of mineral reserves, mineral resources, mineral grades and mineral recovery are accurate; that there are no material delays in the timing for completion of development projects; and that there are no material variations in the current tax and regulatory environment that affect Agnico-Eagle.

The forward-looking statements in this MD&A reflect the Company's views as at the date of this MD&A and involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk factors set forth in "Item 3 Key Information — Risk Factors" in the Form 20-F. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based. This MD&A contains information regarding anticipated total cash costs per ounce and minesite costs per tonne at certain of the Company's mines and mine development projects. This

information was developed to assist management with its assessment as to what resources to allocate to the construction and/or expansion of its mine and mine development projects. Investors are cautioned that this information may not be suitable for other purposes.

NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESOURCES

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Mineral Resources

This document uses the terms "measured mineral resources" and "indicated mineral resources". Investors are advised that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission (the "SEC") does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into mineral reserves .**

Cautionary Note to Investors Concerning Estimates of Inferred Mineral Resources

This document uses the term "inferred mineral resources". Investors are advised that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that any part or all of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred mineral resource exists, or is economically or legally mineable .**

NOTE TO INVESTORS CONCERNING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including "total cash costs per ounce" and "minesite costs per tonne", that are not recognized measures under US GAAP. This data may not be comparable to data presented by other gold producers. For a reconciliation of these measures to the figures presented in the consolidated financial statements prepared in accordance with US GAAP see "Results of Operations — Production Costs". The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in allowing year over year comparisons. However, both of these non-US GAAP measures should be considered together with other data prepared in accordance with US GAAP; taken by themselves, these measures are not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. This MD&A also contains information as to estimated future total cash costs per ounce and minesite costs per tonne for projects under development. These estimates are based upon the total cash costs per ounce and minesite costs per tonne that the Company expects to incur to mine gold at those projects and, consistent with the reconciliation provided, do not include production costs attributable to accretion expense and other asset retirement costs, which will vary over time as each project is developed and mined. It is therefore not practicable to reconcile these forward-looking non-US GAAP financial measures to the most comparable US GAAP measure.

Executive Summary

Agnico-Eagle is a gold mining company with mining operations in Canada, Mexico and Finland, and exploration activities in Canada, Europe, Latin America and the United States. Agnico-Eagle's LaRonde mine in Quebec is one of Canada's largest operating gold mines by gold reserves and has provided the Company's foundation for domestic and international expansion. Agnico-Eagle earns a significant proportion of its revenue and cash flow from the production and sale of gold in both dore bars and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of byproduct metals, namely silver, zinc, copper and lead.

Agnico-Eagle is positioned to benefit from a stronger gold price. Throughout its 40-year history, Agnico-Eagle's policy has been not to sell forward its future gold production. In 2011, Agnico-Eagle achieved total cash costs ⁽ⁱ⁾ per ounce of gold produced of \$580 and an average realized price of gold of \$1,573 per ounce, an increase of 26% over 2010's average realized price of \$1,250 per ounce.

Over the past three years, Agnico-Eagle has evolved from operating two gold mines in Canada to being an international gold mining company operating five gold mines at the end of 2011. Each mine is located in what the Company believes to be a politically stable country that is supportive of the mining industry. The political stability of the regions in which Agnico-Eagle operates helps to provide confidence in its current and future prospects and profitability. This is an important quality for Agnico-Eagle as it believes that many of its new mines and recently acquired mining projects have long-term mining camp potential.

As with most newly built mines, however, the Company's new mines have experienced start-up issues. The Company believes it has made good progress to date in bringing certain mines up to planned performance:

1. Kittila mine
 - Autoclave processing issues in 2010 that resulted in lower than expected gold recovery rates were resolved and 2011 gold production was up 14% compared with 2010.
2. Pinos Altos mine
 - Start-up phase problems with the tailings filtration processing were successfully resolved by the installation of additional filter capacity and 2011 gold production was up 56% compared with 2010.

In 2011, materially significant issues were encountered at the Company's Goldex and Meadowbank mines.

1. Goldex mine
 - Operations were suspended at the Goldex mine on October 19, 2011 due to suspected rock subsidence in the hanging wall above the GEZ orebody. The Company's net investment in the mine was written down to its residual value, all remaining reserves reclassified to resources, and an environmental remediation liability recognized, resulting in a pre-tax loss \$302.9 million.
2. Meadowbank mine
 - As a result of persistently high operating costs, a revised life of mine plan was developed for the Meadowbank mine as at December 31, 2011, resulting in a shorter mine life, a pre-tax impairment in the carrying value of the operation of \$907.7 million, and a reduction in related reserves.
 - The Company believes that the new life of mine plan for the Meadowbank mine lowers operating risk.

(i) For a discussion of the Company's use of the non-GAAP measures, please see "Results of Operations — Production Costs — Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold by Mine" and "Results of Operations — Production Costs — Reconciliation of Production Costs to Minesite Costs per Tonne by Mine".

Key Results and Success Factors

- The Company achieved a record amount of cash provided by operating activities of \$663.5 million in 2011, up 37% compared with 2010.
- Gold production at the Pinos Altos and Kittila mines reached record levels in 2011, with production up 56% and 14%, respectively, compared to 2010. The Creston Mascota deposit at Pinos Altos achieved commercial production on March 1, 2011.
- The LaRonde mine extension achieved commercial production on December 1, 2011. Gold grades at the LaRonde mine are expected to increase as the mine progresses deeper.
- Grayd Resource Corporation ("Grayd") was acquired in November 2011, adding the promising La India project and Tarachi exploration property to the Company's portfolio of assets.
- The Company's operations are located in mining-friendly regions that the Company believes have low political risk and long-term mining camp potential.
- The Company's longstanding policy not to sell forward its future gold production ensures that shareholders participate fully in rising gold prices; in 2011, the Company benefited from an increase of 26% in realized gold prices over 2010 levels.
- The Company maintains a solid financial position and forecasts being fully funded for its currently planned growth. The Company maintains a low number of shares outstanding relative to its peers, putting it in a strong position to continue to build per share value.
- The Company has strong senior management continuity as its chief executive officer has 27 years of service with the Company and was previously named Mining Man of the Year by the Northern Miner Newspaper.
- In February 2012, the Company declared a quarterly dividend of \$0.20 per share, its 30th consecutive year paying a cash dividend.

Quebec, Canada

Throughout 2011, the Company continued executing its strategy of building a multi-mine platform from the foundation of its Quebec, Canada operations. Deepening the LaRonde mine's existing infrastructure below Level 245, referred to as the "LaRonde mine extension", is expected to extend the mine life through 2023. The LaRonde mine extension achieved commercial production as of December 1, 2011. The infrastructure and knowledge base gained from building and operating the LaRonde mine has been leveraged by the Company in building and operating the Goldex and Lapa mines, both of which are within 60 kilometres of the LaRonde mine. The Goldex mine achieved commercial production in August 2008 prior to the suspension of mining on October 19, 2011 and the Lapa mine achieved commercial production in May 2009. The Company's Quebec mines, with a total of 5.4 million ounces of proven and probable gold reserves as of December 31, 2011, have benefited from common infrastructure and mining teams. However, the mines in this region are experiencing general cost escalation due to the high demand for labour and materials in the mining industry.

On October 19, 2011, the Company suspended mining operations and gold production at the Goldex mine. This decision followed the receipt of an opinion from a second rock mechanics consulting firm that recommended that underground mining operations be halted. As of September 30, 2011, Agnico-Eagle wrote down its investment in the Goldex mine (net of expected residual value) and its underground ore stockpile. All of the remaining 1.6 million ounces of proven and probable reserves at the Goldex mine, other than ore stockpiled on surface, were reclassified as mineral resources. An environmental remediation liability has been recorded to reflect anticipated costs of remediation. The Goldex mill completed processing feed from the remaining surface stockpile in October of 2011. The loss of the Goldex mine had a significant impact on earnings and production levels in 2011, and given the mine's low cost operations (total cash cost of \$401 per ounce January through October 2011), increased the Company's average cost per ounce of gold in 2011.

The Company continues to evaluate production options at the Goldex mine during the ongoing investigation and remediation phase. While speculative at the moment, these projects are considered to be of interest due to the existing infrastructure and availability of a highly skilled workforce.

Finland

The Kittila mine in northern Finland, which is geologically similar to the Abitibi region of Quebec, was added to the Company's portfolio through the acquisition of Riddarhyttan Resources AB in 2005. Using the Company's technical experience gained from its operations in Quebec, the team designed a drilling program at Kittila that led to the conversion of mineral resources to mineral reserves at the beginning of 2006. A positive feasibility study was completed in mid-2006 and the Company decided to build the Kittila mine.

Construction was completed in 2008 and the mill was commissioned in late 2008. Commercial production was achieved in May 2009. A total of 143,560 ounces of gold were produced in 2011 compared with 126,205 ounces of gold produced in 2010. This increase in gold production was due primarily to improved mill recoveries and throughput, offset partially by lower grades. The Kittila mine experienced periods of low recovery due to autoclave processing issues in 2010, but the Company believes that the start up and ramp up issues experienced that year were resolved successfully in 2011.

The 2011 exploration program resulted in an additional 0.3 million ounces of mineral reserves for a total 5.2 million ounces of gold reserves at Kittila, with most of the growth at depth in the Roura and Rimpi zones. The Company believes the Kittila mine has potential to grow further. To date, the mineralization at the Rimpi zone appears to be thicker and higher grade than that found at the main Suuri deposit at Kittila. The 2012 drilling focus remains on the Rimpi zone and on demonstrating continuity of the mineralization at different depths and to the north.

By year end 2012, the Company expects to complete a study on a 25% throughput expansion at Kittila. Considering the expansion of the Kittila orebody at depth and particularly to the north, it is now believed that a smaller initial throughput expansion of 25%, followed by a possible 50% throughput expansion at a later date, would be prudent. The initial expansion could be supported by the current reserves at Kittila and the higher throughput could be realized in 2015.

This possible larger expansion is in anticipation of continued growth of the Kittila reserves as the deposit is drilled over the next several years (partly as a result of more efficient underground drilling that is expected to begin in 2012), the Company is considering an even larger throughput expansion. This larger expansion could involve the sinking of a shaft and an appropriate increase in milling capacity, and possibly a new separate mill. A prefeasibility study on a possible larger expansion may be initiated if the Company continues to receive positive exploration results in the interim.

Mexico

In 2006, the Company completed the acquisition of the Pinos Altos property, then an advanced stage exploration property in northern Mexico, after the Company's extensive drilling campaign had doubled the contained gold and silver resources. In August 2007, a favourable feasibility study led to the decision to build the Pinos Altos mine, with construction completed in 2009 and commercial production achieved in November 2009. A total of 166,158 ounces of gold were produced in 2011 compared with 130,431 ounces in 2010, due primarily to improved mill throughput. The problems experienced in 2010 with the tailings filtration processing were successfully resolved by the installation of additional filter capacity.

The Pinos Altos mine has total mineral reserves of 3.1 million ounces of gold and 88.5 million ounces of silver. Several areas of exploration potential, in combination with a targeted exploration program, provide the Company with the potential of increasing mineral reserves at the Pinos Altos mine.

Annual production and mineral reserves at the Creston Mascota deposit at Pinos Altos are included in the Pinos Altos mine data. During 2011, 38,222 ounces of gold were produced at the Creston Mascota deposit at Pinos Altos compared with 666 ounces in 2010. Commercial production was achieved as at March 1, 2011. The Creston Mascota deposit at Pinos Altos is approximately seven kilometres to the northwest of the main deposit at Pinos Altos. New reserves at the Creston Mascota deposit at Pinos Altos have resulted in a new, larger open

pit design and the extension of its mine life by approximately two years, through 2017. Exploration results indicate that the Creston Mascota deposit could extend further to the southwest to include the adjacent Bravo and Carola deposits, increasing the potential of a significantly larger open pit including all three deposits.

On November 18, 2011, Agnico-Eagle acquired control of Grayd by way of a take-over bid. Subsequent to the year ended December 31, 2011 and on January 23, 2012, the Company acquired the remaining outstanding shares of Grayd it did not already own. Drilling at the La India project in Mexico will continue in 2012 with the goal of converting the current resources to reserves while its potential as a low-cost open pit heap leach mine is evaluated. This acquisition also included the Tarachi exploration property which will be a focus of exploration during 2012.

The potential for further expansion near the Creston Mascota deposit at Pinos Altos, together with an encouraging outlook for the La India project and the potential for the Tarachi exploration property, reinforce the growing importance of the Mexican operations as a key contributor to Agnico-Eagle's operating and growth profile.

Nunavut, Canada

In 2007, the Company acquired Cumberland Resources Ltd., owner of the Meadowbank gold project in Nunavut, Canada. This transaction was consistent with the Company's strategy of building value by growing in mining-friendly, low political risk areas. The Company had its first dore bar pour at the Meadowbank mine in February 2010 and commercial production was achieved in March 2010. Total production during 2011 was 270,801 ounces of gold compared with 265,659 ounces of gold produced in 2010. The Meadowbank mine's gold reserves are approximately 2.2 million ounces, down approximately 1.3 million ounces from a year earlier as a result of both mining activities and a reduction in reserves due to persistently higher costs at the mine.

In March 2011, the kitchen facilities at the employee camp at the Meadowbank mine were extensively damaged as a result of a fire. The fire was contained to the kitchen and there were no injuries. A temporary kitchen was installed and operations were normalized prior to the end of the second quarter of 2011. The Company recognized a loss on disposal of the kitchen of \$6.9 million, incurred related costs of \$7.4 million, and also recognized an insurance receivable for \$11.2 million. The difference of \$3.1 million was recognized in the "General and administrative" line item of the consolidated statements of income (loss) and comprehensive income (loss) during the year. The Company's exposure to insurance losses related to this claim is limited to the \$3.1 million exposure through its captive insurance company. During the year, \$2.4 million of insurance proceeds were received. These insurance settlement proceeds are expected to be used to reconstruct the damaged kitchen facilities.

For the year-ended December 31, 2011, the Company reviewed the Meadowbank mine operations and updated the related life of mine plan. This review considered the exploration potential of the area, the current mineral reserves and resources, the projected operating costs based on the persistently high operating costs experienced since commencement of commercial operations, metallurgical performance and gold price. With these inputs, the Company updated which of the then-current reserves and resources could be economically mined and be considered as mineable mineral reserves. As a result of these factors, the updated mine plan with a shorter mine life to 2017 was developed and cash flows were calculated, resulting in a pre-tax impairment charge to the Meadowbank mine carrying value of \$907.7 million. The Meadowbank mine previously had a property, plant and mine development book value of approximately \$1.7 billion. The new mine plan, combined with the extraction of ore in 2011, resulted in a reduction of proven and probable reserves by 1.3 million ounces of gold at December 31, 2011.

On July 6, 2010, Agnico-Eagle acquired Comaplex Minerals Corp. ("Comaplex") by way of a plan of arrangement. Comaplex's Meliadine project in Nunavut, Canada is currently one of Agnico-Eagle's largest gold deposits and is considered to be a long-term cornerstone asset for the Company. Proven and probable gold reserves were 2.9 million ounces of gold at December 31, 2011, an increase of 0.3 million ounces of gold compared to 2010. The Company believes that as the main deposit at Tiriganiaq continues to develop at depth, more emphasis on underground extraction would be prudent to control dilution, reduce the impact of a harsh environment and optimise the value of this high grade deposit.

Strategy and Results

Agnico-Eagle focuses on quality, growth and a strong financial position, while maintaining a safe workplace for employees, protecting the environment and retaining full exposure to gold prices.

Agnico-Eagle believes it creates value for shareholders by growing gold production in regions it believes to have good exploration upside and low political risk. The Company believes it can achieve its objective of maximizing shareholder value while operating in an environmentally friendly manner.

With roots that go back more than 40 years, the Company has sought to deliver on its vision by following a five-pronged growth strategy that continued to guide the Company throughout 2011:

1. Produce more gold
 - Record annual gold production of 204,380 and 143,560 ounces recorded in 2011 at the Pinos Altos and Kittila mines, respectively.
 - The Creston Mascota deposit at Pinos Altos and the LaRonde mine extension achieved commercial production in March 1, 2011 and December 1, 2011, respectively.
 - Additional opportunities for internal growth continuously being evaluated.
 - Total gold production decreased in 2011 compared to 2010 however, due to the suspension of mining operations at the Goldex Mine on October 19, 2011 and less than expected gold production at the Meadowbank mine due to various issues.
2. Grow gold reserves in mining-friendly regions
 - Gold reserves decreased year over year from 21.3 million ounces in 2010 to 18.8 million ounces in 2011. Contributing to the decline in gold reserves were gold production during the year, the October 19, 2011 suspension of mining at Goldex and the associated reclassification of its reserves to resources, and higher costs at Meadowbank which resulted in a new mine plan and lower reserves.
3. Acquire small, think big
 - During 2011, the Company acquired the La India project and Tarachi exploration property, through its acquisition of Grayd, adhering to the "acquire small, think big" strategy and providing new acquisition-driven exploration potential.
 - Strategic investments made in several junior gold exploration companies in order to maintain a continuous pipeline of potential growth opportunities.
4. Be a low-cost leader
 - Weighted average total cash costs per ounce of \$580 in 2011 compared with \$451 in 2010. This increase was due primarily to the impact of persistently higher operating costs at the Meadowbank mine, the suspension of mining at the low cost Goldex mine, and general cost escalation in the industry.

5. Maintain a solid financial position

- In 2011, the Company realized a record amount of cash provided by operating activities of \$663.5 million, an increase of 37% from 2010.
- Maturity date on the Company's \$1.2 billion bank credit facility extended by two years to June 22, 2016.
- All operating mines generating a positive operating margin and are covering their operating costs.
- 2012 capital expenditures program is fully funded.

Key Performance Drivers

The key drivers of financial performance for Agnico-Eagle are:

- spot price of gold;
- production volumes;
- production costs;
- spot prices of silver, zinc and copper; and
- Canadian dollar/US dollar, Euro/US dollar, and Mexican peso/US dollar exchange rates.

The exchange rates of the US dollar against the Canadian dollar, Euro and Mexican peso are important financial drivers:

- the majority of operating costs at the LaRonde, Goldex, Lapa and Meadowbank mines are paid in Canadian dollars while revenue is generated in US dollars;
- a portion of operating costs at the Pinos Altos mine are incurred in Mexican pesos; and
- the majority of operating costs at the Kittila mine are incurred in Euros.

The Company mitigates a portion of the impact of fluctuating exchange rates on its financial results by using currency hedging strategies.

Spot Price of Gold, Silver, Zinc and Copper

The Company has never sold gold forward, which allows the Company to take full advantage of rising gold prices, as management believes that low-cost production is the best protection against decreasing gold prices. As a result, the Company benefitted from increased gold prices in 2011.

Gold P.M. Fix (\$ per ounce)

(Source: Bloomberg)



	2011	2010	% increase
High price	\$ 1,921	\$ 1,421	35%
Low price	\$ 1,308	\$ 1,058	24%
Average price	\$ 1,571	\$ 1,225	28%

Average price realized

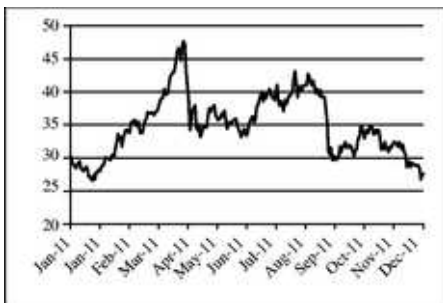
\$ 1,573 \$ 1,250

26%

In 2011, the market price for gold per ounce was on average 28% higher than in 2010. The Company's average realized price per ounce of gold in 2011 was 26% higher than in 2010. The Company was well-positioned to take advantage of the increased average market price by not selling forward its future gold production.

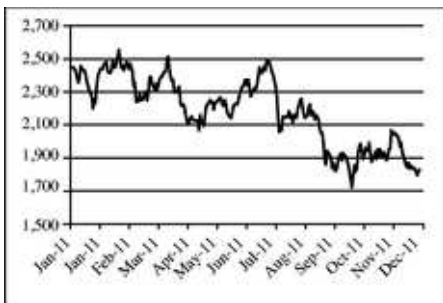
SILVER (\$ per ounce)

(Source: Bloomberg)



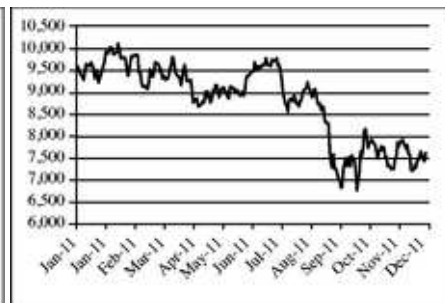
ZINC (\$ per tonne)

(Source: Bloomberg)



COPPER (\$ per tonne)

(Source: Bloomberg)

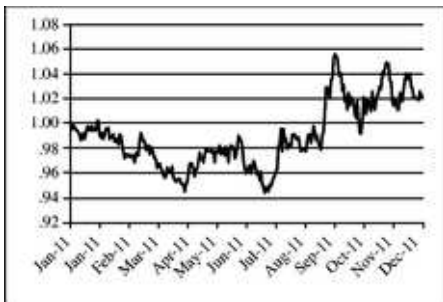


Net silver, zinc, copper and lead revenue is treated as a reduction of production costs in calculating total cash costs per ounce of gold and therefore production and price assumptions for these metals are important factors in both revenue and total cash costs per ounce of gold for the LaRonde mine. The realized sales price for silver increased 52% in 2011 compared with 2010 while zinc and copper realized sales prices decreased over the same period. The future impact of fluctuations in byproduct metal prices will decline as the LaRonde mine's relative proportion of production declines and production at that mine shifts towards the deeper section where the average grade of gold is higher but with less byproduct metals. The remainder of the Company's mines and mine projects either contain no, or immaterial quantities of, byproduct metals with the exception of the Pinos Altos mine, which contains significant byproduct silver.

Foreign Exchange Rates (Ratio to US\$)

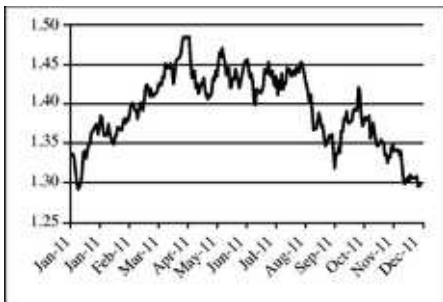
CANADIAN DOLLAR

(Source: Bloomberg)



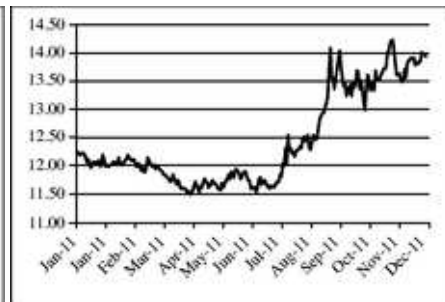
EURO

(Source: Bloomberg)



MEXICAN PESO

(Source: Bloomberg)



In 2011, the Company's operating results and cash flows were influenced by changes in the relevant exchange rates against the US dollar. All of the Company's revenues are earned in US dollars but a substantial portion of its operating costs and capital costs are denominated in Canadian dollars. The Canadian dollar strengthened against the US dollar on average in 2011 compared with 2010, increasing production costs and Canadian dollar-denominated capital expenditures when translated into US dollars for reporting purposes. Similarly, capital and operating costs reported in US dollars were negatively affected at the Kittila and Pinos Altos mines by a stronger average Euro and Mexican peso relative to the US dollar, respectively, in 2011 compared with 2010.

Production Volumes

Changes in production volumes have a direct impact on the Company's financial results. Total payable gold production was 985,460 ounces in 2011, down from 987,609 ounces in 2010. This decline in production volumes was due primarily to the suspension of operations at the Goldex mine on October 19, 2011 and lower than expected ore

grades milled at the LaRonde and Meadowbank mines in 2011 compared with 2010. This decline was offset partially by the achievement of commercial production at the Creston Mascota deposit at Pinos Altos as of March 1, 2011, contributing a net payable gold production increase of 37,556 ounces in 2011 compared with the prior year.

Production Costs

Total cash costs per ounce of gold were \$580 in 2011 compared to \$451 in 2010, due primarily to higher than expected operating costs at the Meadowbank mine, the loss of the low cost Goldex mine production and continued inflationary pressures affecting the mining industry in general. At the LaRonde mine, minesite costs per tonne increased by C\$9 to C\$84 in 2011 compared with 2010 due to lower throughput, mine sequencing, dilution, and general cost increases. Minesite costs per tonne at the Goldex and Lapa mines decreased by C\$1 to C\$21 and by C\$4 to C\$110, respectively, in 2011 compared with 2010. Design efficiencies were achieved at the Lapa mine as the Company gained experience with the orebody. At the Kittila mine, minesite costs per tonne increased by €9 to €75, mainly due to the October 1, 2000 commencement of commercial production in the underground portion of the mine where minesite costs per tonne are generally greater compared to open pit mining. Minesite costs per tonne at the Pinos Altos mine decreased by \$8 to \$27 in 2011 compared with 2010 due to a greater proportion of lower cost heap leach tonnes processed, including the new operation at the Creston Mascota deposit at Pinos Altos. Finally, minesite costs per tonne decreased by C\$4 to C\$91 at the Meadowbank mine in 2011 compared with 2010. Although throughput improved at the Meadowbank mine in 2011, minesite costs per tonne did not decrease significantly as expected. Higher costs were realized in nearly all aspects of operating the mine in 2011, specifically, higher transportation, logistics, labour and maintenance costs.

Results of Operations

Revenues from Mining Operations

In 2011, revenue from mining operations increased 28% to \$1,822 million from \$1,423 million in 2010. The increase in revenue was mainly attributable to higher sales prices realized on gold and silver in 2011 compared with 2010.

In 2011, sales of precious metals (gold and silver) accounted for 95% of revenues, up from 93% in 2010 and 87% in 2009. The increase in the percentage of revenues from precious metals when compared to 2010 is due to an increase in gold and silver prices, offset partially by decreases in both zinc and copper sales volumes and average realized prices. Revenue from mining operations are accounted for net of related smelting, refining, transportation and other charges. The table below sets out net revenue, production volumes and sales volumes by metal:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands)		
Revenues from mining operations:			
Gold	\$ 1,563,760	\$ 1,216,249	\$ 474,875
Silver	171,725	104,544	59,155
Zinc	70,522	77,544	57,034
Copper	14,451	22,219	22,571
Lead	1,341	1,965	127
	<u>\$ 1,821,799</u>	<u>\$ 1,422,521</u>	<u>\$ 613,762</u>
Production volumes:			
Gold (ounces)	985,460	987,609	492,972
Silver (000s ounces)	5,080	4,812	4,035
Zinc (tonnes)	54,894	62,544	56,186
Copper (tonnes)	3,216	4,224	6,671
Sales volumes:			
Gold (ounces)	996,090	973,057	463,660
Silver (000s ounces)	5,089	4,722	3,871
Zinc (tonnes)	54,499	59,566	58,391
Copper (tonnes)	3,194	4,223	6,689

Revenue from gold sales increased by \$347.5 million, or 29%, in 2011. Gold production decreased to 985,460 ounces in 2011 from 987,609 ounces in 2010. The decrease in gold production levels between 2010 and 2011 was due primarily to the suspension of production at the Goldex mine on October 19, 2011 and to lower grades and throughput at the LaRonde mine, offset partially by the achievement of commercial production at the Creston Mascota deposit at Pinos Altos on March 1, 2011. Average realized gold price increased 26% in 2011 to \$1,573 per ounce from \$1,250 per ounce in 2010.

Silver revenue increased by \$67.2 million, or 64%, in 2011 when compared to 2010 due to an increase in the realized sales price and increased production. Revenue from zinc sales decreased by \$7.0 million, or 9%, in 2011 when compared to 2010. The decrease in zinc revenue was due to decreases in realized zinc sales prices and production. Revenue from copper sales decreased by \$7.8 million, or 35%, in 2011 when compared to the previous year due to decreases in realized zinc sales prices and production.

Interest and Sundry Income (Expense)

Interest and sundry income (expense) consists mainly of acquisition costs of \$(3.8) million related to the acquisition of Grayd during 2011 and a net loss recorded on asset disposals, partially offset by interest earned on cash balances. Interest and sundry expense was \$(5.2) million in 2011 compared with interest and sundry income of \$10.3 million in 2010.

Available-for-sale Securities

From time to time, the Company takes minority equity positions in other mining and exploration companies. As part of the Company's procedures to assess whether the value of its available-for-sale securities portfolio is reasonable for accounting purposes, it was determined (in accordance with the requirements of Accounting Standards Codification ("ASC") 320 Investments — Debt and Equity Securities) that a non-cash write-down of \$8.6 million was required in 2011. These write-downs do not necessarily reflect management's long-term outlook on the value of the securities, but rather an "other-than-temporary" impairment as defined in ASC 320. In 2010 and 2009, this determination resulted in no write-downs relating to the Company's various investments.

In 2011, the sale of various available-for-sale securities resulted in a gain before taxes of \$4.9 million compared with \$19.5 million in 2010. During 2010, there was a net gain on the acquisition of Comaplex of \$57.5 million. The gain was driven by the mark-to-market gain on the shares of Comaplex purchased prior to the announcement of the acquisition that were accumulated within other comprehensive income and were reversed through the Consolidated Statements of Income upon acquisition of control, partially offset by the costs of the acquisition.

Production Costs

In 2011, total production costs were \$876.1 million compared to \$677.5 million in 2010. This increase is mainly due to a full year of production and persistently high costs at the Meadowbank mine in 2011 which achieved commercial production on March 1, 2010, and the achievement of commercial production at the Creston Mascota deposit at Pinos Altos on March 1, 2011. The increase in production costs from these factors was partially offset by the suspension of operations at the Goldex mine on October 19, 2011. The table below sets out the components of production costs:

<u>Production Costs</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
		(thousands)	
LaRonde	\$ 209,947	\$ 189,146	\$ 164,221
Goldex	56,939	61,561	54,342
Kittila	110,477	87,740	42,464
Lapa	68,599	66,199	33,472
Pinos Altos	145,614	90,293	11,819
Meadowbank	284,502	182,533	—
Production costs per Consolidated Statement of Income	<u>\$ 876,078</u>	<u>\$ 677,472</u>	<u>\$ 306,318</u>

Production costs at the LaRonde mine during 2011 were \$209.9 million, an increase of approximately 11% as compared to 2010. During 2011, LaRonde processed an average of 6,592 tonnes of ore per day, compared to 7,102 tonnes of ore per day during 2010. Minesite costs per tonne were C\$79 in the fourth quarter of 2011, compared with C\$79 in the fourth quarter of 2010. For the full year 2011, minesite costs per tonne were C\$84 compared with C\$75 per tonne in 2010. The increase in minesite costs per tonne during 2011 is attributable to lower throughput due to issues with sequencing and dilution, and the achievement of commercial production at the LaRonde mine extension on December 1, 2011, meaning that many costs began to be expensed.

Production costs at the Goldex mine were \$56.9 million compared with \$61.6 million in 2010. The decrease is due to the suspension of Goldex mine operations on October 19, 2011. Minesite costs per tonne were C\$21 in the fourth quarter of 2011 when the remaining surface stockpile was milled compared to C\$21 in the fourth quarter of 2010. For the full year, minesite costs per tonne were C\$21 compared with C\$22 per tonne in 2010.

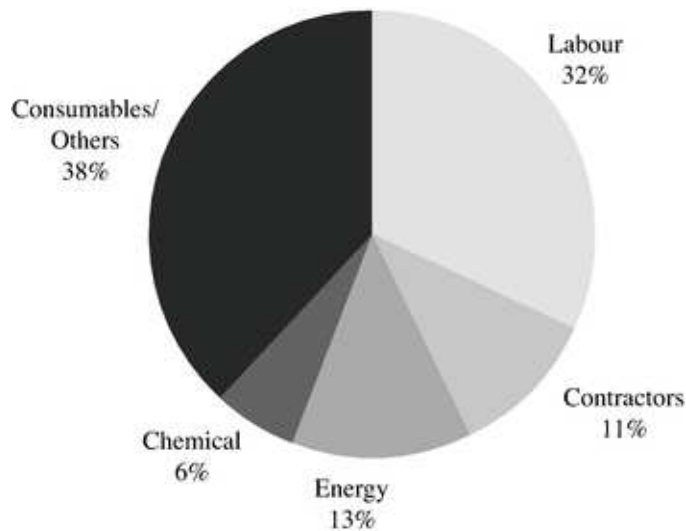
Production costs at the Kittila mine during 2011 were \$110.5 million compared with \$87.7 million in 2010. The increase is mainly due to a full year of commercial production in the underground mine where costs are higher as compared to the open pit and to unbudgeted tonnes being mined during the remediation of a slip in the Suuri pit east wall. The mine also experienced higher costs for energy and chemical reagents in 2011 as compared to 2010. During 2011, Kittila processed an average of 2,824 tonnes of ore per day, above the 2010 average production of 2,631 tonnes of ore per day. The processing design capacity of the Kittila mill is approximately 3,000 tonnes per day. The underachievement in actual processing versus capacity was mainly due to several unplanned shutdowns during 2011. Minesite costs per tonne were €80 in the fourth quarter of 2011 compared to €79 in the fourth quarter of 2010. For the full year, the minesite costs per tonne were €75, compared with €66 per tonne in 2010.

Production costs at the Lapa mine during 2011 were \$68.6 million compared with \$66.2 million in 2010. During 2011, Lapa processed an average of 1,701 tonnes of ore per day, above the 2010 average production of 1,512 tonnes of ore per day due to the realization of design efficiencies. The processing design capacity of the Lapa mill is approximately 1,500 tonnes per day. Minesite costs per tonne were C\$117 in the fourth quarter of 2011 compared to C\$115 in the fourth quarter of 2010. For the full year, the minesite costs per tonne were C\$110, compared with C\$114 per tonne in 2010. With total production costs essentially unchanged and a decrease in minesite costs per tonne between 2010 and 2011, the overall improved operating performance is attributable to realized efficiencies as the Company gained experience with the orebody.

Production costs at the Pinos Altos mine during 2011 were \$145.6 million compared with \$90.3 million in 2010. The increase is mainly due to the achievement of commercial production at the Creston Mascota deposit at Pinos Altos on March 1, 2011. During 2011, Pinos Altos processed an average of 12,355 tonnes of ore per day, significantly higher than the 2010 average production of 3,638 tonnes of ore per day due primarily to the addition of the Creston Mascota deposit at Pinos Altos. Minesite costs per tonne were \$24 in the fourth quarter of 2011, compared to \$35 in the fourth quarter of 2010. For the full year, the minesite costs per tonne were \$27 compared with \$35 per tonne in 2010. The decrease in minesite costs per tonne between 2010 and 2011 is mainly attributable to a greater proportion of lower cost heap leach tonnes processed from the Creston Mascota deposit at Pinos Altos.

Production costs at the Meadowbank mine during 2011 were \$284.5 million compared with \$182.5 million in 2010. The increase is due primarily to a full year of production in 2011 versus 10 months of production in 2010 as the Meadowbank mine achieved commercial production on March 1, 2010 and to higher costs realized in nearly all aspects of operating the mine in 2011. During 2011, the Meadowbank mine processed an average of 8,158 tonnes of ore per day, above the 2010 average production of 6,653 tonnes of ore per day due primarily to the June 2011 addition of the permanent secondary crusher, but below design capacity of 8,500 tonnes per day. Minesite costs per tonne were \$98 in the fourth quarter of 2011, compared to \$91 in the fourth quarter of 2010. For the full year, the minesite costs per tonne were \$91 compared with \$95 per tonne in 2010. The decrease in minesite costs per tonne between 2010 and 2011 is mainly attributable to increased throughput.

Total Production Costs by Category



In 2011, total cash costs per ounce of gold increased to \$580 from \$451 in 2010 and \$346 in 2009, representing a weighted average over all the Company's producing mines. In 2011, the LaRonde mine total cash costs per ounce were \$77, the Goldex mine total cash costs per ounce were \$401, the Kittila mine total cash costs per ounce were \$739, the Lapa mine total cash costs per ounce were \$650, the Pinos Altos mine total cash costs per ounce were \$299 and the Meadowbank mine total cash costs per ounce were \$1,000. Total cash costs per ounce are comprised of minesite costs incurred during the period and, for the LaRonde and Pinos Altos mines, reduced by their related net byproduct revenue. Total cash costs per ounce are affected by various factors such as the quantity of gold produced, operating costs, exchange rates and, at the LaRonde and Pinos Altos mines, the quantity of byproduct metals produced and byproduct metal prices. The Company has decided to report total cash costs using the more common industry practice of deferring certain stripping costs that can be attributed to future production. The methodology is in line with the Gold Institute Production Cost Standard. The purpose of adjusting for these stripping costs is to enhance the comparability of cash costs to the majority of the Company's peers within the mining industry.

Total cash costs per ounce is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. Management believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year-over-year comparisons. This measure is calculated by adjusting production costs as shown in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for net byproduct revenues, royalties, inventory adjustments, certain stripping costs that can be attributed to future production and asset retirement provisions and then dividing by the number of ounces of gold produced. Total cash costs per ounce is intended to provide investors with information about the cash generating capabilities of mining operations. Management uses this measure to monitor the performance of mining operations. Since market prices for gold are quoted on a per ounce basis, using this per ounce measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that this per ounce measure of performance is affected by fluctuations in byproduct metal prices and exchange rates. Management compensates for the limitations inherent in this measure by using it in conjunction with minesite costs per tonne (discussed below) as well as other data prepared in accordance with US GAAP. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

Minesite costs per tonne is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. This measure is calculated by adjusting production costs as shown in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for inventory adjustments, certain stripping costs that can be attributed to future production and asset retirement provisions and then dividing by tonnes of ore processed through the mill. Since total cash costs per ounce data can be affected by fluctuations in byproduct metals prices, exchange rates and other adjusting items, management

believes this measure provides additional information regarding the performance of mining operations and allows management to monitor operating costs on a more consistent basis as the per tonne measure eliminates the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, in order to be economically viable the estimated revenue on a per tonne basis must be in excess of the minesite costs per tonne. Management is aware that this per tonne measure is affected by fluctuations in production levels and thus uses this measure as an evaluation tool in conjunction with production costs prepared in accordance with US GAAP. This measure supplements production cost information prepared in accordance with US GAAP and allows investors to distinguish between changes in production costs resulting from changes in level of production versus changes in operating performance.

Both of these non-US GAAP measures used should be considered together with other data prepared in accordance with US GAAP, and none of the measures taken by themselves is necessarily indicative of production costs or cash flow measures prepared in accordance with US GAAP. The tables below reconcile total cash costs per ounce and minesite costs per tonne to the production costs presented in the consolidated financial statements prepared in accordance with US GAAP.

Total Production Costs by Mine

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Total production costs per Consolidated Statements of Income and Comprehensive Income	\$ 876,078	\$ 677,472	\$ 306,318
Attributable to LaRonde	209,947	189,146	164,221
Attributable to Goldex	56,939	61,561	54,342
Attributable to Lapa	68,599	66,199	33,472
Attributable to Kittila	110,477	87,740	42,464
Attributable to Pinos Altos	145,614	90,293	11,819
Attributable to Meadowbank	284,502	182,533	—
Total	<u>\$ 876,078</u>	<u>\$ 677,472</u>	<u>\$ 306,318</u>

Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold by Mine

<u>LaRonde Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 209,947	\$ 189,146	\$ 164,221
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(194,000)	(192,155)	(138,262)
Inventory and other adjustments ⁽ⁱ⁾	(2,309)	3,287	(3,809)
Non-cash reclamation provision	(4,062)	(1,344)	(1,198)
Cash operating costs	\$ 9,576	\$ (1,066)	\$ 20,952
Gold production (ounces)	124,173	162,806	203,494
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 77</u>	<u>\$ (7)</u>	<u>\$ 103</u>

<u>Goldex Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 56,939	\$ 61,561	\$ 54,342
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	395	727	—
Inventory and other adjustments ⁽ⁱ⁾	(2,778)	(253)	383
Non-cash reclamation provision	(173)	(216)	(196)
Cash operating costs	\$ 54,383	\$ 61,819	\$ 54,529
Gold production (ounces)	135,478	184,386	148,849
Total cash costs (per ounce) ⁽ⁱⁱ⁾	\$ 401	\$ 335	\$ 366

<u>Lapa Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 68,599	\$ 66,199	\$ 33,472
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	663	644	—
Inventory and other adjustments ⁽ⁱ⁾	631	(4,683)	6,072
Non-cash reclamation provision	(348)	(57)	(25)
Cash operating costs	\$ 69,545	\$ 62,103	\$ 39,519
Gold production (ounces)	107,068	117,456	52,602
Total cash costs (per ounce) ⁽ⁱⁱ⁾	\$ 650	\$ 529	\$ 751

<u>Kittila Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 110,477	\$ 87,740	\$ 42,464
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	152	252	—
Inventory and other adjustments ⁽ⁱ⁾	(1,267)	(4,774)	1,565
Non-cash reclamation provision	(206)	(334)	(254)
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(3,018)	—	—
Cash operating costs	\$ 106,138	\$ 82,884	\$ 43,775
Gold production (ounces)	143,560	126,205	65,547
Total cash costs (per ounce) ⁽ⁱⁱ⁾	\$ 739	\$ 657	\$ 668

<u>Pinos Altos Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 145,614	\$ 90,293	\$ 11,819
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(60,653)	(25,052)	(625)
Inventory adjustments ⁽ⁱ⁾	1,871	2,925	(5,356)
Non-cash reclamation provision	(1,372)	(858)	(100)
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(24,260)	(11,857)	(253)
Cash operating costs	\$ 61,200	\$ 55,451	\$ 5,485
Gold production (ounces)	204,380	130,431	9,634
Total cash costs (per ounce) ⁽ⁱⁱ⁾	\$ 299	\$ 425	\$ 570

<u>Meadowbank Total Cash Costs per Ounce</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 284,502	\$ 182,533	\$ —
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(546)	(584)	—
Inventory adjustments ⁽ⁱ⁾	(1,670)	6,911	—
Non-cash reclamation provision	(1,679)	(1,315)	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(9,746)	(4,321)	—
Cash operating costs	\$ 270,861	\$ 183,224	\$ —
Gold production (ounces)	270,801	264,576	—
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 1,000</u>	<u>\$ 693</u>	<u>\$ —</u>

Reconciliation of Production Costs to Minesite Costs per Tonne by Mine

<u>LaRonde Minesite Costs per Tonne</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(thousands, except as noted)		
Production costs	\$ 209,947	\$ 189,146	\$ 164,221
Adjustments:			
Inventory and other adjustments ^(iv)	(22)	3,287	234
Non-cash reclamation provision	(4,062)	(1,344)	(1,198)
Minesite operating costs (US\$)	\$ 205,863	\$ 191,089	\$ 163,257
Minesite operating costs (C\$)	\$ 202,957	\$ 194,993	\$ 184,233
Tonnes of ore milled (000s tonnes)	2,406	2,592	2,546
Minesite costs per tonne (C\$) ^(v)	<u>\$ 84</u>	<u>\$ 75</u>	<u>\$ 72</u>

<u>Goldex Minesite Costs per Tonne</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Production costs	\$ 56,939	\$ 61,561	\$ 54,342
Adjustments:			
Inventory and other adjustments ^(iv)	(2,407)	(253)	383
Non-cash reclamation provision	(173)	(216)	(196)
Minesite operating costs (US\$)	\$ 54,359	\$ 61,092	\$ 54,529
Minesite operating costs (C\$)	\$ 53,208	\$ 62,545	\$ 60,986
Tonnes of ore milled (000s tonnes)	2,477	2,782	2,615
Minesite costs per tonne (C\$) ^(v)	<u>\$ 21</u>	<u>\$ 22</u>	<u>\$ 23</u>

<u>Lapa Minesite Costs per Tonne</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Production costs	\$ 68,599	\$ 66,199	\$ 33,472
Adjustments:			
Inventory and other adjustments ^(iv)	1,071	(4,683)	6,072
Non-cash reclamation provision	(348)	(57)	(26)
Minesite operating costs (US\$)	\$ 69,322	\$ 61,459	\$ 39,518
Minesite operating costs (C\$)	\$ 68,403	\$ 62,771	\$ 42,055
Tonnes of ore milled (000s tonnes)	621	552	299
Minesite costs per tonne (C\$) ^(v)	<u>\$ 110</u>	<u>\$ 114</u>	<u>\$ 140</u>

Kittila Minesite Costs per Tonne	2011	2010	2009
Production costs	\$ 110,477	\$ 87,740	\$ 42,464
Adjustments:			
Inventory and other adjustments ^(iv)	(1,324)	(4,774)	1,565
Non-cash reclamation provision	(206)	(334)	(254)
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(3,018)	—	—
Minesite operating costs (US\$)	\$ 105,929	\$ 82,632	\$ 43,775
Minesite operating costs (€)	€ 76,817	€ 63,464	€ 30,568
Tonnes of ore milled (000s tonnes)	1,031	960	563
Minesite costs per tonne (€) ^(v)	€ 75	€ 66	€ 54

Pinos Altos Minesite Costs per Tonne	2011	2010	2009
Production costs	\$ 145,614	\$ 90,293	\$ 11,819
Adjustments:			
Inventory and other adjustments ^(iv)	(169)	2,925	(5,356)
Non-cash reclamation provision	(1,372)	(858)	(100)
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(24,260)	(11,857)	(253)
Minesite operating costs (US\$)	\$ 119,813	\$ 80,503	\$ 6,110
Tonnes of ore milled (000s tonnes)	4,509	2,318	227
Minesite costs per tonne (US\$) ^(v)	\$ 27	\$ 35	\$ 27

Meadowbank Minesite Costs per Tonne	2011	2010	2009
Production costs	\$ 284,502	\$ 182,533	\$ —
Adjustments:			
Inventory and other adjustments ^(iv)	253	6,911	—
Non-cash reclamation provision	(1,679)	(1,315)	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(9,746)	(4,321)	—
Minesite operating costs (US\$)	\$ 273,330	\$ 183,808	\$ —
Minesite operating costs (C\$)	\$ 272,157	\$ 190,980	\$ —
Tonnes of ore milled (000s tonnes)	2,978	2,001	—
Minesite costs per tonne (C\$) ^(v)	\$ 91	\$ 95	\$ —

- (i) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since total cash costs are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production for which revenue has not been recognized in the period.
- (ii) Total cash cost per ounce is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. As illustrated in the tables above, this measure is calculated by adjusting production costs as shown in the Consolidated Statements of Income and Comprehensive Income for net byproduct revenues, royalties, inventory adjustments and asset retirement provisions. This measure is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management uses this measure to monitor the performance of the Company's mining operations. Since market prices for gold are quoted on a per ounce basis, using this per ounce measure allows management to assess the mine's cash generating capabilities at various gold prices. Management is aware that this per ounce measure of performance can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for the limitation inherent with this measure by using it in conjunction with the minesite costs per tonne measure (discussed below) as well as other data prepared in accordance with US GAAP. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.
- (iii) The Company has decided to report total cash costs per ounce and minesite costs per tonne using the more common industry practice of deferring certain stripping costs that can be attributed to future production. The methodology is in line with the Gold Institute Production Cost Standard. The purpose of adjusting for these stripping costs is to enhance the comparability of cash costs to the majority of the Company's peers within the mining industry.

- (iv) This inventory adjustment reflects production costs associated with unsold concentrates.
- (v) Minesite costs per tonne is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. As illustrated in the tables above, this measure is calculated by adjusting production costs as shown in the Consolidated Statements of Income and Comprehensive Income for inventory, asset retirement provisions and deferred stripping costs, and then dividing by tonnes processed through the mill. Since total cash costs data can be affected by fluctuations in byproduct metal prices and exchange rates, management believes minesite costs per tonne provides additional information regarding the performance of mining operations and allows management to monitor operating costs on a more consistent basis as the per tonne measure eliminates the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, in order to be economically viable the estimated revenue on a per tonne basis must be in excess of the minesite costs per tonne. Management is aware that this per tonne measure is impacted by fluctuations in production levels and thus uses this evaluation tool in conjunction with production costs prepared in accordance with US GAAP. This measure supplements production cost information prepared in accordance with US GAAP and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

The Company's operating results and cash flow are significantly affected by changes in the US dollar/Canadian dollar exchange rate due to its operating mines located in Canada. Exchange rate movements can have a significant impact as all of the Company's revenues are earned in US dollars but most of its operating costs and a substantial portion of its capital costs are in Canadian dollars. The US dollar/Canadian dollar exchange rate has varied significantly over the past several years. During the period from January 1, 2005 to December 31, 2011, the noon buying rate, as reported by the Bank of Canada has fluctuated between C\$0.92 per US\$1.00 and C\$1.30 per US\$1.00. In addition, a significant portion of the Company's expenditures at the Kittila mine and the Pinos Altos mine are denominated in Euros and Mexican pesos, respectively. Each of these currencies has varied significantly against the US dollar over the past several years as well.

Exploration and Corporate Development Expense

Proven and probable gold reserves decreased to 18.8 million ounces in 2011 from 21.3 million ounces in 2010. The decrease is attributed to 2011 gold production, the October 19, 2011 suspension of mining operations at the Goldex mine and the associated reclassification of its reserves to resources and the new mine plan at the Meadowbank mine that resulted in lower reserves.

Set out below is a summary of the significant exploration and corporate development activities undertaken in 2011:

- Canadian regional exploration expenditures were \$29.9 million in 2011, an increase of \$1.6 million compared with 2010.
- Approximately \$8.3 million of regional exploration expenses were incurred on the Pinos Altos mine in Mexico. The most concentrated drill programs in 2011 focused on the potential at satellite deposits including Cubiro, Sinter and San Eligio.
- The Company incurred exploration expenditures of \$7.5 million during 2011 in Nevada and Wyoming, an increase of \$0.5 million compared with 2010. Exploration activities during 2011 were concentrated on the West Pequop property located in the northeastern region of Nevada and on the Rattlesnake Hills property located in the southwestern region of Wyoming.
- During 2011, regional exploration expenditures in Finland amounted to \$6.3 million, an increase of \$1.8 million compared with 2010. The Company continued its exploration program at the Suurikuusikko structures around the Kittila mine.
- During 2011, mining operations at the Goldex mine were suspended as a result of rock subsidence above the northeastern limit of the deposit. Investigation expenditures of \$19.7 million were incurred which included rock mechanic and mining studies, drilling and development exploration of the deeper D zone and care and maintenance of general infrastructure.
- The Company's corporate development team was active in 2011 in evaluating new properties and possible acquisition opportunities. During 2011, the team's accomplishments included the Grayd acquisition.

The table below sets out exploration expense by region and total corporate development expense:

	<u>2011</u>	<u>2010</u> (thousands)	<u>2009</u>
Canada	\$ 29,885	\$ 28,346	\$ 11,194
Latin America	8,263	8,268	9,212
United States	7,520	7,042	7,176
Europe	6,332	4,569	5,325
Goldex mine	19,656	—	—
Corporate development expense	4,065	6,733	3,372
	<u>\$ 75,721</u>	<u>\$ 54,958</u>	<u>\$ 36,279</u>

General and Administrative Expenses

General and administrative expenses increased to \$107.9 million in 2011 from \$94.3 million in 2010, attributable primarily to increases in salaries, benefits, insurance, and office and information technology costs. There was an increase in stock option expense due to an increase in the number of stock options granted and an increase in the Black-Scholes calculated value of the options granted. Of the total general and administrative expenses, stock-based compensation was \$42.2 million and \$38.1 million in 2011 and 2010, respectively.

Provincial Capital Taxes

These taxes are assessed on the Company's capitalization (paid-up capital and debt) less certain allowances and tax credits for exploration expenses incurred. Ontario capital tax was eliminated on July 1, 2010, while Quebec capital tax was eliminated at the end of 2010. There was however, a government audit assessment related to prior years concluded in 2011 that resulted in a \$9.2 million expense. In 2010, the Company had a recovery of \$6.1 million due to non-recurring items relating to prior years. The provincial capital tax expense is expected to be nil going forward.

Amortization Expense

The consolidated amortization expense for the year increased to \$261.8 million in 2011, compared to \$192.5 million in 2010, largely as a result of a full year of production at the Meadowbank mine and the underground operations at the Kittila and Pinos Altos mines in 2011. Additionally, commercial production commenced at the Creston Mascota deposit at Pinos Altos and the LaRonde mine extension in 2011. Amortization expense commences once a mine achieves commercial production.

Interest Expense

In 2011, interest expense increased to \$55.0 million from \$49.5 million in 2010 and \$8.4 million in 2009. The table below shows the components of interest expense:

	<u>2011</u>	<u>2010</u> (thousands)	<u>2009</u>
Stand-by fees on credit facilities	\$ 7,345	\$ 8,159	\$ 2,730
Amortization of credit facilities, financing and note issuance costs	4,810	3,507	2,392
Government interest, penalties and other	3,078	2,165	3,326
Interest on credit facilities	1,764	10,795	15,470
Interest on notes	39,067	29,423	—
Interest capitalized to construction in progress	(1,025)	(4,556)	(15,470)
	<u>\$ 55,039</u>	<u>\$ 49,493</u>	<u>\$ 8,448</u>

Foreign Currency Translation Gain (Loss)

The foreign currency translation gain was \$1.1 million in 2011 compared with a loss of \$19.5 million in 2010 as the US dollar strengthened against the Canadian dollar, Euro and the Mexican peso during 2011. The gain in 2011 is due primarily to the impact of translation on liabilities denominated in Euros, Canadian dollars and Mexican pesos, offset partially by the impact of translation on cash balances denominated in Canadian dollars.

Income and Mining Taxes

In 2011, the Company had an effective tax rate of 26.9% compared with 23.7% in 2010 and 19.9% in 2009. The tax provision for 2011 was a recovery due to the write-downs of the Goldex and Meadowbank mines. The effective tax rate of 26.9% was lower than the statutory tax rate of 27.8% due to permanent differences, principally stock-based compensation that is not deductible for tax purposes in Canada, and various other minor adjustments.

Supplies Inventory

The supplies inventory balance as of December 31, 2011 increased to \$182.4 million, compared to the December 31, 2010 balance of \$149.6 million. This increase is mainly attributable to the build-up of supplies inventory at the Meadowbank mine to facilitate operations, including the June 2011 startup of the permanent secondary crusher, and increased maintenance requirements. In addition, supplies inventory at the Pinos Altos mine increased to support underground mining operations and operations at the Creston Mascota deposit at Pinos Altos, which achieved commercial production on March 1, 2011.

Liquidity and Capital Resources

At the end of 2011, the Company's cash and cash equivalents, short-term investments and restricted cash totalled \$221.5 million, compared to \$104.6 million at the end of 2010. This increase, which resulted from financing and operating activities, was partially offset by investing activities. Cash provided by financing activities of \$182.5 million in 2011 compared with cash used in financing activities of \$21.9 million in 2010 due primarily to a change from net repayments of long-term debt in 2010 to net proceeds from long-term debt of \$270.0 million in 2011. Cash flow provided by operating activities increased significantly to \$663.5 million in 2011 from \$483.5 million in 2010 mainly due to an increase in gold prices realized. The increase in cash flow provided by operating activities was offset to some degree by the suspension of production at the Goldex mine on October 19, 2011 and by lower grades and throughput realized at the LaRonde mine as it transitions into the LaRonde mine extension. In 2011, cash used in investing activities increased to \$760.5 million from \$523.3 million in 2010, due primarily to the November 2011 acquisition of Grayd, an increase in available-for-sale securities investments, and an increase in restricted cash relating to the environmental remediation of the Goldex mine.

In 2011, the Company invested \$482.8 million of cash in new projects and sustaining capital expenditures. Major expenditures in 2011 included \$116.9 million on construction at the Meadowbank mine, \$73.9 million on construction at the Meliadine project, \$49.5 million on construction at the LaRonde mine extension, and \$220.8 million for sustaining capital expenditures at the Kittila, Goldex, LaRonde, Pinos Altos and Lapa mines. Capital expenditures to complete the Company's growth initiatives are expected to be funded by cash provided by operating activities and cash on hand. A significant portion of the Company's cash and cash equivalents are denominated in US dollars.

During 2011, the Company received net proceeds on available-for-sale securities equal to \$9.4 million compared to \$36.6 million during 2010. Also during 2011, the Company purchased available-for-sale securities amounting to \$91.1 million compared to \$42.5 million in 2010. On July 27, 2011, the Company made a strategic investment in Rubicon Metals Corporation in a non-brokered private placement for cash consideration of approximately \$73.8 million.

Subsequent to year end on February 16, 2012, the Company declared a dividend, its 30th consecutive year paying a cash dividend. During 2011, the Company paid dividends of \$98.4 million. Although the Company expects to continue paying dividends, future dividends will be at the discretion of the Company's board of

directors (the "Board") and will be subject to factors such as income, financial condition and capital requirements. Also in 2011, the Company issued common shares for gross proceeds of \$26.5 million. This was mainly due to stock option exercises and issuances under the Company's employee share purchase plan.

In 2010, the Company increased amounts available from the syndicate of banks that comprised its lenders from an aggregate of \$900 million to \$1.2 billion in a transaction under which the Company also terminated one of its bank credit facilities. In 2011, the maturity date of the remaining credit facility was extended two years from June 22, 2014 to June 22, 2016 (see note 5 to the Company's audited consolidated financial statements).

As at December 31, 2011, the Company had drawn \$320.0 million from its bank credit facility. In addition, the amounts available under the credit facility are reduced by letters of credit drawn under the facility. Letters of credit outstanding under the credit facility at December 31, 2011 totaled \$30.6 million. Accordingly, the amount available for future drawdowns as at December 31, 2011, was approximately \$849.4 million. The credit facility requires the Company to maintain specified financial ratios and meet financial condition covenants. These financial condition covenants were met as of December 31, 2011.

In June 2009, the Company entered into a C\$95 million financial security guarantee issuance agreement with Export Development Canada (the "EDC Facility"). Under the agreement, which matures in June 2014, Export Development Canada agreed to provide guarantees in respect of letters of credit issued on behalf of the Company in favour of certain beneficiaries in respect of obligations relating to the Meadowbank mine. As at December 31, 2011, outstanding letters of credit drawn under the EDC Facility totaled C\$79.6 million.

On April 7, 2010, the Company closed a note offering with institutional investors in the United States and Canada of a private placement of \$600 million of guaranteed senior unsecured notes due in 2017, 2020 and 2022 (the "Notes"). At issuance, the Notes had a weighted average maturity of 9.84 years and weighted average yield of 6.59%. Proceeds from the offering of Notes were used to repay amounts under the Company's then outstanding credit facilities.

Agnico-Eagle's contractual obligations as at December 31, 2011 are set out below:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>4-5 Years</u>	<u>More than 5 Years</u>
			(millions)		
Letter of credit obligations	\$ 2.2	\$ —	\$ 2.2	\$ —	\$ —
Reclamation obligations ⁽ⁱ⁾	336.2	26.1	16.5	2.9	290.7
Purchase commitments	62.3	11.5	15.0	9.4	26.4
Pension obligations ⁽ⁱⁱ⁾	4.5	0.4	1.0	0.9	2.2
Capital and operating leases	49.2	14.4	26.1	4.9	3.8
Long-term debt repayment obligations ⁽ⁱⁱⁱ⁾	920.1	—	0.1	320.0	600.0
Total ^(iv)	\$ 1,374.5	\$ 52.4	\$ 60.9	\$ 338.1	\$ 923.1

- (i) Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. The estimated undiscounted cash outflows of these reclamation obligations are presented here. These estimated costs are recorded in the Company's consolidated financial statements on a discounted basis in accordance with ASC 410-20 — Asset Retirement Obligations and on an undiscounted basis in accordance with ASC 410-30 — Environmental Obligations. See Note 6(a) to the audited consolidated financial statements.
- (ii) The Company has retirement compensation arrangement plans (the "RCA Plans") with certain executives. The RCA Plans provide pension benefits to each of these executives equal to 2% of the executive's final three-year average pensionable earnings for each year of service with the Company, less the annual pension payable under the Company's basic defined contribution plan. Payments under the RCA Plans are secured by letter of credit from a Canadian chartered bank. The figures presented in this table have been actuarially determined.
- (iii) For the purposes of the Company's obligations to repay amounts outstanding under its credit facility, the Company has assumed that the indebtedness will be repaid at the current expiry date of the credit facility.
- (iv) The Company's estimated future positive cash flows are expected to be sufficient to satisfy the obligations set out above.

Off-Balance Sheet Arrangements

The Company has the following off-balance sheet arrangements: operating leases (see Note 13(b) to the audited consolidated financial statements) and \$119.0 million of outstanding letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes (see Note 12 to the audited consolidated financial statements). If the Company were to terminate these off-balance sheet arrangements, the penalties or obligations would be insignificant based on the Company's liquidity position, as outlined in the table below.

2012 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2012 mandatory expenditure commitments (including the future obligations set out above) and discretionary expenditure commitments. The following table sets out expected future capital requirements and resources for 2012:

	<u>Amount (millions)</u>
2012 Mandatory Commitments:	
Contractual obligations (from table above)	\$ 52
Dividend payable (declared in February 2012)	34
Goldex government grant	1
Total 2012 mandatory expenditure commitments	\$ 113
2012 Discretionary Commitments:	
Budgeted capital expenditures	\$ 382
Dividend payable	103
Total 2012 discretionary expenditure commitments	485
Total 2012 mandatory and discretionary expenditure commitments	\$ 572
2012 Capital Resources:	
Cash, cash equivalents and short term investments (at December 31, 2011)	\$ 186
Estimated 2012 operating cash flow	490
Working capital (at December 31, 2011) (excluding cash, cash equivalents and short-term investments)	381
Available under the Credit Facilities	849
Total 2012 Capital Resources	\$ 1,906

While the Company believes its capital resources will be sufficient to satisfy all 2012 commitments (mandatory and discretionary), the Company may choose to decrease certain of its discretionary expenditure commitments, which includes its construction projects and future dividends, should extremely negative financial circumstances arise in the future.

Outlook

The following section contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. Please see "Note to Investors Concerning Forward-Looking Information" for a discussion of assumptions and risks relating to such statements and information.

Gold Production Growth

LaRonde Mine Extension

In 2012, payable gold production at the LaRonde mine is expected to be approximately 150,000 - 165,000 ounces of gold. The commencement of production at the LaRonde mine extension, which achieved commercial production on December 1, 2011, is expected to provide higher grade ore. Over the 2012 to 2014 period, annual average gold production is expected to be approximately 219,167 ounces.

Total cash costs per ounce at the LaRonde mine are expected to be approximately \$570 in 2012, reflecting expectations of lower grades and metal prices for the mine's byproducts going forward. However, depending on prevailing byproduct prices over the next several years, the potential exists to extend the life of the upper mine by mining lower grade (predominantly zinc) ore that becomes economic. The effect of this would likely be lower total cash costs per ounce due to the byproduct metal revenue.

Kittila Mine

In 2012, the Kittila mine is expected to produce approximately 150,000 - 160,000 ounces of gold, while from 2012 through 2014, it is expected to produce an average of 160,000 ounces per year. Total cash costs per ounce in 2012 are expected to be approximately \$650 per ounce due to improvements in the overall cost structure.

Reflecting the continued growth of the Kittila mine's orebody, it is expected that a study on a 25% throughput expansion at the Kittila mine will be completed by the end of 2012. It is believed that a smaller initial expansion supported by current reserves followed by the possibility of a larger expansion at a later date would be prudent.

Lapa Mine

Gold production during 2012 is expected to be approximately 95,000 - 105,000 ounces at estimated total cash costs per ounce of approximately \$750. Over the period of 2012 to 2014, annual average gold production of approximately 101,667 ounces is expected. The current forecast reflects lower grades to the mill than previously expected.

Pinos Altos Mine

Total gold production in 2012 is expected to be approximately 200,000 - 210,000 ounces at estimated total cash costs per ounce of approximately \$415. Over the period of 2012 to 2014, the mine (including production from the Creston Mascota deposit at Pinos Altos) is expected to produce an average of 201,667 ounces of gold per year. Construction on the satellite Creston Mascota deposit at Pinos Altos was completed with the first gold production occurring during the fourth quarter of 2010. Commercial production at this heap leach operation was achieved in March 2011.

New reserves at the Creston Mascota deposit at Pinos Altos have resulted in a new, larger open pit design. Exploration results indicate that the Creston Mascota deposit at Pinos Altos may extend further to the southwest to include the adjacent Bravo/Carola deposits, increasing the potential for a significantly larger open pit that would include all three deposits. The Sinter deposit, located approximately two kilometers north of the main Santo Nino zone at the Pinos Altos mine, is being examined as a possible source of open pit ore for the mill at the Pinos Altos mine, potentially extending its mine life.

Meadowbank Mine

Gold production in 2012 is expected to be approximately 280,000 - 310,000 ounces at estimated total cash costs per ounce of approximately \$1,040. The mine is expected to produce an average of 303,333 ounces of gold per year from 2012 to 2014.

The Meadowbank mine has experienced a number of issues during its start-up over the past two years and while the mill throughput is now exceeding the original design rate, the grades to the mill continued to be lower than expected through the end of 2011. The ore body geometry is more complex than originally thought making selective mining difficult and more costly, resulting in persistently high operating costs. These facts, as previously discussed, has resulted in a new mine plan that forecasts lower gold production over a shorter mine life. The mine life now extends to 2017 rather than 2020.

Meliadine Project

In July 2010, the Company acquired Comaplex, which owned the Meliadine project located in Nunavut, Canada, 290 kilometres southeast of the Company's existing Meadowbank mine. The Company expects to achieve efficiencies by leveraging experience gained from the development of the Meadowbank mine, if it determines to build a mine at the Meliadine project.

The 2011 drilling program at the Meliadine project was primarily focused on the Tiriganiaq and Wesmeg zones. With a focus on reserve conversion drilling continuing in 2012 and the completion of a feasibility study expected in late 2013, a determination by the Company to commence mining operations may be made at the Meliadine project. If a decision to build a mine at Meliadine is made, first production is not anticipated prior to 2017 with capital expenditures expected to be distributed over the 2012 to 2016 period.

La India Project and Tarachi Exploration Property

The La India project in Sonora State, Mexico, acquired in November 2011 as part of the Grayd acquisition, is currently undergoing drilling with the goal of converting current resources into reserves. Additionally, the Company is advancing the engineering study and permitting process. The Company anticipates that any mining operations at La India would be a low cost open pit, heap leach mine. First production at a mine, if built, is not expected prior to 2015.

The Tarachi exploration property is located approximately ten kilometers to the northwest of the La India project in Sonora State, Mexico. Initial drilling and sampling suggest that the mineralized structure extends over several kilometers. This property is expected to be a focus of exploration drilling in 2012.

Growth Summary

With the achievement of commercial production of the Kittila, Lapa and Pinos Altos mines in 2009, the Meadowbank mine in March 2010, and the Creston Mascota deposit at Pinos Altos and LaRonde mine extension in 2011, the Company continues its transformation from a one mine operation to a five mine company resulting in record cash provided by operating activities in 2011. As the Company begins the next growth phase from its expanded production platform, it expects to continue to deliver on its vision and strategy. Based on exploration results to date and planned exploration programs in 2012, the Company is targeting reserves to grow to approximately 20.0 million ounces of gold in 2012 compared with 18.8 million ounces in 2011. Further internal growth opportunities are expected to add to production in the future. In summary, the Company anticipates that the main contributors to the targeted increase in gold production, gold reserves and increases to gold resources could include:

- Continued conversion of Agnico-Eagle's current gold resources to reserves
- Increased production from the higher grade orebody in the LaRonde mine extension
- The 2011 acquisition of the La India project and Tarachi exploration property in Mexico
- A positive conclusion on the 25% throughput expansion at the Kittila mine, reflecting continued growth of orebody
- Potential extension of the Creston Mascota deposit at Pinos Altos to include the adjacent Bravo/Carola deposits
- The Sinter deposit as a possible source of open pit ore for the mill at the Pinos Altos mine

Financial Outlook

Mining Revenue and Production Costs

In 2012, the Company expects to continue to generate strong cash flow as production volumes are expected to be between 875,000 and 950,000 ounces, down from 985,460 ounce in 2011 due primarily to the suspension of production at the Goldex mine on October 19, 2011. Metal prices will have a large impact on financial results and, although the Company cannot predict the prices that will be realized in 2012, gold prices in early 2012 (to March 12, 2012) have remained strong. On March 12, 2012, the gold spot price closed at \$1,701 per ounce.

The table below sets out actual production for 2011 and estimated production in 2012.

	<u>2012 Estimate</u>	<u>2011 Actual</u>
Gold (ounces)	875,000 - 950,000	985,460
Silver (000s ounces)	4,508	5,080
Zinc (tonnes)	33,044	54,894
Copper (tonnes)	5,650	3,216

For 2012, the Company is expecting total cash costs per ounce at the LaRonde mine to be \$570 compared to \$77 in 2011. In calculating estimates of total cash costs per ounce, net silver, zinc and copper revenue is treated as a reduction of production costs, and therefore production and price assumptions for these metals play an important role in these estimates for the LaRonde mine, due to its large byproduct production. An increase in byproduct metal prices above forecast levels would result in improved cash costs for the LaRonde mine. In addition, the Pinos Altos mine contains significant byproduct silver.

In 2012, total cash costs per ounce at the Kittila, Lapa, Pinos Altos and Meadowbank mines are expected to be \$650, \$750, \$415 and \$1,040, respectively. As production costs at the LaRonde, Lapa and Meadowbank mines are denominated mostly in Canadian dollars, production costs at the Kittila mine are denominated mostly in Euros and production costs at the Pinos Altos mine are denominated mostly in Mexican pesos, the Canadian dollar/US dollar, Euro/US dollar and Mexican peso/US dollar exchange rates also affect the estimates.

The table below sets out the metal price assumptions and exchange rate assumptions used in deriving the estimated total cash costs per ounce for 2012 (production estimates for each metal are shown in the table above) as well as the market average closing prices for each variable for the period of January 1 to March 12, 2012.

	<u>Cash Cost Assumptions</u>	<u>Market Average</u>
Silver (per ounce)	\$ 30.00	\$ 32.74
Zinc (per tonne)	\$ 1,800	\$ 2,028
Copper (per tonne)	\$ 7,000	\$ 8,283
C\$/US\$ exchange rate	\$ 1.0000	\$ 0.9967
Euro/US\$ exchange rate	\$ 0.7407	\$ 0.7640

The table below sets out the estimated approximate sensitivity of the Company's 2012 estimated total cash costs per ounce to a change in metal price and exchange rate assumptions:

<u>Change in variable ⁽ⁱ⁾</u>	<u>Impact on total cash costs (\$/oz.)</u>
\$1/oz Silver	\$ 5
\$100/per tonne of Zinc	\$ 3
\$100/per tonne of Copper	\$ 1
1% C\$/US\$	\$ 7
1% Euro/US\$	\$ 1

- (i) The sensitivities presented are based on the production and price assumptions set out above. Operating costs are not affected by fluctuations in byproduct metal prices. The Company may use derivative strategies to limit the downside risk associated with fluctuating byproduct metal prices and enters into forward contracts to lock in exchange rates based on projected Canadian dollar, Euro and Mexican peso operating and capital needs. Please see "Risk Profile — Metal Price and Foreign Currency" and "Risk Profile — Financial Instruments". Please see "Results of Operations — Production Costs" for a discussion about the use of the non-US GAAP financial measure total cash costs per ounce.

Exploration Expense

In 2012, Agnico-Eagle expects expenditures of \$106.3 million on minesite exploration, grassroots exploration and corporate development \$61.9 million is expected to spent on grassroots exploration outside of

the Company's currently contemplated mining areas in Canada, Latin America, Finland and the United States. Exploration is success driven and thus these estimates could change materially based on the success of the various exploration programs. In addition, when it is determined that a mining property can be economically developed as a result of established proven and probable reserves, the costs of drilling to further delineate the ore body on such property are capitalized. In 2012, the Company expects to capitalize \$39.9 million on drilling related to further delineating ore bodies and converting resources into reserves.

Other Expenses

Cash general and administrative expenses are not expected to increase significantly in 2012; however non-cash variances may occur as a result of variances in the Black-Scholes pricing of any stock options granted by the Company in 2012. In 2012, provincial capital taxes are expected to be nil since the Ontario provincial capital tax was eliminated on July 1, 2010 and Quebec capital tax was eliminated at the end of 2010. Amortization is expected to be approximately \$265.6 million in 2012. Interest expense in 2012 is expected to be approximately \$48.1 million due to long-term debt and standby fees associated with the \$1.2 billion credit facility and the \$600 million Notes. The Company's effective tax rate is expected to be approximately 35% to 40% in 2012 compared to an effective rate of 26.9% in 2011. The 2011 effective rate was due to the factors mentioned in "Results of Operations — Income and Mining Taxes" above.

Capital Expenditures

Agnico-Eagle's gold growth program remains well funded. Capital expenditures, including construction and development costs, sustaining capital and capitalized exploration costs, are expected to total approximately \$382.3 million in 2012. During 2012, the Company expects to generate internal cash flow from the sale of 875,000 - 950,000 ounces of gold and the associated byproduct metals. The major components of the 2012 capital expenditures program are as follows:

- \$88.5 million in sustaining capital expenditures related to the Meadowbank mine;
- \$74.8 million in sustaining capital expenditures related to the LaRonde mine;
- \$52.0 million in capital expenditures related to construction and development of the Meliadine project;
- \$51.9 million in sustaining capital expenditures related to the Kittila mine;
- \$44.5 million in capitalized drilling expenditures;
- \$42.9 million in capital expenditures related to the Pinos Altos mine;
- \$10.2 million in sustaining capital expenditures related to the Lapa mine; and
- \$3.5 million in capital expenditures related to construction and development at the La India project.

The Company continues to examine other possible corporate development opportunities which may result in the acquisition of companies or assets with securities, cash or a combination thereof. If cash is used, depending on the size of the acquisition, Agnico-Eagle may be required to borrow money or issue securities to fund such cash requirements.

Risk Profile

The Company mitigates the likelihood and potential severity of the various risks it encounters in its day-to-day operations through the application of high standards in the planning, construction and operation of mining facilities. In addition, emphasis is placed on hiring and retaining competent personnel and developing their skills through training in safety and loss control. The Company's operating and technical personnel have a solid track record of developing and operating precious metal mines, and several of the Company's mines have received safety and development awards for excellence in this regard. Nevertheless, the Company and its employees continue with a focused effort to improve workplace safety, and the Company has placed additional emphasis on safety procedure training for both mining and supervisory employees.

The Company also mitigates some of its normal business risk through the purchase of insurance coverage. An Insurable Risk Management Policy, approved by the Board, governs the purchase of insurance coverage and only permits the purchase of coverage from insurance companies of the highest credit quality. For a more

complete list of the risk factors affecting the Company, please see "Item 3 Key Information — Risk Factors" in the Form 20-F.

Metal Price and Foreign Currency

Agnico-Eagle's net income is most sensitive to metal prices and the Canadian dollar/US dollar and Euro/US dollar exchange rates. For the purpose of the sensitivities set out in the table below, Agnico-Eagle used the following metal price and exchange rate assumptions:

- Gold — \$1,500 per ounce;
- Silver — \$30.00 per ounce;
- Zinc — \$1,800 per tonne;
- Copper — \$7,000 per tonne;
- Canadian dollar/US dollar — C\$1.00 per \$1.00; and
- Euro/US dollar — €0.74 per \$1.00.

Changes in the market price of gold are due to numerous factors such as demand, global mine production levels, forward selling by producers, central bank sales and investor sentiment. Changes in the market prices of other metals are due to factors such as demand and global mine production levels. Changes in the exchange rates are due to factors such as supply and demand for currencies and economic conditions in each country or currency area. In 2011, the ranges of metal prices and exchange rates were as follows:

- Gold: \$1,308 — \$1,921 per ounce, averaging \$1,571 per ounce;
- Silver: \$26 — \$50 per ounce, averaging \$35 per ounce;
- Zinc: \$1,720 — \$2,569 per tonne, averaging \$2,189 per tonne;
- Copper: \$6,722 — \$10,180 per tonne, averaging \$8,813 per tonne;
- Canadian dollar/US dollar: C\$0.9407 — C\$1.0658 per \$1, averaging C\$0.9893 per \$1; and
- Euro/US dollar: €0.6693 — €0.7777 per \$1, averaging €0.7183 per \$1.

The following table sets out the estimated impact on 2012 total cash costs per ounce of a 10% change in assumed metal prices and exchange rates. A 10% change in each variable was considered in isolation while holding all other assumptions constant. Based on historical market data and 2011 price ranges shown above, a 10% change in assumed metal prices and exchange rates is reasonably likely in 2012.

<u>Changes in variable</u>	<u>Impact on total cash costs per ounce</u>
Silver	\$ 14
Zinc	\$ 6
Copper	\$ 4
Canadian dollar/US dollar	\$ 74
Euro/US dollar	\$ 10

In order to mitigate the impact of fluctuating byproduct metal prices, the Company occasionally enters into derivative transactions under its Metal Price Risk Management Policy, approved by the Board. The Company's policy and practice is not to sell forward its gold production. However, the policy does allow the Company to use other hedging strategies where appropriate to mitigate foreign exchange and byproduct metal pricing risks. The Company occasionally buys put options, enters into price collars and enters into forward contracts to protect minimum byproduct metal prices while maintaining full exposure to gold price. The Risk Management Committee has approved the strategy of using short-term call options in an attempt to enhance the realized byproduct metal prices. The Company's policy does not allow speculative trading.

The Company receives payment for all of its metal sales in US dollars and pays most of its operating and capital costs in Canadian dollars, Euros or Mexican pesos. This gives rise to significant currency risk exposure.

From time to time the Company has entered into currency hedging transactions under the Company's Foreign Exchange Risk Management Policy, approved by the Board, to hedge part of its foreign currency exposure. The policy does not permit the hedging of translation exposure (that is, the gains and losses that arise from the accounting translation of Canadian dollar, Euro or Mexican peso denominated assets and liabilities into US dollars), as these do not give rise to cash exposure. The Company's foreign currency derivative strategy includes the use of purchased puts, sold calls, collars and forwards. The Company's policy does not allow speculative trading.

Cost Inputs

The Company also considers and may enter into risk management strategies to mitigate price risk on certain consumables (including, but not limited to, energy). These strategies have largely been confined to longer term purchasing contracts but may include financial and derivative instruments.

Interest Rates

The Company's current exposure to market risk for changes in interest rates relates primarily to the drawdown on its credit facility and its investment portfolio. Drawdowns on the credit facility are used, primarily, to fund a portion of the capital expenditures related to the Company's development projects and working capital requirements. As at December 31, 2011, the Company had drawn down \$320.0 million on the credit facility. In addition, the Company invests its cash in investments with short maturities or with frequent interest reset terms and a credit rating of R1-High or better. As a result, the Company's interest income fluctuates with short-term market conditions. As at December 31, 2011, short-term investments amounted to \$6.6 million.

Amounts drawn under the credit facility are subject to floating interest rates based on benchmark rates available in the United States and Canada or on LIBOR. In the past, the Company has entered into derivative instruments to hedge against unfavorable changes in interest rates. The Company will continue to monitor its interest rate exposure and may enter into such agreements to manage its exposure to fluctuating interest rates. In 2011, there were no interest rate derivative instruments in place.

Financial Instruments

The Company, from time to time, enters into contracts to limit the risk associated with decreased byproduct metal prices, increased foreign currency costs (including capital expenditures) and input costs. The contracts act as economic hedges of underlying exposures and are not held for speculative purposes. Agnico-Eagle does not use complex derivative contracts to hedge exposures. The Company uses simple contracts, such as puts and calls, collars and forwards.

Using financial instruments creates various financial risks. Credit risk is the risk that the counterparties to financial contracts will fail to perform on an obligation to the Company. Credit risk is partially mitigated by dealing with high quality counterparties such as major banks. Market liquidity risk is the risk that a financial position cannot be liquidated quickly. The Company primarily mitigates market liquidity risk by spreading out the maturity of financial contracts over time, usually based on projected production levels for the specific metal being hedged, such that the relevant markets will be able to absorb the contracts. Mark-to-market risk is the risk that an adverse change in market prices for metals will affect financial condition. Since derivative contracts are used as economic hedges, for most of the contracts, changes in the mark-to-market value will affect income. For a description of the accounting treatment of derivative contracts, please see "Critical Accounting Estimates — Financial Instruments".

Operational Risk

The business of gold mining is generally subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected rock formations, changes in the regulatory environment, cave-ins, rock bursts, rock falls, ground conditions, pit wall failures and flooding and gold bullion losses. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company carries insurance to protect itself against certain risks of mining and processing in amounts that it considers to be adequate but which may not provide adequate coverage in certain unforeseen circumstances. The Company may

also become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons, or the Company may become subject to liabilities which exceed policy limits. In these circumstances, the Company may be required to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

The Company's gold production and operating margin has diversified over the last three years, reflecting the transition from one mine to five mines. In 2011, the Meadowbank mine accounted for approximately 27% of the Company's gold production, and will continue to account for a significant portion of gold production through 2017. The table below outlines forecasted estimated payable gold production per mine for 2012:

	Estimated Payable Production (oz)	Estimated Payable Production (%)
LaRonde mine	150,000 - 165,000	17
Lapa mine	95,000 - 105,000	11
Meadowbank mine	280,000 - 310,000	32
Kittila mine	150,000 - 160,000	17
Pinos Altos mine	200,000 - 210,000	23
Total	<u>875,000 - 950,000</u>	<u>100</u>

Mining is a complex and unpredictable business and, therefore, the Company provides a range of expected production. While this is the expected range of production, actual production may fall outside this range. Any adverse condition affecting mining or milling conditions may have a material adverse effect on the Company's financial performance and results of operations. The Company anticipates using revenue generated by its operations to finance the capital expenditures required at its mine projects.

The Company's gold production may fall below estimated levels as a result of occurrences such as cave-ins, rock falls, rock bursts, pit wall failures, fires or flooding or as a result of other operational problems such as a failure of a production hoist, an autoclave, a filter press or a grinding mill. In addition, production may be reduced if, during the course of mining or processing, unfavourable weather conditions, ground conditions or seismic activity are encountered, ore grades are lower than expected, the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment or dilution increases, electrical power is interrupted or heap leach processing results in containment discharge. In seven of the last nine years, as a result of such adverse conditions, the Company has failed to meet production forecasts due to: a rock fall, production drilling challenges and lower than planned mill recoveries in 2003; higher than expected dilution in 2004; and increased stress levels in a sill pillar, requiring the temporary closure of production sublevels in 2005. In 2008, gold production was 276,762 ounces, down from the Company's initial estimate of 358,000 ounces. This reduction was primarily a result of delays in the commencement of production at the Goldex mine and the Kittila mine, mainly due to delays in commissioning the Goldex production hoist and the Kittila autoclave, respectively. In 2009, gold production was 492,972 ounces, down from the Company's initial estimate of 590,000 ounces, primarily as a result of delays in the commencement of production at the Kittila mine due to issues with the autoclave and at the Pinos Altos mine resulting from problems in commissioning the dry tailings filter presses and dilution issues at the Lapa mine. In 2010, gold production was 987,609 ounces, slightly below the estimate of 1,000,000 ounces, largely due to the slower than anticipated ramp-up at the Meadowbank mine, along with lower than expected grades at the LaRonde and Lapa mines in the fourth quarter. In 2011, gold production was 985,460 ounces, significantly below estimates due primarily to the unexpected suspension of mining operations and gold production at the Goldex mine on October 19, 2011, a temporary production disruption at the Meadowbank mine due to a fire in its kitchen facilities, and to lower than expected grades and throughput at the LaRonde mine. Occurrences of this nature and other accidents, adverse conditions or operational problems in future years may result in the Company's failure to achieve current or future production estimates.

The LaRonde mine extension is one of the deepest operations in the Western Hemisphere, with an expected maximum depth of 3,110 metres. The operations of the LaRonde mine extension rely on new infrastructure for hauling ore and materials to the surface, including a winze (or internal shaft) and a series of ramps linking mining deposits to the Penna Shaft that services current operations at the LaRonde mine. The

depth of the operations could pose significant challenges to the Company, such as geomechanical risks and ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives.

The continued sustaining development of the LaRonde mine extension is subject to a number of risks and challenges, including unforeseen geological formations, the implementation of new mining processes, and engineering and mine design adjustments. These occurrences may result in operational delays and in additional costs being incurred by the Company beyond those budgeted.

The figures for mineral reserves and mineral resources published by the Company are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. The estimates of mineral reserves and mineral resources have been determined based on, among other things, assumed metal prices, foreign exchange rates and operating costs. For example, the Company has estimated proven and probable mineral reserves on all of its properties based on, among other things, a \$1,255 per ounce gold price. Monthly average gold prices have been above \$1,255 per ounce since October 2010. Prolonged declines in the market price of gold (or applicable byproduct metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should such reductions occur, the Company may be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in net losses and reduced cash flow. Market price fluctuations of gold (or applicable byproduct metal prices), as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to the mineral reserve, such as the need for orderly development of orebodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

Mineral resource estimates for properties that have not commenced production or at deposits that have not yet been exploited are based, in most instances, on very limited and widely spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained.

The Company's operations include a mine in Finland and a mine in northern Mexico. These operations are exposed to various levels of political, economic and other risks and uncertainties that are different from those encountered at the Company's Canadian properties. These risks and uncertainties vary from country to country and may include: extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; corruption; restrictions on foreign exchange and repatriation; hostage taking; and changing political conditions and currency controls. In addition, the Company must comply with multiple and potentially conflicting regulations in Canada, the United States, Europe and Mexico, including export requirements, taxes, tariffs, import duties and other trade barriers, as well as health, safety and environmental requirements.

The Company's Meadowbank mine is located in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. Though the Company built a 110-kilometre all-weather road from Baker Lake, which provides summer shipping access via Hudson Bay to the Meadowbank mine, the Company's operations will be constrained by the remoteness of the mine, particularly as the port of Baker Lake is only accessible approximately 2.5 months per year. Most of the materials that the Company requires for the operation of the Meadowbank mine must be transported through the port of Baker Lake during this shipping season, which may be further truncated due to weather conditions. If the Company is not able to acquire and transport necessary supplies during this time, this may result in a slowdown or stoppage of operations at the Meadowbank mine. Furthermore, if major equipment fails, any items necessary to replace or repair such equipment may have to be shipped through Baker Lake during this window. Failure to have available the necessary materials required for operations or to repair or replace malfunctioning equipment at the Meadowbank mine may require the slowdown or stoppage of operations.

Regulatory Risk

The Company's mining and mineral processing operations and exploration activities are subject to the laws and regulations of federal, provincial, state and local governments in the jurisdictions in which the Company operates. These laws and regulations are extensive and govern prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, environmental protection, mine safety and other matters. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, constructing, operating, closing, reclaiming and rehabilitating mines and other facilities. New laws or regulations, amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation thereof could have a material adverse impact on the Company, cause a reduction in levels of production and delay or prevent the development of new mining properties.

Outstanding Securities

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at March 12, 2012 were exercised:

Common shares outstanding at March 12, 2012	170,928,545
Employee stock options	11,657,901
Warrants	8,600,000
	<u>191,186,446</u>

Human Capital and the Environment

The Company believes that its people provide it with a distinct competitive advantage and are one of its key operating strengths. Agnico-Eagle recognizes the importance of its employees and strives to provide a corporate culture that is based on the principle that every person has the right to be treated with dignity and respect and operates as a partnership based on mutual respect, commitment and dedication to excellence. The employees of Agnico-Eagle have responded with strong loyalty and performance. As a result of their ideas and efforts, efficiency has improved, gold production has increased and the Company's safety record remains strong. From exploration through mining, the Company works hard to preserve and protect the natural environment by implementing sound environmental management systems and processes at all stages of its business and by pursuing continuous improvement in its environmental performance. The Company's operations are required to meet and, where practicable, exceed relevant laws, regulations and standards. In 2011, the Company continued to build upon these philosophies.

Health, Safety and Environmental Management System

In 2011, the Company continued to develop and implement a formal Health, Safety and Environmental Management System at all of its mining operations. The Company has purchased software to support implementation of a management system. This software has wide spread use in the Canadian mining industry and is consistent with the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety Management System. The software is being rolled out in phases or modules with the development being led by an internal implementation committee composed of Environmental, Health and Safety and training professionals at each of the Company's operating mines. The first modules implemented included: incident investigation and follow-up; documentation control and training.

The incident investigation and follow up module covers accident investigations and environmental incident investigations and it provides a formalized system to ensure that recommended remedial actions are pursued. It allows for common incident and accident data to be stored, facilitating trend interpretation such as common causes or circumstances to be identified and interpreted. The document control module provides a platform for the management of all Company procedures, policies, job procedures and management plans. The module provides a means for control over the most recent versions of each of these documents including a means for controlling future modifications. The training module provides a platform to manage all of the Company's training. The Company intends to implement additional modules including: legal and permit management, audit

and inspection management, local safety meetings, communication management, and standard non-conformance

International Cyanide Management Code

The Company became a signatory to the Cyanide Code in September 2011 and is seeking to have three operations audited and certified to the Cyanide Code by an independent third party within the three-year deadline: the Kittila mine, the Pinos Altos mine and the Meadowbank mine.

Mine Rescue

The Company has developed emergency response capacity at each of its operating divisions. The training of personnel to respond to all forms of emergencies remains a key element of the health and safety programs across the Company. In 2011, five of the mines competed in mine rescue competitions. The team from the Goldex mine won four of five events in the Quebec competition and was recognized with the overall title of being the best mine rescue team in Quebec. At the same competition, the LaRonde mine won the fifth event. The Pinos Altos mine rescue team participated in its local competition and substantially improved its results from last year. The Meadowbank mine competed for the first time at the Territories Mine Rescue Competition and won two of the six events it competed in. At the Kittila mine, the mine rescue teams were created and commenced training in 2010 and are now the only accredited mine rescue teams in Finland. The two team trainers are employees of the Kittila mine and were trained to be mine rescue trainers in Sudbury, Ontario.

While the fire that destroyed the kitchen facilities at the Meadowbank mine proved challenging, it showed the strength of the Meadowbank team as they pulled together to overcome a difficult situation. The Emergency Response Team acted quickly and no injuries incurred.

Towards Sustainable Mining ("TSM"):

In December 2010, the Company became a member of the Mining Association of Canada ("MAC") and fully endorsed its TSM initiative. TSM was developed to help mining companies evaluate the quality, comprehensiveness and robustness of their management systems under six performance elements: crisis management, energy and GHG emissions management, tailings management, biodiversity conservation management, health and safety, aboriginal relations and community outreach. The program has been acknowledged as an important industry initiative by several leading organizing including Five Winds International and Canadian Business for Social Responsibility. In 2011, the Company trained all its divisions on the implementation of the TSM initiative.

Safety Card Implementation

The Company has implemented a workplace safety card system across the organization to strengthen the risk-based training program. Developed by the Quebec Mining Association, the safety card system teaches workers and supervisors to use risk-based thinking in their duties. Workers and their supervisors must meet every day to discuss on-the-job health and safety matters. The safety card system allows the Company's workers and supervisors to document daily inspections and record observations on conditions in the workplace, as well as the nature of risks, issues and other relevant information. In addition, it allows supervisors to exchange and analyze all relevant information between shifts and various technical services to improve efficiency and safety.

The LaRonde, Lapa, Goldex, and Meadowbank Mines — Canada

During the year, the Goldex mine received a notice of infraction for exceeding the total suspended solids (TSS) concentration in the effluent of the South Tailings pond. The site is taking corrective measures to increase the retention time in the sedimentation pond and allow the solids to settle. No financial fines or penalties were levied at the Goldex mine and all other Abitibi divisions were in full compliance.

On October 19, 2011, underground mining operations were suspended at the Goldex mine. This action was taken following recommendation from geotechnical experts in order to investigate instability of the rock formation that lies between the surface and the ore body.

The LaRonde, Lapa and Goldex mines have agreed to participate in a pilot program named BNQ21000. This program is a Quebec-based initiative that encourages small, medium and large companies in the province to introduce sustainable development principles into their business practices. The program was developed by the Quebec Standards Office (Bureau de Normalisation du Québec), a government agency. This program is a result of the adoption by the Quebec government of the Sustainable Development Act in 2006. This pilot program will continue until the end of 2012.

Agnico-Eagle was recognized in 2011 by the Rouyn-Noranda Chamber of Commerce and Industry with an Extra Award for its commitment to community-focused initiatives and organizations through its sponsorship and donations program. The Extra Award was presented during the Chamber's Annual awards ceremony honoring local companies for their socio-economic contributions toward the development of the City of Rouyn-Noranda, Quebec Canada.

In 2011, the Goldex mine was awarded the highest recognition for its waste management programs from Quebec's province-wide recycling program, "ICI ON RECYCLE!". This program led by RECYC-Quebec in partnership with the Abitibi-Témiscamingue Regional Environmental Council ("CREAT") recognises outstanding performance in recycling. The program encourages Quebec businesses, communities and organizations to establish a proactive waste management program and promote proper recycling programs. The ICI ON RECYCLE! certification program has several levels of recognition from Levels 1, 2 or 3 with Level 3 being the highest. The Goldex mine was the first industrial company to be awarded a Level 3 performance. To achieve a Level 3, an organization must obtain an overall recovery rate of 80%.

In March, 2011, the Company was saddened to report the death of an employee of an AEM contractor. The fatal accident happened when the worker was hit by an underground scoop loader on Level 278 of the LaRonde mine. Following this fatal accident, investigations were undertaken by Quebec's Commission de la santé et de la sécurité du travail and by the LaRonde mine's joint Health and Safety Committee. Both investigations identified similar corrective measures to raise safety awareness among the Company employees and contractors, and improve current work procedures. These measures included: enhance safety training for all employees and contractors; improve field-of-vision for equipment operators in cooperation with equipment manufacturers; and proceed with testing of new human detection technology on underground equipment. Full implementation of these corrective measures was done to prevent re-occurrences.

In 2011, fifteen supervisors from the LaRonde, Lapa and Goldex mines were recognized by the Quebec Mining Association for achieving more than 50,000 hours without having any compensable accidents on their work teams. One supervisor from the Goldex mine achieved more than 250,000 hours without a compensable accident.

In January of 2011, an employee at the Meadowbank mine sustained serious injuries as a result of a fall from a ladder while conducting maintenance work in the concentrator building. Sadly, the nature of his injuries was severe enough to cause permanent disability and paralysis. The accident was investigated by the Workers' Safety and Compensation Commission Northwest Territories & Nunavut, as well as our own joint Health and Safety Committee. Recommendations from the investigations were shared with all of the Company's divisions. As a follow-up to this serious accident, the Company is working very closely with its employee to ensure that at the appropriate time in his recovery, he is able to return to work at the Meadowbank mine.

At the Meadowbank mine, the Company worked with various local authorities to develop key training initiatives in support of our goal to eventually hire 100% of our workforce from the local region. Currently, about 40% of the Meadowbank mine workforce is drawn from Inuit beneficiaries of the Kivalliq Region of Nunavut. These employees come from all seven of the communities in the Kivalliq Region — Arviat, Baker Lake, Chesterfield Inlet, Coral Harbour, Rankin Inlet, Repulse Bay and Whale Cove. The local employees are transported to the mine site at the Company's expense in order to ensure employment opportunities are equally available across the region.

Kittila Mine — Finland

At the Kittila mine, the Company has implemented a waste rock management system to segregate potentially acid-generating rock and to control its placement within the waste rock pile. The mine segregates its mill tailings into two streams: flotation tailings that have had no contact with cyanide and cyanide leach tailings.

This ensures that only a relatively small portion of the tailings have had any contact with cyanide. The tailings are stored in separate lined containment areas and the cyanide leach tailings pass through a cyanide destruction circuit before leaving the mill. This significantly reduces the risk of environmental harm in the event of a system failure.

In 2011, the tailings management area was expanded and the expansion placed in service. The mine also initiated an environmental impact assessment in support of permit renewal.

Pinos Altos Mine — Mexico

The Mexico division continued its progression to achieve maximum local employment at the mine. In 2011, more than 99% of the Pinos Alto mine's workforce was from Mexico, primarily from the northern states of Chihuahua, Sonora and Sinaloa. The bulk of people hired from the northern states — 68% compared to 63% last year are drawn directly from communities within a 10 kilometer radius of the mine. In addition, the large majority of the Pinos Altos mine management team comes from Mexico.

For each of the past four years, the Company's Mexico Division has received certification as a Socially Responsible Company from the Mexican Center for Philanthropy (Centro Mexicano para a Filantropia) and the Alliance for Social Responsibility of Enterprises (Alianza por la Responsabilidad Social Empresarial de Mexico).

For the third consecutive year, the Pinos Altos mine also earned the distinction awarded by the Mexican Government of being an equal opportunity employer in Mexico, specifically for providing equality of women's rights in the workplace. The Company is in the process of implementing the Gender Equity Model, which is coordinated through the National Women's Institute in Mexico and involves external auditing of the Company's gender equality performance and of the systems in place to promote gender equality in the workplace.

In 2011, following the certification of the Pinos Altos Mine as a "Clean Industry" by the Federal office for Environmental Protection, work started to obtain this same certification for the Mascota deposit operations at Pinos Altos.

The Company continued to support a number of community health and educational initiatives in the region surrounding the Pinos Altos mine. These include initiatives such as the provision of funding for the purchase of equipment and for a facility to establish a local clothing manufacturer with the goal of becoming a supplier to the mining industry. Material was donated for the construction of new classrooms or for the repair of existing classrooms.

Critical Accounting Estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company evaluates the estimates periodically, including those relating to trade receivables, inventories, deferred tax assets and liabilities, mining properties and asset retirement obligations. In making judgments about the carrying value of assets and liabilities, the Company uses estimates based on historical experience and various assumptions that are considered reasonable in the circumstances. Actual results may differ from these estimates.

The Company believes the following critical accounting policies relate to its more significant judgments and estimates used in the preparation of its audited consolidated financial statements. Management has discussed the development and selection of the following critical accounting policies with the Audit Committee of the Board and the Audit Committee has reviewed the Company's disclosure in this MD&A.

Mining Properties, Plant and Equipment and Mine Development Costs

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when production begins, using the unit-of-production method, based on estimated proven and probable reserves. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. Interest costs incurred for the construction of projects are capitalized.

Mine development costs incurred after the commencement of production are capitalized or deferred to the extent that these costs benefit the entire ore body. Costs incurred to access single ore blocks are expensed as incurred; otherwise, such vertical and horizontal development is classified as mine development costs.

Agnico-Eagle records amortization on both plant and equipment and mine development costs used in commercial production on a unit-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The unit-of-production method defines the denominator as the total proven and probable tonnes of reserves.

Repairs and maintenance expenditures are charged to income as production costs. Assets under construction are not depreciated until the end of the construction period. Upon achievement of commercial production, the capitalized construction costs are transferred to the various categories of plant and equipment.

Mineral exploration costs are charged to income in the year in which they are incurred. When it is determined that a mining property can be economically developed as a result of established proven and probable reserves, the costs of drilling and development to further delineate the ore body on such property are capitalized. The establishment of proven and probable reserves is based on results of final feasibility studies, which indicate whether a property is economically feasible. Upon commencement of the commercial production of a development project, these costs are transferred to the appropriate asset category and are amortized to income using the unit-of-production method mentioned above. Mine development costs, net of salvage values, relating to a property that is abandoned or considered uneconomic for the foreseeable future are written off.

The carrying values of mining properties, plant and equipment and mine development costs are periodically reviewed for possible impairment, when impairment factors exist, based on the future undiscounted net cash flows of the operating mine or development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of an operating mine and development properties include estimates of recoverable ounces of gold based on the proven and probable mineral reserves. To the extent that economic value exists beyond the proven and probable mineral reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding metal prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows may affect the recoverability of long-lived assets.

Goodwill

Business combinations are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair values is recorded as goodwill. As of the date of acquisition, goodwill is allocated to reporting units by determining estimates of the fair value of each reporting unit and comparing this amount to the fair values of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company performs goodwill impairment tests on an annual basis as well as when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Company estimates the fair values of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to the carrying amount, and any excess of the carrying amount of goodwill over the implied fair value is charged to earnings.

Revenue Recognition

Revenue is recognized when the following conditions are met:

- (a) persuasive evidence of an arrangement to purchase exists;
- (b) the price is determinable;
- (c) the product has been delivered; and
- (d) collection of the sales price is reasonably assured.

Revenue from gold and silver in the form of dore bars is recorded when the refined gold and silver is sold and delivered to the customer. Generally, all the gold and silver in the form of dore bars recovered in the Company's milling process is sold in the period in which it is produced.

Under the terms of concentrate sales contracts with third-party smelters, final prices for the gold, silver, zinc, copper and lead in the concentrate are set based on the prevailing spot market metal prices on a specified future date, which is based on the date that the concentrate is delivered to the smelter. Agnico-Eagle records revenues under these contracts based on forward prices at the time of delivery, which is when transfer of legal title to concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

Revenues from mining operations consist of gold revenues, net of smelting, refining and other marketing charges. Revenues from byproduct metals sales are shown net of smelter charges as part of revenues from mining operations.

Reclamation Costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of Asset Retirement Obligations ("ARO") at each of its mineral properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit within other expense, whereas at operating mines the charge is recorded as an adjustment to the carrying amount of the corresponding asset. The Company has recorded adjustments for changes in estimates of the AROs at our operating mines in 2011. AROs arise from the acquisition, development, construction and operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of AROs are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an ARO is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor, whereas when expected cash flows decrease, the reduced cash flows are discounted using the historical discount factor used in the original estimation of the expected cash flows. In either case, any change in the fair value of the ARO is recorded. Agnico-Eagle records the fair value of an ARO when it is incurred. AROs are adjusted to reflect the passage of time (accretion), which is calculated by applying the discount factor implicit in the initial fair value measurement to the beginning-of-period carrying amount of the AROs. For producing mines, accretion expense is recorded in the cost of goods sold each period. Upon settlement of an ARO, Agnico-Eagle records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in other (income) expense.

Environmental remediation liabilities are differentiated from AROs in that they do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal obligation to treat environmental contamination resulting from the acquisition, construction, or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with environmental remediation liabilities arising from past acts.

Other environmental remediation costs that are not AROs or environmental remediation liabilities as defined by ASC 410 — Asset Retirement and Environmental Obligations and 410-30 — Environmental Obligations, respectively, are expensed as incurred.

Deferred Tax Assets and Liabilities

Agnico-Eagle follows the liability method of tax allocation for accounting for income taxes. Under this method of tax allocation, deferred income and mining tax bases of assets and liabilities are measured using the enacted tax rates and laws expected to be in effect when the differences are expected to reverse.

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and international tax audits. The Company recognizes the effect of uncertain tax positions and records tax liabilities for anticipated tax audit issues in Canada and other tax jurisdictions where it is more likely than not based on technical merits that the position would not be sustained. The Company recognizes the amount of any tax benefits that have greater than 50 percent likelihood of being ultimately realized upon settlement.

Changes in judgment related to the expected ultimate resolution of uncertain tax positions are recognized in the year of such change. Accrued interest and penalties related to unrecognized tax benefits are recorded in income tax expense in the current year. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

During the second quarter of 2010, the Company executed the newly enacted Quebec foreign currency election to commence using the U.S. dollar as its functional currency for Quebec income tax purposes. As the related tax legislation was enacted in the second quarter of 2010, this election applies to taxation years ended December 31, 2008 and subsequent. This election resulted in a deferred tax benefit of \$21.8 million for the year ended December 31, 2010.

Financial Instruments

Agnico-Eagle uses derivative financial instruments, primarily option and forward contracts, to manage exposure to fluctuations of byproduct metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs as well. Agnico-Eagle does not hold financial instruments or derivative financial instruments for trading purposes.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in the consolidated statement of income (loss) or in shareholders' equity as a component of accumulated other comprehensive income (loss), depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Financial instruments designated as hedges are tested for effectiveness on a quarterly basis. Gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Stock-Based Compensation

The Company's Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statement of income (loss) or in the consolidated balance sheet if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

Fair value is determined using the Black-Scholes option valuation model which requires the Company to estimate the expected volatility of the Company's share price and the expected life of the stock options. Limitations with existing option valuation models and the inherent difficulties associated with estimating these variables create difficulties in determining a reliable single measure of the fair value of stock option grants. The dilutive impact of stock option grants is factored into the Company's reported diluted income per share.

Commercial Production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moved into the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce minerals in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

Stripping Costs

Pre-production stripping costs are capitalized until an "other than *de minimis*" level of mineral is produced, after which time such costs are either capitalized to inventory or expensed. The Company considers various relevant criteria to assess when an "other than *de minimis*" level of mineral is produced. The criteria considered include: (1) the number of ounces mined compared to total ounces in mineral reserves; (2) the quantity of ore mined compared to the total quantity of ore expected to be mined over the life of the mine; (3) the current stripping ratio compared to the expected stripping ratio over the life of the mine; and (4) the ore grade compared to the expected ore grade over the life of the mine. Please refer to notes (ii) and (iii) of the "Reconciliation of Total Cash Costs per Ounce of Production to Production Costs by Mine" section for a discussion of stripping costs with regards to "cash costs".

Recently Issued Accounting Pronouncements and Developments

Under the SEC Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. The Company is currently evaluating the impact that the adoption of these statements will have on the Company's consolidated financial position, results of operations and disclosures.

Comprehensive Income

In June 2011, ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update requires certain disclosure requirements when reporting other comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. In December 2011, updated guidance was issued to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income until the FASB is able to reconsider those

paragraphs. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

Fair Value Accounting

In May 2011, ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The update is effective for the Company's fiscal year beginning January 1, 2012. The Company does not expect the updated guidance to have a significant impact on the consolidated financial position, results of operations or cash flows.

Goodwill Impairment

In September 2011, ASC guidance was issued related to testing goodwill for impairment. Under the updated guidance, entities are permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test per Topic 350. Previous guidance required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, then the second step of the test would be performed to measure the amount of the impairment loss, if any. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The update is effective for the Company's fiscal year beginning January 1, 2012, with earlier application permitted. The Company does not expect the updated guidance to have a significant impact on the consolidated financial position, results of operations or cash flows.

Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures around offsetting financial instrument and derivative instrument assets and liabilities. Under the updated guidance, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statements of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The update is effective for the Company's fiscal year beginning January 1, 2013. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

International Financial Reporting Standards

Based on recent guidance from the Canadian Securities Administrators and the SEC, as a Canadian issuer and existing US GAAP filer, the Company will continue to be permitted to use US GAAP as its principal basis of accounting. The SEC has not yet committed to a timeline which would require the Company to adopt International Financial Reporting Standards ("IFRS"). A decision to voluntarily adopt IFRS has not been made.

An IFRS project group and a steering committee have been established by the Company and a high level project plan has been formulated. The implementation of IFRS would be done through three distinct phases:

- (i) diagnostics;
- (ii) detailed IFRS analysis and conversion; and
- (iii) implement IFRS in daily business.

The initial diagnostics phase has been completed, and the detailed IFRS analysis has commenced. A report has been prepared with the primary objective to understand, identify and assess the overall effort required by the Company to produce financial information in accordance with IFRS. The key areas for the diagnostics work was

to review the consolidated financial statements of the Company to obtain a detailed understanding of the differences between IFRS and US GAAP to be able to identify potential system and process changes required as a result of converting to IFRS.

Mineral Reserve Data

The preparation of the information set forth below with respect to the mineral reserves at the LaRonde mine (which includes mineral reserves at the LaRonde mine extension), the Goldex, Kittila, Lapa, Pinos Altos and Meadowbank mines and the Meliadine project has been supervised by the Company's Vice-President, Project Development, Marc Legault, P.Eng, a "qualified person" under the CSA's National Instrument 43-101 *Standards of Disclosure for Mineral Properties*. The Company's mineral reserve estimate was derived from internally generated data or audited reports.

The assumptions used for the 2011 mineral reserves and resources estimate reported by the Company in this MD&A were based on three-year average prices for the period ending December 31, 2011 of \$1,255 per ounce gold, \$23 per ounce silver, \$0.91 per pound zinc, \$3.25 per pound copper, \$0.95 per pound lead and exchange rates of C\$1.05 per \$1.00, 12.86 Mexican pesos per \$1.00 and \$1.37 per €1.00.

<u>Property</u>	<u>Tonnes</u>	<u>Grade (g/t)</u>	<u>Contained Gold (oz)</u>
<i>Proven Reserve</i>			
Lapa mine	1,044,000	6.45	217,000
Kittila mine	702,000	5.09	115,000
Meadowbank mine	1,931,000	1.49	92,000
Pinos Altos mine	1,987,000	1.83	117,000
LaRonde mine	5,331,000	2.60	445,000
Meliadine project	34,000	7.31	8,000
Total Proven Reserve	11,029,000	2.80	994,000
<i>Probable Reserve</i>			
Lapa mine	1,340,000	6.61	285,000
LaRonde mine	27,901,000	4.74	4,255,000
Kittila mine	33,862,000	4.65	5,062,000
Meadowbank mine	22,563,000	2.91	2,109,000
Pinos Altos mine	44,792,000	2.07	2,986,000
Meliadine project	12,434,000	7.18	2,869,000
Bousquet	3,165,000	1.88	191,000
Total Probable Reserve	146,057,000	3.78	17,757,000
 Total Proven and Probable Reserve	 157,086,000	 3.71	 18,750,000

Notes:

- (1) Total contained gold ounces does not include equivalent gold ounces for the byproduct metals contained in the mineral reserve; tonnage and contained gold quantities are rounded to the nearest thousand.
- (2) Complete information on the verification procedures, the quality assurance program, quality control procedures, operating and capital cost assumptions, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A and definition of certain terms used herein may be found in the Form 20-F under the caption "Item 4 Information on the Company — Property, Plant and Equipment — Mineral Reserve and Resource", the 2005 LaRonde Mineral Resource & Mineral Reserve Estimate filed with Canadian securities regulatory authorities on SEDAR March 23, 2005, the Technical Report on the Lapa Gold Project filed with Canadian securities regulatory authorities on SEDAR June 8, 2006, the Technical Report on the July 31, 2008 Mineral Resource and Mineral Reserve Estimate of the Kittila mine Project, Finland filed with the Canadian securities regulatory authorities on SEDAR December 11, 2008, the Technical Report on the Mineral Resources and Mineral Reserves dated September 30, 2008, Meadowbank Gold Project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR December 15, 2008, Pinos Altos Gold-Silver Project, Chihuahua State, Mexico, Technical Report on Mineral Resources and Reserves as at December 31, 2008 filed with Canadian securities regulatory authorities March 25, 2009 and the Technical Report on the December 31, 2010 Mineral Resource and Mineral Reserve Estimate for the Meliadine project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR March 8, 2011.

SUMMARIZED QUARTERLY DATA

CONSOLIDATED FINANCIAL DATA
(thousands of United States dollars, except where noted)

	Three months ended				Total 2010
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
Operating margin					
Revenues from mining operations	\$ 237,583	\$ 347,456	\$ 398,478	\$ 439,004	\$ 1,422,521
Production costs	118,227	166,573	196,674	195,998	677,472
Operating margin	\$ 119,356	\$ 180,883	\$ 201,804	\$ 243,006	\$ 745,049
Income contribution analysis					
LaRonde mine	\$ 45,388	\$ 43,614	\$ 48,722	\$ 65,516	\$ 203,240
Goldex mine	26,423	42,635	44,349	50,122	163,529
Kittila mine	11,470	16,625	26,838	17,467	72,400
Lapa mine	21,273	20,204	17,764	25,477	84,718
Pinos Altos mine	12,631	22,626	15,089	34,998	85,344
Meadowbank mine	2,171	35,179	49,042	49,426	135,818
Operating margin	119,356	180,883	201,804	243,006	745,049
Amortization	30,503	44,003	48,145	69,835	192,486
Corporate expenses	47,579	28,331	(9,818)	51,268	117,360
Income before tax	41,274	108,549	163,477	121,903	435,203
Income and mining taxes	18,942	8,189	42,016	33,940	103,087
Net income for the period	\$ 22,332	\$ 100,360	\$ 121,461	\$ 87,963	\$ 332,116
Net income per share — basic	\$ 0.14	\$ 0.64	\$ 0.73	\$ 0.53	\$ 2.05
Net income per share — diluted	\$ 0.14	\$ 0.63	\$ 0.71	\$ 0.51	\$ 2.00
Cash flows					
Operating cash flow	\$ 74,491	\$ 161,574	\$ 156,829	\$ 90,576	\$ 483,470
Investing cash flow	\$ (119,329)	\$ (116,826)	\$ (163,798)	\$ (123,353)	\$ (523,306)
Financing cash flow	\$ (1,646)	\$ (10,422)	\$ 531	\$ (10,408)	\$ (21,945)
Realized prices					
Gold (per ounce)	\$ 1,111	\$ 1,222	\$ 1,235	\$ 1,387	\$ 1,250
Silver (per ounce)	\$ 17.87	\$ 19.29	\$ 20.53	\$ 31.96	\$ 22.56
Zinc (per tonne)	\$ 2,235	\$ 1,890	\$ 2,151	\$ 2,391	\$ 2,165
Copper (per tonne)	\$ 7,288	\$ 6,581	\$ 8,689	\$ 10,311	\$ 8,182
Payable production: ⁽ⁱ⁾					
Gold (ounces)					
LaRonde mine	45,036	41,533	37,832	38,405	162,806
Goldex mine	42,269	48,334	50,672	43,111	184,386
Kittila mine	24,547	31,593	40,344	29,721	126,205
Lapa mine	31,553	28,927	27,687	29,289	117,456
Pinos Altos mine	26,228	29,665	35,248	39,289	130,431
Creston Mascota deposit at Pinos Altos	—	—	—	666	666
Meadowbank mine	18,599	77,676	93,395	75,990	265,659
	188,232	257,728	285,178	256,471	987,609
Silver (ounces in thousands)					
LaRonde mine	875	860	1,080	766	3,581
Pinos Altos mine	222	248	290	427	1,185
Creston Mascota deposit at Pinos Altos	—	—	—	—	—
Meadowbank mine	2	12	18	14	46
	1,099	1,120	1,388	1,207	4,812
Zinc (LaRonde mine) (tonnes)	14,224	18,465	14,915	14,939	62,544
Copper (LaRonde mine) (tonnes)	1,052	1,056	1,181	935	4,224
Payable metal sold:					
Gold (ounces)					
LaRonde mine	45,240	41,666	36,979	39,896	163,781
Goldex mine	37,863	48,310	49,117	48,067	183,357
Kittila mine	30,674	28,588	41,655	28,722	129,639
Lapa mine	34,193	31,920	25,846	31,177	123,136
Pinos Altos mine	20,965	30,634	31,759	39,156	122,514
Meadowbank mine	7,103	70,182	93,495	79,849	250,629
	176,038	251,300	278,851	266,867	973,056

- (i) Payable production means the quantity of mineral produced during a period contained in products that are or will be sold by the Company, whether such products are sold during the period or held as inventory at the end of the period.

CONSOLIDATED FINANCIAL DATA
(thousands of United States dollars, except where noted)

	Three months ended				Total 2011
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	
Operating margin					
Revenues from mining operations	\$ 412,068	\$ 433,691	\$ 520,537	\$ 455,503	\$ 1,821,799
Production costs	198,567	212,754	237,190	227,567	876,078
Operating margin	213,501	220,937	283,347	227,936	945,721
Income contribution analysis					
LaRonde mine	48,983	46,017	59,081	34,581	188,662
Goldex mine	40,333	46,739	48,974	24,677	160,723
Kittila mine	27,831	18,934	34,751	33,619	115,135
Lapa mine	19,178	27,737	28,286	23,736	98,937
Pinos Altos mine	47,259	52,568	65,777	67,111	232,715
Meadowbank mine	29,917	28,942	46,478	44,212	149,549
Operating margin	213,501	220,937	283,347	227,936	945,721
Amortization	61,929	59,235	67,104	73,513	261,781
Impairment Loss	—	—	—	907,681	907,681
Loss on Goldex	—	—	298,183	4,710	302,893
Corporate expenses	74,210	56,936	28,644	92,204	251,994
Income (loss) before tax	77,362	104,766	(110,584)	(850,172)	(778,628)
Income and mining taxes	32,098	35,941	(28,970)	(248,742)	(209,673)
Net income (loss) for the period	\$ 45,264	\$ 68,825	\$ (81,614)	\$ (601,430)	\$ (568,955)
Attributed to non-controlling interest	\$ —	\$ —	\$ —	\$ (60)	\$ (60)
Attributed to common shareholders	\$ 45,264	\$ 68,825	\$ (81,614)	\$ (601,370)	\$ (568,895)
Net income (loss) per share — basic	\$ 0.27	\$ 0.41	\$ (0.48)	\$ (3.53)	\$ (3.36)
Net income (loss) per share — diluted	\$ 0.26	\$ 0.40	\$ (0.48)	\$ (3.53)	\$ (3.36)
Cash flows					
Operating cash flow	\$ 171,043	\$ 162,821	\$ 197,570	\$ 132,028	\$ 663,462
Investing cash flow	\$ (89,956)	\$ (116,173)	\$ (247,772)	\$ (306,583)	\$ (760,484)
Financing cash flow	\$ (68,842)	\$ (22,180)	\$ 29,106	\$ 244,461	\$ 182,545
Realized prices					
Gold (per ounce)	\$ 1,400	\$ 1,530	\$ 1,717	\$ 1,640	\$ 1,573
Silver (per ounce)	\$ 36	\$ 39	\$ 37	\$ 27	\$ 34
Zinc (per tonne)	\$ 2,509	\$ 2,257	\$ 2,166	\$ 2,188	\$ 1,892
Copper (per tonne)	\$ 10,027	\$ 8,565	\$ 8,561	\$ 8,510	\$ 7,162
Payable production: ⁽ⁱ⁾					
Gold (ounces)					
LaRonde mine	36,893	27,525	29,069	30,686	124,173
Goldex mine	38,500	41,998	40,224	14,756	135,478
Kittila mine	40,317	30,811	37,924	34,508	143,560
Lapa mine	26,914	28,552	27,881	23,721	107,068
Pinos Altos mine	48,001	51,066	52,739	52,574	204,380
Meadowbank mine	61,737	59,376	78,141	71,547	270,801
	252,362	239,328	265,978	227,792	985,460
Silver (ounces in thousands)					
LaRonde mine	680	736	968	785	3,169
Pinos Altos mine	406	452	485	508	1,851
Meadowbank mine	13	13	16	18	60
	1,099	1,201	1,469	1,311	5,080
Zinc (LaRonde mine) (tonnes)	11,941	14,678	15,684	12,591	54,894
Copper (LaRonde mine) (tonnes)	817	666	731	1,002	3,216
Payable metal sold:					
Gold (ounces)					
LaRonde mine	37,459	28,589	26,729	31,342	124,119
Goldex mine	41,895	41,564	37,380	20,863	141,702
Kittila mine	40,698	29,794	36,745	37,769	145,006
Lapa mine	25,776	29,749	27,955	23,854	107,334
Pinos Altos mine	45,484	48,847	54,297	55,611	204,239
Meadowbank mine	61,928	58,767	74,416	78,579	273,690
	253,240	237,310	257,522	248,018	996,090

(i) Payable production means the quantity of mineral produced during a period contained in products that are or will be sold by the Company, whether such products are sold during the period or held as inventory at the end of the period.

FIVE YEAR FINANCIAL AND OPERATING SUMMARY
FINANCIAL DATA

(thousands of United States dollars, except where noted)

	2011	2010	2009	2008	2007
Revenues from mining operations	\$ 1,821,799	\$ 1,422,521	\$ 613,762	\$ 368,938	\$ 432,205
Interest, sundry income and gain on available-for-sale securities	(5,167)	94,879	26,314	(37,465)	29,230
	1,816,632	1,517,400	640,076	331,473	461,435
Costs and expenses	2,595,260	1,082,197	532,038	235,482	302,157
Income (loss) before income taxes	(778,628)	435,203	108,038	95,991	159,278
Income and mining taxes	(209,673)	103,087	21,500	22,824	19,933
Net income (loss)	\$ (568,955)	\$ 332,116	\$ 86,538	\$ 73,167	\$ 139,345
Attributed to non-controlling interest	\$ (60)	\$ —	\$ —	\$ —	\$ —
Attributed to common shareholders	\$ (568,895)	\$ 332,116	\$ 86,538	\$ 73,167	\$ 139,345
Net income (loss) per share — basic	\$ (3.36)	\$ 2.05	\$ 0.55	\$ 0.51	\$ 1.05
Net income (loss) per share — diluted	\$ (3.36)	\$ 2.00	\$ 0.55	\$ 0.50	\$ 1.04
Operating cash flow	\$ 663,462	\$ 483,470	\$ 115,106	\$ 121,175	\$ 246,329
Investing cash flow	\$ (760,484)	\$ (523,306)	\$ (587,611)	\$ (917,549)	\$ (373,099)
Financing cash flow	\$ 182,545	\$ (21,945)	\$ 559,818	\$ 558,072	\$ 126,508
Dividends declared per share	\$ —	\$ 0.64	\$ 0.18	\$ 0.18	\$ 0.18
Capital expenditures	\$ 482,831	\$ 511,641	\$ 657,175	\$ 908,853	\$ 523,793
Average gold price per ounce realized	\$ 1,573	\$ 1,250	\$ 1,024	\$ 879	\$ 748
Average exchange rate — C\$ per \$	C\$ 0.9893	C\$ 1.0301	C\$ 1.1415	C\$ 1.0669	C\$ 1.0738
Weighted average number of common shares outstanding (in thousands)	169,353	162,343	155,942	144,741	132,768
Working capital (including undrawn credit lines)	\$ 1,472,300	\$ 1,491,471	\$ 598,581	\$ 508,335	\$ 751,587
Total assets	\$ 5,026,564	\$ 5,500,351	\$ 4,427,357	\$ 3,378,824	\$ 2,735,498
Long-term debt	\$ 920,095	\$ 650,000	\$ 715,000	\$ 200,000	\$ —
Shareholders' equity	\$ 3,215,163	\$ 3,665,450	\$ 2,751,761	\$ 2,517,756	\$ 2,058,934

Operating Summary

<i>LaRonde mine</i>					
Revenues from mining operations	\$ 398,609	\$ 392,386	\$ 352,221	\$ 330,652	\$ 432,205
Production costs	209,947	189,146	164,221	166,496	166,104
Gross profit (exclusive of amortization shown below)	\$ 188,662	\$ 203,240	\$ 188,000	\$ 164,156	\$ 266,101
Amortization	31,089	30,404	28,392	28,285	27,757
Gross profit	\$ 157,573	\$ 172,836	\$ 159,608	\$ 135,871	\$ 238,344
Tonnes of ore milled	2,406,342	2,592,252	2,545,831	2,638,691	2,673,463
Gold — grams per tonne	2	2	3	3	3
Gold production — ounces	124,173	162,806	203,494	216,208	230,992
Silver production — ounces (in thousands)	3,169	3,581	3,919	4,079	4,920
Zinc production — tonnes	54,894	62,544	56,186	65,755	71,577
Copper production — tonnes	3,216	4,224	6,671	6,922	7,482
Total cash costs (per ounce):					
Production costs	\$ 1,691	\$ 1,162	\$ 807	\$ 770	\$ 719
Less:					
Net byproduct revenues	(1,562)	(1,180)	(699)	(658)	(1,082)
Inventory adjustments	(19)	19	1	—	4
Accretion expense and other	(33)	(8)	(6)	(6)	(6)
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 77	\$ (7)	\$ 103	\$ 106	\$ (365)
Minesite costs per tonne ⁽ⁱ⁾	C\$ 84	C\$ 75	C\$ 72	C\$ 67	C\$ 66

(i) Total cash costs per ounce and minesite costs per tonne are non-US GAAP measures of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".

FINANCIAL DATA (Continued)

(thousands of United States dollars, except where noted)

	2011	2010	2009	2008	2007
<i>Goldex mine</i>					
Revenues from mining operations	\$ 217,662	\$ 225,090	\$ 142,493	\$ 38,286	\$ —
Production costs	56,939	61,561	54,342	20,366	—
Operating margin	\$ 160,723	\$ 163,529	\$ 88,151	\$ 17,920	\$ —
Amortization	16,910	21,428	21,716	7,250	—
Gross profit	\$ 143,813	\$ 142,101	\$ 66,435	\$ 10,670	\$ —
Tonnes of ore milled	2,476,515	2,781,564	2,614,645	1,118,543	—
Gold — grams per tonne	1.79	2.21	1.98	1.86	—
Gold production — ounces	135,478	184,386	148,849	57,436	—
Total cash costs (per ounce):					
Production costs	\$ 420	\$ 333	\$ 365	\$ 430	\$ —
Less:					
Net byproduct revenues	3	4			
Inventory adjustments	(21)	(1)	3	(9)	—
Accretion expense and other	(1)	(1)	(1)	(2)	—
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 401	\$ 335	\$ 367	\$ 419	\$ —
Minesite costs per tonne ⁽ⁱ⁾	C\$ 21	C\$ 22	C\$ 23	C\$ 27	C\$ —
<i>Lapa mine</i>					
Revenues from mining operations	\$ 167,536	\$ 150,917	\$ 43,409	\$ —	\$ —
Production costs	68,599	66,199	33,472	—	—
Operating margin	\$ 98,937	\$ 84,718	\$ 9,937	\$ —	\$ —
Amortization	37,954	31,986	9,906	—	—
Gross profit	\$ 60,983	\$ 52,732	\$ 31	\$ —	\$ —
Tonnes of ore milled	620,712	551,739	299,430	—	—
Gold — grams per tonne	6.62	8.26	7.29	—	—
Gold production — ounces	107,068	117,456	52,602	—	—
Total cash costs (per ounce):					
Production costs	\$ 641	\$ 564	\$ 636	\$ —	\$ —
Less:					
Net byproduct revenues	6	5	—	—	—
Inventory adjustments	6	(40)	115	—	—
Accretion expense and other	(3)	—	—	—	—
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 650	\$ 529	\$ 751	\$ —	\$ —
Minesite costs per tonne ⁽ⁱ⁾	C\$ 110	C\$ 114	C\$ 140	C\$ —	C\$ —
<i>Kittila mine</i>					
Revenues from mining operations	\$ 225,612	\$ 160,140	\$ 61,457	\$ —	\$ —
Production costs	110,477	87,740	42,464	—	—
Operating margin	\$ 115,135	\$ 72,400	\$ 18,993	\$ —	\$ —
Amortization	26,574	31,488	10,909	—	—
Gross profit	\$ 88,561	\$ 40,912	\$ 8,084	\$ —	\$ —
Tonnes of ore milled	1,030,764	960,365	563,238	—	—
Gold — grams per tonne	5.11	5.41	5.02	—	—
Gold production — ounces	143,560	126,205	71,838	—	—
Total cash costs (per ounce):					
Production costs	\$ 770	\$ 695	\$ 648	\$ —	\$ —
Less:					
Net byproduct revenues	1	2	—	—	—
Inventory adjustments	(10)	(38)	24	—	—
Accretion expense and other	(1)	(2)	(4)	—	—
Stripping costs (capitalized vs expensed)	(21)	—	—	—	—
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 739	\$ 657	\$ 668	\$ —	\$ —
Minesite costs per tonne ⁽ⁱ⁾	€ 75	€ 66	€ 54	€ —	€ —

(i) Total cash costs per ounce and minesite costs per tonne are non-US GAAP measures of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".

FINANCIAL DATA (Continued)

(thousands of United States dollars, except where noted)

	2011	2010	2009	2008	2007
<i>Pinos Altos mine</i>					
Revenues from mining operations	\$ 378,329	\$ 175,637	\$ 14,182	\$ —	\$ —
Production costs	145,614	90,293	11,819	—	—
Operating margin	\$ 232,715	\$ 85,344	\$ 2,363	\$ —	\$ —
Amortization	36,989	21,577	1,524	—	—
Gross profit	\$ 195,726	\$ 63,767	\$ 839	\$ —	\$ —
Tonnes of ore milled	4,509,407	2,318,266	227,394	—	—
Gold — grams per tonne	1.80	1.95	1.08	—	—
Gold production — ounces	204,380	130,431	16,189	—	—
Total cash costs (per ounce):					
Production costs	\$ 712	\$ 692	\$ 1,227	\$ —	\$ —
Less:					
Net byproduct revenues	(297)	(192)	(65)	—	—
Inventory adjustments	9	22	(556)	—	—
Accretion expense and other	(6)	(6)	(10)	—	—
Stripping Costs (capitalized vs. expensed)	(119)	(91)	—	—	—
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 299	\$ 425	\$ 596	\$ —	\$ —
Minesite costs per tonne ⁽ⁱ⁾	\$ 27	\$ 35	\$ 28	\$ —	\$ —
<i>Meadowbank mine</i>					
Revenues from mining operations	\$ 434,051	\$ 318,351	\$ —	\$ —	\$ —
Production costs	284,502	182,533	—	—	—
Operating margin	\$ 149,549	\$ 135,818	\$ —	\$ —	\$ —
Amortization	112,624	55,604	—	—	—
Gross profit	\$ 36,925	\$ 80,214	\$ —	\$ —	\$ —
Tonnes of ore milled	2,977,722	2,000,792	—	—	—
Gold — grams per tonne	3.02	4.34	—	—	—
Gold production — ounces	270,801	265,659	—	—	—
Total cash costs (per ounce):					
Production costs	\$ 1,051	\$ 690	\$ —	\$ —	\$ —
Less:					
Net byproduct revenues	(2)	(2)	—	—	—
Inventory adjustments	(6)	26	—	—	—
Accretion expense and other	(7)	(5)	—	—	—
Stripping Costs (capitalized vs. expensed)	(36)	(16)	—	—	—
Total cash costs (per ounce) ⁽ⁱ⁾	\$ 1,000	\$ 693	\$ —	\$ —	\$ —
Minesite costs per tonne ⁽ⁱ⁾	C\$ 91	C\$ 95	C\$ —	C\$ —	C\$ —

(i) Total cash costs per ounce and minesite costs per tonne are non-US GAAP measures of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".



Annual Audited Consolidated Financial Statements
(Prepared in accordance with United States GAAP)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Agnico-Eagle Mines Limited:

We have audited Agnico-Eagle Mines Limited's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Agnico-Eagle Mines Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management certification report on internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that revenues and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Agnico-Eagle Mines Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011 based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Agnico-Eagle Mines Limited as of December 31, 2011 and 2010, and the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated March 28, 2012 expressed an unqualified opinion thereon.

Toronto, Canada
March 28, 2012

/s/ ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

MANAGEMENT CERTIFICATION

Management of Agnico-Eagle Mines Limited (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2011, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada
March 28, 2012

By /s/ SEAN BOYD

Sean Boyd
*Vice Chairman, President and
Chief Executive Officer*

By /s/ AMMAR AL-JOUNDI

Ammar Al-Joundi
*Senior Vice-President, Finance and
Chief Financial Officer*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Agnico-Eagle Mines Limited:

We have audited the accompanying consolidated balance sheets of Agnico-Eagle Mines Limited as of December 31, 2011 and 2010, and the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agnico-Eagle Mines Limited at December 31, 2011 and 2010 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with United States generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Agnico-Eagle Mines Limited's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2012 expressed an unqualified opinion thereon.

Toronto, Canada
March 28, 2012

/s/ ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") are expressed in thousands of United States dollars ("US dollars", "US\$" or "\$"), except where noted, and have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Certain information in the consolidated financial statements is presented in Canadian dollars ("C\$"). Since a precise determination of assets and liabilities depends on future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates and approximations. Actual results may differ from such estimates and approximations. The consolidated financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the significant accounting policies referred to below.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and entities in which it has a controlling financial interest after the elimination of intercompany accounts and transactions. The Company has a controlling financial interest if it owns a majority of the outstanding voting common stock or has significant control over an entity through contractual arrangements or economic interests of which the Company is the primary beneficiary.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments in money market instruments with remaining maturities of three months or less at the date of purchase. Short-term investments are designated as held to maturity for accounting purposes and are carried at amortized cost, which approximates market value given the short-term nature of these investments. Agnico-Eagle places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

Inventories

Inventories consist of ore stockpiles, concentrates, dore bars and supplies. Amounts are removed from inventory based on average cost. The current portion of stockpiles, ore on leach pads and inventories are determined based on the expected amounts to be processed within the next 12 months. Stockpiles, ore on leach pads and inventories not expected to be processed within the next 12 months are classified as long term.

Stockpiles

Stockpiles consist of coarse ore that has been mined and hoisted from underground or delivered from an open pit that is available for further processing and in-stope ore inventory in the form of drilled and blasted stopes ready to be mucked and hoisted to the surface. The stockpiles are measured by estimating the tonnage, contained ounces (based on assays) and recovery percentages (based on actual recovery rates achieved for processing similar ore). Specific tonnages are verified and compared to original estimates once the stockpile is milled. Ore stockpiles are valued at the lower of net realizable value and mining costs incurred up to the point of stockpiling the ore. The net realizable value of stockpiled ore is assessed by comparing the sum of the carrying value plus future processing and selling costs to the expected revenue to be earned, which is based on the estimated volume and grade of stockpiled ore.

Mining costs include all costs associated with mining operations and are allocated to each tonne of stockpiled ore. Costs fully absorbed into inventory values include direct and indirect materials and consumables, direct labour, utilities and amortization of mining assets incurred up to the point of stockpiling the ore. Royalty expenses and production taxes are included in production costs, but are not capitalized into inventory. Stockpiles are generally processed within twelve months of extraction, with the exception of certain amounts of the Pinos Altos mine's, Kittila mine's and Meadowbank mine's ore stockpiles. Due to the structure of these ore bodies, a significant amount of drilling and blasting is incurred in the early years of its mine life, which results in a long-term stockpile. The decision to process stockpiled ore is based on a net smelter return analysis. The Company processes its stockpiled ore if its estimated revenue, on a per tonne basis and net of estimated smelting

and refining costs, is greater than the related mining and milling costs. The Company has never elected to not process stockpiled ore and does not anticipate departing from this practice in the future. Stockpiled ore on the surface is exposed to the elements, but the Company does not expect its condition to deteriorate significantly as a result.

Pre-production stripping costs are capitalized until an "other than *de minimis*" level of mineral is produced, after which time such costs are either capitalized to inventory or expensed. The Company considers various relevant criteria to assess when an "other than *de minimis*" level of mineral is produced. The criteria considered include: (1) the number of ounces mined compared to total ounces in mineral reserves; (2) the quantity of ore mined compared to the total quantity of ore expected to be mined over the life of the mine; (3) the current stripping ratio compared to the expected stripping ratio over the life of the mine; and (4) the ore grade compared to the expected ore grade over the life of the mine.

Concentrates and dore bars

Concentrates and dore bar inventories consist of concentrates and dore bars for which legal title has not yet passed to third-party smelters. Concentrates and dore bar inventories are measured based on assays of the processed concentrates and are valued based on the lower of net realizable value and the fully absorbed mining and milling costs associated with extracting and processing the ore.

Supplies

Supplies, consisting of mine stores inventory, are valued at the lower of average cost and replacement cost.

Mining properties, plant and equipment and mine development costs

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when production begins, using the unit-of-production method, based on estimated proven and probable reserves. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value.

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. Interest costs incurred for the construction of significant projects are capitalized.

Mine development costs incurred after the commencement of production are capitalized or deferred to the extent that these costs benefit the entire ore body. Costs incurred to access single ore blocks are expensed as incurred; otherwise, such vertical and horizontal developments are classified as mine development costs.

Agnico-Eagle records amortization on both plant and equipment and mine development costs used in commercial production on a unit-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The unit-of-production method defines the denominator as the total proven and probable tonnes of reserves.

Repairs and maintenance expenditures are charged to income as production costs. Assets under construction are not depreciated until the end of the construction period. Upon achieving commercial production, the capitalized construction costs are transferred to the various categories of plant and equipment.

Mineral exploration costs are charged to income in the year in which they are incurred. When it is determined that a mining property can be economically developed as a result of established proven and probable reserves, the costs of drilling and development to further delineate the ore body on such property are capitalized. The establishment of proven and probable reserves is based on results of final feasibility studies, which indicate whether a property is economically feasible. Upon commencement of the commercial production of a development project, these costs are transferred to the appropriate asset category and are amortized to income using the unit-of-production method mentioned above. Mine development costs, net of salvage values, relating to a property that is abandoned or considered uneconomic for the foreseeable future are written off.

The carrying values of mining properties, plant and equipment and mine development costs are reviewed periodically, when impairment factors exist, for possible impairment, based on the future undiscounted net cash flows of the operating mine or development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of an operating mine or development property include estimates of recoverable ounces of gold based on proven and probable reserves. To the extent that economic value exists beyond the proven and probable reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding metal prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows may affect the recoverability of long-lived assets.

Goodwill

Business combinations are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair values is recorded as goodwill. As of the date of acquisition, goodwill is allocated to reporting units by determining estimates of the fair value allocated to each reporting unit and comparing this amount to the fair values of identifiable assets and liabilities allocated to each reporting unit. Goodwill is not amortized.

The Company performs goodwill impairment tests on an annual basis as well as when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Company estimates the fair values of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to the carrying amount and any excess of the carrying amount of goodwill over the implied fair value is charged to income.

Financial instruments

From time to time, Agnico-Eagle uses derivative financial instruments, primarily option and forward contracts, to manage exposure to fluctuations in byproduct metal prices, interest rates and foreign currency exchange rates. Agnico-Eagle does not hold financial instruments or derivative financial instruments for trading purposes.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in the consolidated statement of income (loss) or in shareholders' equity as a component of accumulated other comprehensive income (loss), depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Financial instruments designated as hedges are tested for effectiveness on a quarterly basis. Gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Revenue recognition

Revenue is recognized when the following conditions are met:

- (a) persuasive evidence of an arrangement to purchase exists;
- (b) the price is determinable;
- (c) the product has been delivered; and
- (d) collection of the sales price is reasonably assured.

Revenue from gold and silver in the form of dore bars is recorded when the refined gold or silver is sold and delivered to the customer. Generally, all the gold and silver in the form of dore bars recovered in the Company's milling process is sold in the period in which it is produced.

Under the terms of the Company's concentrate sales contracts with third-party smelters, final prices for the metals contained in the concentrate are set based on the prevailing spot market metal prices on a specified future date, which is based on the date that the concentrate is delivered to the smelter. The Company records revenues under these contracts based on forward prices at the time of delivery, which is when transfer of legal title to concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

Revenues from mining operations consist of gold revenues, net of smelting, refining, transportation and other marketing charges. Revenues from byproduct metals sales are shown, net of smelter charges, as part of revenues from mining operations.

Foreign currency translation

The functional currency for each of the Company's operations is the US dollar. Monetary assets and liabilities of Agnico-Eagle's operations denominated in a currency other than the US dollar are translated into US dollars using the exchange rate in effect at year end. Non-monetary assets and liabilities are translated at historical exchange rates while revenues and expenses are translated at the average exchange rate during the year, with the exception of amortization, which is translated at historical exchange rates. Exchange gains and losses are included in income except for gains and losses on foreign currency contracts used to hedge specific future commitments in foreign currencies. Gains and losses on these contracts are accounted for as a component of the related hedge transactions.

Reclamation costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of Asset Retirement Obligations ("ARO") at each of its mineral properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit within other expenses, whereas at operating mines the charge is recorded as an adjustment to the carrying amount of the corresponding asset. AROs arise from the acquisition, development, construction and normal operation of mining property, plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of AROs are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an ARO is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that have an impact on required environmental protection measures and related costs; changes in water quality that have an impact on the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor; whereas when expected cash flows decrease, the reduced cash flows are discounted using the historical discount factor used in the original estimation of the expected cash flows, and then in both cases any change in the fair value of the ARO is recorded. Agnico-Eagle records the fair value of an ARO when it is incurred. AROs are adjusted to reflect the passage of time (accretion), which is calculated by applying the discount factor implicit in the initial fair value measurement to the beginning of period carrying amount of the ARO. For producing mines, accretion expense is recorded in the cost of goods sold each period. Upon settlement of an ARO, Agnico-Eagle records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in other (income) expenses.

Environmental remediation liabilities are differentiated from AROs in that they do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal obligation to treat environmental contamination resulting from the acquisition, construction, or development of a long-lived asset.

The Company is required to recognize a liability for obligations associated with environmental remediation liabilities arising from past acts.

Other environmental remediation costs that are not AROs or environmental remediation liabilities as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 410-20 — Asset Retirement Obligations and 410-30 — Environmental Obligations, respectively, are expensed as incurred.

Income and mining taxes

Agnico-Eagle follows the liability method of tax allocation for accounting for income taxes. Under this method of tax allocation, deferred income and mining tax bases of assets and liabilities are measured using the enacted tax rates and laws expected to be in effect when the differences are expected to reverse.

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxation authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and international tax audits. The Company recognizes the effect of uncertain tax positions and records tax liabilities for anticipated tax audit issues in Canada and other tax jurisdictions where it is more likely than not based on technical merits that the position would not be sustained. The Company recognizes the amount of any tax benefits that have a greater than 50 percent likelihood of being ultimately realized upon settlement.

Changes in judgment related to the expected ultimate resolution of uncertain tax positions are recognized in the year of such changes. Accrued interest and penalties related to unrecognized tax benefits are recorded in income tax expense when incurred. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expenses would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

Stock-based compensation

Agnico-Eagle has two stock-based compensation plans. The Employee Stock Option Plan and the Incentive Share Purchase Plan are described in note 8(a) and note 8(b), respectively, to the consolidated financial statements. The Company issues common shares to settle its obligations under both plans.

The Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of income (loss) or in the consolidated balance sheets if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

Fair value is determined using the Black-Scholes option valuation model which requires the Company to estimate the expected volatility of the Company's share price and the expected life of the stock options. Limitations with existing option valuation models and the inherent difficulties associated with estimating these variables create difficulties in determining a reliable single measure of the fair value of stock option grants. The dilutive impact of stock option grants is factored into the Company's reported diluted net income per share.

Net income (loss) per share

Basic net income (loss) per share is calculated on net income (loss) for the year using the weighted average number of common shares outstanding during the year. The weighted average number of common shares used

to determine diluted net income per share includes an adjustment, using the treasury stock method, for stock options outstanding and warrants outstanding. Under the treasury stock method:

- the exercise of options or warrants is assumed to be at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of options or warrants, plus, in the case of options, the future period compensation expense on options granted on or after January 1, 2003, are assumed to be used to purchase common shares at the average market price during the period; and
- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net income per share computation.

Pension costs and obligations and post-retirement benefits

In Canada, Agnico-Eagle maintains a defined contribution plan covering all of its employees. The plan is funded by Company contributions based on a percentage of income for services rendered by employees. In addition, the Company has a supplemental plan for designated executives at the level of Vice-President or above. Under this plan an additional 10% of the designated executives' income are contributed by the Company. The Company does not offer any other post-retirement benefits to its employees.

Agnico-Eagle also provides a non-registered supplementary executive retirement defined benefit plan for certain senior officers (the "Executives Plan"). The Executives Plan benefits are generally based on the employee's years of service and level of compensation. Pension expense related to the Executives Plan is the net of the cost of benefits provided, the interest cost of projected benefits, return on plan assets and amortization of experience gains and losses. Pension fund assets are measured at current fair values. Actuarially determined plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Commercial production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moved into the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce minerals in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

Other accounting developments

Recently adopted accounting pronouncements

Fair Value Accounting

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures. The updated guidance was effective for the Company's fiscal year beginning on January 1, 2010, with the exception of the level 3 disaggregation which was effective for the Company's fiscal year beginning January 1, 2011. Adoption of this updated guidance had no impact on the Company's consolidated financial position, results of operations or cash flows. See Note 4 for details regarding the Company's financial assets and liabilities measured at fair value.

Business Combinations

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose *pro forma* revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior year. The update also expands the supplemental *pro forma* disclosures required to include a description of the nature and amount of material, non-recurring *pro forma* adjustments directly attributable to the business combination included in the reported *pro forma* revenue and earnings. The updated guidance was effective for the Company's fiscal year beginning January 1, 2011. See Note 10 for the application of this updated guidance to business combinations that occurred during the year ended December 31, 2011.

Revenue Recognition — Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued an amendment to its guidance on multiple-deliverable revenue arrangements which is effective for fiscal years beginning on or after June 15, 2010. This updated guidance addresses accounting and reporting for arrangements under which the vendor will perform multiple revenue-generating activities, including how to separate deliverables and measure and allocate the arrangement consideration. This amendment also significantly expands the disclosure requirements related to a vendor's multiple-deliverable revenue arrangement. Based on the Company's assessment, these changes do not have an impact on its current accounting for revenue or required disclosures.

Recently issued accounting pronouncements and developments

Under the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. The Company is currently evaluating the impact that the adoption of these standards will have on the Company's consolidated financial position, results of operations and disclosures.

Comprehensive Income

In June 2011, ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update requires certain disclosure requirements when reporting other comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. In December 2011, updated guidance was issued to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income until the FASB is able to reconsider those paragraphs. The Company does not expect the updated guidance to have an impact on its consolidated financial position, results of operations or cash flows.

Fair Value Accounting

In May 2011, ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The update is effective for the Company's fiscal year beginning on January 1, 2012. The Company does not expect the updated guidance to have a significant impact on its consolidated financial position, results of operations or cash flows.

Goodwill Impairment

In September 2011, ASC guidance was issued related to testing goodwill for impairment. Under the updated guidance, entities are permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test per Topic 350. Previous guidance required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit

with its carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, then the second step of the test would be performed to measure the amount of the impairment loss, if any. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The update is effective for the Company's fiscal year beginning on January 1, 2012, with earlier application permitted. The Company does not expect the updated guidance to have a significant impact on its consolidated financial position, results of operations or cash flows.

Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures around offsetting financial instrument and derivative instrument assets and liabilities. Under the updated guidance, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statements of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The update is effective for the Company's fiscal year beginning on January 1, 2013. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

International Financial Reporting Standards

Based on recent guidance from the Canadian Securities Administrators and the SEC, as a Canadian issuer and existing US GAAP filer, the Company will continue to be permitted to use US GAAP as its principal basis of accounting. The SEC has not yet committed to a timeline which would require the Company to adopt International Financial Reporting Standards ("IFRS"). A decision to voluntarily adopt IFRS has not been made.

An IFRS project group and a steering committee have been established by the Company and a high level project plan has been formulated. The implementation of IFRS would be done through three distinct phases:

- (i) diagnostics;
- (ii) detailed IFRS analysis and conversion; and
- (iii) implementation of IFRS in daily business.

The initial diagnostics phase has been completed and the detailed IFRS analysis has commenced. A report has been prepared with the primary objective to understand, identify and assess the overall effort required by the Company to produce financial information in accordance with IFRS. The key areas for the diagnostics work were to review the consolidated financial statements of the Company and obtain a detailed understanding of the differences between IFRS and US GAAP to be able to identify potential system and process changes required as a result of converting to IFRS.

Comparative figures

Certain figures in the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars, US GAAP basis)

	<u>As at December 31,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 179,447	\$ 95,560
Short-term investments	6,570	6,575
Restricted cash (note 14)	35,441	2,510
Trade receivables (note 1)	75,899	112,949
Inventories:		
Ore stockpiles	28,155	67,764
Concentrates and dore bars	57,528	50,332
Supplies	182,389	149,647
Income taxes recoverable	371	—
Available-for-sale securities (note 2(b))	145,411	99,109
Other current assets (note 2(a))	110,369	89,776
Total current assets	<u>821,580</u>	<u>674,222</u>
Other assets (note 2(c))	88,048	61,502
Goodwill (note 10)	229,279	200,064
Property, plant and mine development (note 3)	3,895,355	4,564,563
	<u>\$ 5,034,262</u>	<u>\$ 5,500,351</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 203,547	\$ 160,375
Environmental remediation liability (note 6(a))	26,069	—
Dividends payable	—	108,009
Interest payable	9,356	9,743
Income taxes payable	—	14,450
Capital lease obligations (note 13)	11,068	10,592
Fair value of derivative financial instruments (note 15)	4,404	142
Total current liabilities	<u>254,444</u>	<u>303,311</u>
Long-term debt (note 5)	920,095	650,000
Reclamation provision and other liabilities (note 6)	145,988	145,536
Deferred income and mining tax liabilities (note 9)	498,572	736,054
	<u>2,819,100</u>	<u>2,834,901</u>
SHAREHOLDERS' EQUITY		
Common shares (notes 7(a), (b), (c) and (d)):		
Issued — 170,859,604 common shares, less 45,868 shares held in trust	3,181,381	3,078,217
Stock options (note 8(a))	117,694	78,554
Warrants (note 7(c))	24,858	24,858
Contributed surplus	15,166	15,166
Retained earnings (deficit)	(129,021)	440,265
Accumulated other comprehensive income (loss) (note 7(e))	(7,106)	28,390
	<u>3,202,972</u>	<u>3,665,450</u>
Non-controlling interest	12,191	—
Total shareholders' equity	<u>3,215,163</u>	<u>3,665,450</u>
	<u>\$ 5,034,262</u>	<u>\$ 5,500,351</u>

Contingencies and commitments (notes 6, 9, 12 and 13(b))

On behalf of the Board:

Sean Boyd C.A., Director

Mel Leiderman C.A., Director

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(thousands of United States dollars, except per share amounts, US GAAP basis)

	Years ended December 31,		
	2011	2010	2009
REVENUES			
Revenues from mining operations (note 1)	\$ 1,821,799	\$ 1,422,521	\$ 613,762
COSTS, EXPENSES AND OTHER INCOME			
Production	876,078	677,472	306,318
Exploration and corporate development	75,721	54,958	36,279
Amortization of property, plant and mine development (note 13)	261,781	192,486	72,461
General and administrative (note 16)	107,926	94,327	63,687
Write-down of available-for-sale securities	8,569	—	—
Provincial capital tax	9,223	(6,075)	5,014
Interest expense (note 5)	55,039	49,493	8,448
Interest and sundry expense (income)	5,188	(10,254)	(12,580)
Impairment loss on Meadowbank mine (note 18)	907,681	—	—
Loss on Goldex mine (note 17)	302,893	—	—
Gain on acquisition of Comaplex Minerals Corp., net of transaction costs (note 10)	—	(57,526)	—
Gain on derivative financial instruments (note 15)	(3,683)	(7,612)	(3,592)
Gain on sale of available-for-sale securities (note 2(b))	(4,907)	(19,487)	(10,142)
Foreign currency translation loss (gain)	(1,082)	19,536	39,831
Income (loss) before income and mining taxes	(778,628)	435,203	108,038
Income and mining taxes (note 9)	(209,673)	103,087	21,500
Net income (loss) for the year	\$ (568,955)	\$ 332,116	\$ 86,538
Attributed to non-controlling interest	\$ (60)	\$ —	\$ —
Attributed to common shareholders	\$ (568,895)	\$ 332,116	\$ 86,538
Net income (loss) per share — basic (note 7(f))	\$ (3.36)	\$ 2.05	\$ 0.55
Net income (loss) per share — diluted (note 7(f))	\$ (3.36)	\$ 2.00	\$ 0.55
Cash dividends declared per common share	\$ —	\$ 0.64	\$ 0.18
COMPREHENSIVE INCOME (LOSS)			
Net income (loss) for the year	\$ (568,955)	\$ 332,116	\$ 86,538
Other comprehensive income (loss):			
Unrealized gain (loss) on hedging activities	(5,863)	—	16,287
Adjustments for derivative instruments maturing during the year	1,459	—	(7,399)
Unrealized gain (loss) on available-for-sale securities	(26,874)	64,649	76,037
Adjustments for realized gain on available-for-sale securities due to dispositions and write-downs during the year	(4,907)	(19,487)	(10,142)
Net amount reclassified to net income due to acquisition of business (note 10)	—	(64,508)	—
Change in unrealized loss on pension liability	(1,055)	(4,093)	(727)
Tax effect of other comprehensive income (loss) items	1,744	780	(2,399)
Other comprehensive income (loss) for the year	(35,496)	(22,659)	71,657
Comprehensive income (loss) for the year	\$ (604,451)	\$ 309,457	\$ 158,195
Attributed to non-controlling interest	\$ (60)	\$ —	\$ —
Attributed to common shareholders	\$ (604,391)	\$ 309,457	\$ 158,195

See accompanying notes

the year	—	—	—	—	—	332,116	—	—
Dividends declared (\$0.64 per share) (note 7(a))	—	—	—	—	—	(108,009)	—	—
Other comprehensive loss for the year	—	—	—	—	—	—	(22,659)	—
Restricted share unit plan (note 8 (c))	(13,259)	(820)	—	—	—	—	—	—
Balance December 3 2010	<u>168,720,355</u>	<u>\$ 3,078,217</u>	<u>\$ 78,554</u>	<u>\$ 24,858</u>	<u>\$ 15,166</u>	<u>\$ 440,265</u>	<u>\$ 28,390</u>	<u>\$ —</u>
Shares issued under Employee Stock Option Plan (note 8(a))	308,688	18,094	(4,396)	—	—	—	—	—
Stock options	—	—	43,536	—	—	—	—	—
Shares issued under the Incentive Share Purchase Plan (note 8 (b))	360,833	19,229	—	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	176,110	10,130	—	—	—	—	—	—
Shares issued for purchase of mining property (note 7(d))	1,250,477	56,146	—	—	—	—	—	—
Non-controlling interest addition upon acquisition	—	—	—	—	—	—	—	12,251
Net loss for the year attributed to common shareholders	—	—	—	—	—	(568,895)	—	—
Net loss for the year attributed to non-controlling interest	—	—	—	—	—	—	—	(60)
Dividends declared (nil per share) (note 7(a))	—	—	—	—	—	(391)	—	—
Other comprehensive loss for the year	—	—	—	—	—	—	(35,496)	—
Restricted share unit plan (note 8 (c))	(2,727)	(435)	—	—	—	—	—	—
Balance December 3 2011	<u>170,813,736</u>	<u>\$ 3,181,381</u>	<u>\$ 117,694</u>	<u>\$ 24,858</u>	<u>\$ 15,166</u>	<u>\$ (129,021)</u>	<u>\$ (7,106)</u>	<u>\$ 12,191</u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars, US GAAP basis)

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating activities			
Net income (loss) for the year	\$ (568,955)	\$ 332,116	\$ 86,538
Add (deduct) items not affecting cash			
Impairment loss on Meadowbank mine	907,681	—	—
Amortization of property, plant and mine development	261,781	192,486	72,461
Deferred income and mining taxes	(275,773)	66,928	20,309
Loss on Goldex mine	302,893	—	—
Environmental remediation	(7,616)	—	—
Gain on sale of available-for-sale securities	(4,907)	(19,487)	(10,142)
Stock-based compensation	48,150	41,635	28,753
Gain on acquisition of Complex Minerals Corp. (note 10)	—	(64,508)	—
Foreign currency translation loss (gain)	(1,082)	19,536	39,831
Other	31,561	13,015	(5,214)
Changes in non-cash working capital balances			
Trade receivables	37,050	(19,378)	(47,930)
Income taxes (payable) recoverable	(29,867)	9,949	(313)
Inventories	(43,066)	(91,306)	(90,772)
Other current assets	(25,838)	(28,729)	4,834
Accounts payable and accrued liabilities	31,837	23,136	28,552
Prepaid royalty	—	—	(13,321)
Interest payable	(387)	8,077	1,520
Cash provided by operating activities	<u>663,462</u>	<u>483,470</u>	<u>115,106</u>
Investing activities			
Additions to property, plant and mine development	(482,831)	(511,641)	(657,175)
Acquisition of Grayd Resource Corporation, net of cash acquired (note 10)	(163,047)	—	—
Decrease (increase) in short-term investments	5	(3,262)	(3,313)
Net proceeds on available-for-sale securities	9,435	36,586	48,258
Purchase of available-for-sale securities	(91,115)	(42,479)	(6,380)
Decrease (increase) in restricted cash	(32,931)	(2,510)	30,999
Cash used in investing activities	<u>(760,484)</u>	<u>(523,306)</u>	<u>(587,611)</u>
Financing activities			
Dividends paid	(98,354)	(26,830)	(27,132)
Repayment of capital lease obligations	(13,092)	(16,019)	(13,177)
Sale-leaseback financing	—	14,017	21,389
Proceeds from long-term debt	475,000	1,311,000	625,000
Repayment of long-term debt	(205,000)	(1,376,000)	(110,000)
Credit facility financing costs	(2,545)	(12,772)	(4,784)
Common shares issued	26,536	84,659	68,522
Cash provided by (used in) financing activities	<u>182,545</u>	<u>(21,945)</u>	<u>559,818</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,636)</u>	<u>(2,939)</u>	<u>4,585</u>
Net increase (decrease) in cash and cash equivalents during the year	83,887	(64,720)	91,898
Cash and cash equivalents, beginning of year	95,560	160,280	68,382
Cash and cash equivalents, end of year	<u>\$ 179,447</u>	<u>\$ 95,560</u>	<u>\$ 160,280</u>
Supplemental cash flow information			
Interest paid	\$ 52,833	\$ 41,429	\$ 17,189
Income and mining taxes paid	\$ 110,889	\$ 25,199	\$ 8,792

See accompanying notes

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

1. TRADE RECEIVABLES AND REVENUES FROM MINING OPERATIONS

Agnico-Eagle is a gold mining company with mining operations in Canada, Finland and Mexico. The Company earns a significant proportion of its revenues from the production and sale of gold in both dore bar and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of byproduct metals. The revenue from byproduct metals is mainly generated by production at the LaRonde mine in Canada (silver, zinc, copper and lead) and the Pinos Altos mine in Mexico (silver).

Revenues are generated from operations in Canada, Finland and Mexico. The cash flow and profitability of the Company's operations are significantly affected by the market price of gold and, to a lesser extent, silver, zinc, copper and lead. The prices of these metals can fluctuate widely and are affected by numerous factors beyond the Company's control.

As gold can be sold through numerous gold market traders worldwide, the Company is not economically dependent on a limited number of customers for the sale of its product.

Trade receivables are recognized once the transfer of ownership for the metals sold has occurred and reflect the amounts owing to the Company in respect of its sales of dore bars or concentrates to third parties prior to the satisfaction in full of the payment obligations of the third parties.

	2011	2010
Dore bars awaiting settlement	\$ —	\$ 24,281
Concentrates awaiting settlement	75,899	88,668
	<u>\$ 75,899</u>	<u>\$ 112,949</u>

	2011	2010	2009
Revenues from mining operations:			
Gold	\$ 1,563,760	\$ 1,216,249	\$ 474,875
Silver	171,725	104,544	59,155
Zinc	70,522	77,544	57,034
Copper	14,451	22,219	22,571
Lead	1,341	1,965	127
	<u>\$ 1,821,799</u>	<u>\$ 1,422,521</u>	<u>\$ 613,762</u>

In 2011, precious metals (gold and silver) accounted for 95% of Agnico-Eagle's revenues from mining operations (2010 — 93%; 2009 — 87%). The remaining revenues from mining operations consisted of net byproduct metals revenues. In 2011, these net byproduct metals revenues as a percentage of total revenues from mining operations were 4% from zinc (2010 — 5%; 2009 — 9%) and 1% from copper (2010 — 2%; 2009 — 4%).

2. OTHER ASSETS

(a) Other current assets

	2011	2010
Federal, provincial and other sales taxes receivable	\$ 51,603	\$ 63,553
Prepaid expenses	25,540	10,449
Meadowbank insurance receivable	8,765	—
Prepaid royalty ⁽ⁱ⁾	7,684	5,282
Employee loans receivable	5,567	4,498
Other	11,210	5,191
Government refundables for local community improvements	—	803
	<u>\$ 110,369</u>	<u>\$ 89,776</u>

(i) The prepaid royalty relates to the Pinos Altos mine in Mexico.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

2. OTHER ASSETS (Continued)

(b) Available-for-sale securities

In 2011, the Company realized proceeds of \$9.4 million (2010 — \$36.6 million; 2009 — \$41.0 million) and recognized a gain before income taxes of \$4.9 million (2010 — \$19.5 million; 2009 — \$10.1 million) on the sale of certain available-for-sale securities. Available-for-sale securities consist of equity securities whose cost basis is determined using the average cost method. Available-for-sale securities are carried at fair value and comprise the following:

	<u>2011</u>	<u>2010</u>
<i>Available-for-sale securities in an unrealized gain position</i>		
Cost (net of impairments)	\$ 127,344	\$ 50,958
Unrealized gains in accumulated other comprehensive income	16,408	48,151
Estimated fair value	<u>143,752</u>	<u>99,109</u>
<i>Available-for-sale securities in an unrealized loss position</i>		
Cost (net of impairments)	1,717	—
Unrealized losses in accumulated other comprehensive income	(58)	—
Estimated fair value	<u>1,659</u>	<u>—</u>
Total estimated fair value of available-for-sale securities	<u>\$ 145,411</u>	<u>\$ 99,109</u>

The Company's investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry. During the course of the year, certain investments fell into an unrealized loss position. In each case, the Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. As a result of these evaluations, the Company wrote down certain available-for-sale securities by \$8.6 million during the year ended December 31, 2011 that were considered other-than-temporarily impaired.

For the remainder of the investments after the other-than-temporary impairment write-downs approximately 1.1% of the total fair value of investments are in an unrealized loss position. At December 31, 2011, the fair value of investments in an unrealized loss position was \$1.7 million with a total unrealized loss of \$0.1 million. The Company also evaluated these securities in relation to the severity and duration (less than six months in all cases) of the impairment. Based on that evaluation and the Company's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider those investments to be other-than-temporarily impaired as at December 31, 2011.

(c) Other assets

	<u>2011</u>	<u>2010</u>
Deferred financing costs, less accumulated amortization of \$5,809 (2010 — \$2,249)	\$ 15,777	\$ 16,780
Long-term ore in stockpile ⁽ⁱ⁾	64,392	27,409
Prepaid royalty ⁽ⁱⁱ⁾	—	8,777
Other	7,879	8,536
	<u>\$ 88,048</u>	<u>\$ 61,502</u>

(i) Due to the structure of the Goldex mine, Pinos Altos mine, Kittila mine, and Meadowbank mine ore bodies, a significant amount of drilling and blasting is incurred in the early years of its mine life resulting in a long-term stockpile. The value of the stockpile at December 31, 2011 is nil (2010 — \$15.0 million) for the Goldex mine, \$7.1 million (2010 — \$12.4 million) for the Pinos Altos mine, \$8.0 million (2010 — nil) for the Kittila mine and \$49.3 million (2010 — nil) for the Meadowbank mine.

(ii) The prepaid royalty relates to the Pinos Altos mine in Mexico.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

3. PROPERTY, PLANT AND MINE DEVELOPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Mining properties	\$ 1,228,523 ⁽ⁱ⁾	\$ 111,567	\$ 1,116,956	\$ 1,885,476 ⁽ⁱ⁾	\$ 44,823	\$ 1,840,653
Plant and equipment	2,467,300	437,706	2,029,594	2,123,191	321,907	1,801,284
Mine development costs	869,746	190,399	679,347	853,927	171,869	682,058
Construction in Progress:						
LaRonde mine extension	—	—	—	185,905	—	185,905
Creston Mascota deposit at Pinos Altos	—	—	—	54,663	—	54,663
Meliadine project	69,458	—	69,458	—	—	—
	<u>\$ 4,635,027</u>	<u>\$ 739,672</u>	<u>\$ 3,895,355</u>	<u>\$ 5,103,162</u>	<u>\$ 538,599</u>	<u>\$ 4,564,563</u>

(i) The decline in mining properties' cost between 2010 and 2011 is primarily attributed to the loss on Goldex mine (note 17) and the impairment loss on Meadowbank mine (note 18) recorded during 2011.

Geographic Information

	2011	2010
Canada	\$ 2,433,527	\$ 3,456,809
Europe	674,258	605,283
Latin America	776,892	500,211
USA	10,678	2,260
Total	<u>\$ 3,895,355</u>	<u>\$ 4,564,563</u>

In 2011, Agnico-Eagle capitalized \$0.1 million of costs (2010 — \$0.3 million) and recognized \$0.8 million of amortization expense (2010 — \$0.8 million) related to computer software. The unamortized capitalized cost for computer software at the end of 2011 was \$4.4 million (2010 — \$5.0 million).

The unamortized capitalized cost for leasehold improvements at the end of 2011 was \$3.2 million (2010 — \$3.3 million), which is being amortized on a straight-line basis over the life term of the lease plus one renewal period.

The amortization of assets recorded under capital leases is included in the "Amortization of property, plant and mine development" component in the consolidated statements of income (loss).

4. FAIR VALUE MEASUREMENT

ASC 820 — Fair Value Measurement and Disclosure defines fair value, establishes a framework for measuring fair value under GAAP, and requires expanded disclosures about fair value measurements. The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification are as follows:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Fair value is the value at which a financial instrument could be closed out or sold in a transaction with a willing and knowledgeable counterparty over a period of time consistent with the Company's investment strategy. Fair value is based on quoted market prices, where available. If market quotes are not available, fair value is based on internally developed models that use market-based or independent information as inputs. These models could produce a fair value that may not be reflective of future fair value.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

4. FAIR VALUE MEASUREMENT (Continued)

The following table sets out the Company's financial assets and liabilities measured at fair value within the fair value hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash equivalents and short-term investments	\$ 7,645	\$ —	\$ 7,645 ⁽ⁱ⁾	\$ —
Available-for-sale securities	145,411	142,490 ⁽ⁱⁱ⁾	2,921 ⁽ⁱⁱⁱ⁾	—
Trade receivables	75,899	—	75,899 ^(iv)	—
	<u>\$ 228,955</u>	<u>\$ 142,490</u>	<u>\$ 86,465</u>	<u>\$ —</u>
Financial liabilities:				
Fair value of derivative financial instruments ⁽ⁱⁱⁱ⁾	\$ 4,404	\$ —	\$ 4,404	\$ —

- (i) Fair value approximates the carrying value due to short-term nature.
- (ii) Recorded at fair value using quoted market prices.
- (iii) Recorded at fair value based on broker-dealer quotations.
- (iv) Trade receivables from provisional invoices for concentrate sales are included within Level 2 as they are valued using quoted forward rates derived from observable market data based on the month of expected settlement.

Both the Company's cash equivalents and short-term investments are classified within Level 2 of the fair value hierarchy because they are held to maturity and are valued using interest rates observable at commonly quoted intervals. Cash equivalents are marketable securities with remaining maturities of three months or less at the date of purchase. The short-term investments are marketable securities with remaining maturities of over three months at the date of purchase.

The Company's available-for-sale securities are recorded at fair value using quoted market prices or broker-dealer quotations. The Company's available-for-sale securities that are valued using quoted market prices are classified as Level 1 of the fair value hierarchy. The Company's available-for-sale securities classified as Level 2 of the fair value hierarchy consist of equity warrants, which are recorded at fair value based on broker-dealer quotations.

In the event that a decline in the fair value of an investment occurs and the decline in value is considered to be other-than-temporary, an impairment charge is recorded in the consolidated statements of income (loss) and comprehensive income (loss) and a new cost basis for the investment is established. The Company assesses whether a decline in value is considered to be other-than-temporary by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the individual investment. New evidence could become available in future periods which would affect this assessment and thus could result in material impairment charges with respect to those investments for which the cost basis exceeds its fair value.

5. LONG-TERM DEBT

The Company entered into a credit agreement on January 10, 2008 with a group of financial institutions relating to a new \$300 million unsecured revolving credit facility (the "First Credit Facility"). The Company's previous \$300 million secured revolving credit facility was terminated. The First Credit Facility was scheduled to mature on January 10, 2013. However, the Company, with the consent of lenders representing 66²/3 % of the aggregate commitments under the facility, had the option to extend the term of this facility for additional one-year terms.

On September 4, 2008, the Company entered into a further credit agreement with a separate group of financial institutions relating to an additional \$300 million unsecured revolving credit facility (the "Second Credit Facility"). The Second Credit Facility was scheduled to mature on September 4, 2010.

On June 15, 2009, the Company amended and restated the First Credit Facility and the Second Credit Facility. The amount available under the Second Credit Facility was increased by \$300 million to \$600 million, and the scheduled maturity date was extended to June 2012.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

5. LONG-TERM DEBT (Continued)

On June 22, 2010, the Company terminated the First Credit Facility and amended and restated the Second Credit Facility to increase the amount available to \$1.2 billion and extend the scheduled maturity date to June 22, 2014 (as so amended and restated, the "Credit Facility").

On August 4, 2011, the Company amended and restated the Credit Facility. The total amount available under the Credit Facility remains unchanged at \$1.2 billion; however, the maturity date was extended from June 22, 2014 to June 22, 2016.

Payment and performance of the Company's obligations under the Credit Facility is guaranteed by all material and certain other subsidiaries of the Company (the "Guarantors"). The Credit Facility contains covenants that restrict, among other things, the ability of the Company to incur additional indebtedness, make distributions in certain circumstances, sell material assets and carry on a business other than one related to the mining business. The Company is also required to maintain a total net debt to EBITDA ratio below a specified minimum value as well as a minimum tangible net worth. At December 31, 2011, the Credit Facility was drawn down by \$320 million (2010 — \$50 million). This drawdown, together with outstanding letters of credit under the Credit Facility, decrease the amounts available under the Credit Facility such that \$849.4 million was available for future drawdowns at December 31, 2011.

In addition, on June 2, 2009, Agnico-Eagle executed an unsecured C\$95 million financial security issuance agreement with Export Development Canada. This agreement matures in June 2014 and is used to provide letters of credit for environmental obligations or in relation to licence or permit bonds relating to the Meadowbank mine. As at December 31, 2011, outstanding letters of credit drawn against this agreement totalled C\$79.6 million (2010 — C\$75.6 million).

On April 7, 2010, the Company closed a private placement of an aggregate \$600 million of guaranteed senior unsecured notes due in the years 2017, 2020 and 2022 (the "Notes") with a weighted average maturity of 9.84 years and weighted average yield of 6.59%. Net proceeds from the offering of the Notes were used to repay amounts owed under the Company's then existing credit facilities. Payment and performance of the Company's obligations under the Notes is guaranteed by the Guarantors. The Notes contain covenants that restrict, among other things, the ability of the Company to amalgamate or otherwise transfer its assets, sell material assets and carry on a business other than one related to the mining business and the ability of the Guarantors to incur indebtedness. The Notes also require the Company to maintain the same financial ratios and same minimum tangible net worth as under the Credit Facility. The Notes and the Credit Facility rank equally in seniority.

The following are the individual series of the issued Notes:

	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series A	\$ 115,000	6.13%	7/4/2017
Series B	360,000	6.67%	7/4/2020
Series C	125,000	6.77%	7/4/2022
	<u>\$ 600,000</u>		

For the year ended December 31, 2011, total interest expense was \$55.0 million (2010 — \$49.5 million; 2009 — \$8.4 million) and total cash interest payments were \$52.8 million (2010 — \$41.4 million; 2009 — \$17.2 million). In 2011, cash interest on the Credit Facility was \$1.7 million (2010 — \$12.3 million; 2009 — \$14.0 million), cash standby fees on the Credit Facility was \$8.6 million (2010 — \$6.7 million; 2009 — \$2.4 million), and cash interest on the Notes was \$39.5 million (2010 — \$19.8 million, 2009 — n/a). In 2011, \$1.0 million (2010 — \$4.6 million; 2009 — \$15.5 million) of the total interest expense was capitalized to construction in progress.

The Company's weighted average interest rate on all of its long-term debt as at December 31, 2011 was 5.02% (2010 — 5.43%).

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

6. RECLAMATION PROVISION AND OTHER LIABILITIES

Reclamation provision and other liabilities consist of the following:

	<u>2011</u>	<u>2010</u>
Reclamation and closure costs (note 6(a))	\$ 105,443	\$ 91,641
Long-term portion of capital lease obligations (note 13(a))	26,184	38,019
Pension benefits (note 6(c))	13,991	11,307
Goldex mine government grant and other (note 6(b))	370	4,569
Total	<u>\$ 145,988</u>	<u>\$ 145,536</u>

(a) Reclamation and closure costs

Reclamation estimates are based on current legislation, third party estimates, management's estimates and feasibility study calculations.

Due to the suspension of mining operations at the Goldex mine on October 19, 2011, an environmental remediation liability was recognized (note 17), of which \$26.1 million was classified as a current liability. The remainder of the Goldex mine environmental remediation liability along with the Company's other accrued reclamation and closure costs are long-term in nature and thus no portion of these costs has been reclassified to current liabilities.

The following table reconciles the beginning and ending carrying amounts of asset retirement obligations and environmental remediation liabilities:

	<u>2011</u>	<u>2010</u>
Asset retirement obligations, beginning of year	\$ 91,641	\$ 62,847
Current year additions and changes in estimate, net	9,653	23,058
Current year accretion	4,953	3,176
Liabilities settled	—	(277)
Foreign exchange revaluation	(804)	2,837
Asset retirement obligations and environmental remediation liabilities, end of year	<u>\$ 105,443</u>	<u>\$ 91,641</u>

(b) Goldex mine government grant and other

The Company has received funds (the "Grant") from the Quebec government in respect of the construction of the Goldex mine. The Company has agreed to repay a portion of the Grant to the Quebec government, to a maximum amount of 50% of the Grant. The repayment amount is calculated and paid annually for fiscal years 2010, 2011 and 2012 if the agreed criteria are met. For each of these three years, if the yearly average gold price is higher than \$620 per ounce, 50% of the Grant must be repaid.

For fiscal year 2010, the agreed criteria had been met and the Company recorded a current liability of \$1.5 million as of December 31, 2010. This amount was paid to the Quebec government in 2011.

For fiscal year 2011, the agreed criteria had also been met and the Company recorded a current liability of \$1.5 million as of December 31, 2011. This amount is to be paid to the Quebec government in 2012 at which time the Grant will have been repaid in full.

(c) Pension benefits

Agnico-Eagle provides the Executives Plan for certain senior officers. The funded status of the Executives Plan is based on actuarial valuations performed as of July 1, 2011 and projected to December 31, 2013.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

The components of Agnico-Eagle's net pension plan expense are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service cost — benefits earned during the year	\$ 996	\$ 981	\$ 509
Interest cost on projected benefit obligation	663	613	448
Amortization of net transition asset, past service liability and net experience gains	171	164	148
Prior service cost	26	25	23
Recognized net actuarial loss (gain)	245	—	(142)
Net pension plan expense	<u>\$ 2,101</u>	<u>\$ 1,783</u>	<u>\$ 986</u>

Assets for the Executives Plan consist of deposits on hand with regulatory authorities which are refundable when benefit payments are made or on the ultimate wind-up of the plan. The accumulated benefit obligation for this plan at December 31, 2011 was \$11.4 million (2010 — \$9.6 million). At the end of 2011, the remaining unamortized net transition obligation was \$0.5 million (2010 — \$0.7 million) for the Executives Plan.

The following table provides the net amounts recognized in the consolidated balance sheets as at December 31 relating to the Executives Plan:

	<u>2011</u>	<u>2010</u>
Accrued employee benefit liability	\$ 7,292	\$ 6,634
Accumulated other comprehensive income:		
Initial transition obligation	500	681
Past service liability	76	104
Net experience losses	3,550	2,179
Net liability	<u>\$ 11,418</u>	<u>\$ 9,598</u>

The following table provides the components of the expected recognition in 2012 of amounts in accumulated other comprehensive income relating to the Executives Plan:

Transition obligation	\$ 166
Past service cost	25
Net actuarial loss	704
	<u>\$ 895</u>

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

The funded status of the Executives Plan for 2011 and 2010 is as follows:

	2011	2010
Reconciliation of the market value of plan assets		
Fair value of plan assets, beginning of year	\$ 2,443	\$ 1,635
Agnico-Eagle's contribution	1,156	1,397
Benefit payments	(578)	(699)
Effect of exchange rate changes	(69)	110
Fair value of plan assets, end of year	<u>2,952</u>	<u>2,443</u>
Reconciliation of projected benefit obligation		
Projected benefit obligation, beginning of year	12,041	7,998
Service cost	996	981
Interest cost	663	613
Actuarial losses	1,704	2,718
Benefit payments	(696)	(812)
Effect of exchange rate changes	(338)	543
Projected benefit obligation, end of year	<u>14,370</u>	<u>12,041</u>
Deficiency of plan assets compared with projected benefit obligation	<u>\$ (11,418)</u>	<u>\$ (9,598)</u>
Comprised of:		
Unamortized transition liability	\$ (500)	\$ (681)
Unamortized net experience loss	(3,626)	(2,283)
Accrued liabilities	(7,292)	(6,634)
	<u>\$ (11,418)</u>	<u>\$ (9,598)</u>
Weighted average discount rate — net periodic pension cost	5.20%	7.00%
Weighted average discount rate — projected benefit obligation	4.45%	5.20%
Weighted average expected long-term rate of return	n/a	n/a
Weighted average rate of compensation increase	3.00%	3.00%
Estimated average remaining service life for the plan (in years) ⁽ⁱ⁾	3.0	4.0

(i) Estimated average remaining service life for the Executives Plan was developed for individual senior officers.

The estimated benefits to be paid from the Executives Plan in the next ten years are presented below:

2012	\$ 415
2013	\$ 472
2014	\$ 469
2015	\$ 465
2016	\$ 461
2017 – 2021	\$ 2,229

In addition to the Executives Plan, the Company also has a basic pension plan (the "Basic Plan") and a supplemental pension plan. Under the Basic Plan, Agnico-Eagle contributes 5% of certain employee's base employment compensation to a defined contribution plan. The expense in 2011 was \$10.7 million (2010 — \$8.8 million; 2009 — \$6.5 million). Effective January 1, 2008 the Company adopted the supplemental plan for designated executives at the level of Vice-President or above. Under this plan, an additional 10% of the designated executive's earnings for the year (including salary and short-term bonus) is contributed by the Company. In 2011, \$0.9 million (2010 — \$1.1 million; 2009 — \$0.9 million) was contributed to the supplemental plan. The supplemental plan is accounted for as a cash balance plan.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

7. SHAREHOLDERS' EQUITY

(a) *Common shares*

The Company's authorized share capital includes an unlimited number of common shares with issued common shares of 170,859,604 (2010 — 168,763,496), less 45,868 common shares held by a trust in connection with the Company's restricted share unit ("RSU") plan (2010 — less 43,141 common shares). The trust is treated as a variable interest entity and, as a result, its holdings of shares are offset against the Company's issued shares in the consolidation (note 7(c)).

In 2011, the Company declared dividends on its common shares of nil per share (2010 — \$0.64 per share; 2009 — \$0.18 per share).

(b) *Flow-through common share private placements*

In 2011, Agnico-Eagle issued nil (2010 — nil; 2009 — 358,900) common shares under flow-through share private placements, which increased share capital by nil (2010 — nil; 2009 — \$19.2 million), net of share issue costs. Effective December 31, 2011, the Company renounced to its investors nil (2010 — nil; 2009 — C\$30.6 million) of such expenses for income tax purposes. The Company does not have an obligation to incur any exploration expenditures related to the expenditures previously renounced.

The difference between the flow-through share issuance price and the market price of Agnico-Eagle's shares at the time of purchase is recorded as a liability at the time the flow-through shares are issued. This liability terminates when the exploration expenditures are renounced to investors. The difference between the flow-through share issuance price and market price reduces the deferred tax expense charged to income as this difference represents proceeds received by the Company for the sale of deferred tax deductions to investors in the flow-through shares.

(c) *Private placements and warrants*

On December 3, 2008, the Company closed a private placement of 9.2 million units. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$47.25 per share at any time during the five-year term of the warrant. As consideration for the lead purchaser's commitment, the Company issued to the lead purchaser an additional 4 million warrants. The net proceeds of the private placement were approximately \$281 million, after deducting share issue costs of \$8.8 million. If all outstanding warrants are exercised, the Company would issue an additional 8.6 million common shares. No warrants have been exercised as of December 31, 2011.

On May 26, 2009, the Company issued 15,825 shares with a market value of \$0.9 million in connection with the acquisition of a 100% participating interest in 52 mining claims, located in the Abitibi region of Quebec.

On July 24, 2009, the Company issued 18,000 shares upon payment of the exercise price of \$500 in connection with the exercise of an option granted by a predecessor to the Company relating to the acquisition of certain properties related to the Goldex mine.

On July 26, 2010, the Company issued 15,000 shares with a market value of \$0.8 million in connection with the purchase of mining property.

(d) *Public issuance of common shares*

There were no public issuances of common shares in 2009.

On July 6, 2010, the Company issued 10,210,848 shares with a market value of \$579.0 million in connection with the acquisition of Comaplex Minerals Corp. ("Comaplex") (note 10).

On November 18, 2011, the Company issued 1,250,477 shares with a market value of \$56.1 million in connection with the acquisition of Grayd Resource Corporation ("Grayd") (note 10).

(e) *Accumulated other comprehensive income (loss)*

The cumulative translation adjustment in accumulated other comprehensive income (loss) in 2011 and 2010 of \$(16.2) million resulted from Agnico-Eagle changing to the US dollar as its principal currency of measurement. Prior to this change, the Canadian dollar had been used as the reporting currency. Prior periods' consolidated financial statements were translated into US dollars by the current rate method using the year end or the annual average exchange rate where appropriate. This translation approach was applied from January 1, 1994. This translation gave rise to a deficit in the cumulative translation adjustment account within accumulated other comprehensive income (loss) as at December 31, 2011 and December 31, 2010.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

7. SHAREHOLDERS' EQUITY (Continued)

The following table sets out the components of accumulated other comprehensive income (loss), net of related tax effects:

	<u>2011</u>	<u>2010</u>
Cumulative translation adjustment from electing US dollar as principal reporting currency	\$ (16,206)	\$ (16,206)
Unrealized net gain on available-for-sale securities	16,350	48,151
Unrealized loss on derivative contracts	(4,404)	—
Unrealized loss on pension liability	(5,219)	(4,420)
Tax effect of unrealized loss on derivative contracts	1,491	—
Tax effect of unrealized loss on pension liability	882	865
	<u>\$ (7,106)</u>	<u>\$ 28,390</u>

In 2011, a \$4.9 million gain (2010 — \$19.5 million gain; 2009 — \$10.1 million gain) was reclassified from accumulated other comprehensive income (loss) to net income (loss) to reflect the realization of gains on available-for-sale securities due to the disposition of those securities.

(f) Net income (loss) per share

The following table provides the weighted average number of common shares used in the calculation of basic and diluted net income (loss) per share:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Weighted average number of common shares outstanding — basic	169,352,896	162,342,686	155,942,151
Add: Dilutive impact of employee stock options	—	1,192,530	1,256,103
Dilutive impact of warrants	—	2,263,902	1,392,752
Dilutive impact of shares related to RSU plan	—	43,141	29,882
Weighted average number of common shares outstanding — diluted	<u>169,352,896</u>	<u>165,842,259</u>	<u>158,620,888</u>

The calculation of diluted net income (loss) per share has been computed using the treasury stock method. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares, for the period outstanding, are not included in the calculation of diluted net income (loss) per share, as the effect is anti-dilutive. In 2010 and 2009, a total of 58,750 and 42,500 options, respectively, were excluded from the calculation as the effect was anti-dilutive. In 2011, the impact of any additional shares issued under the employee stock option plan, as a result of the conversion of warrants, or related to the RSU plan would be anti-dilutive as a result of the net loss position. Consequently, diluted net loss per share would be computed in the same manner as basic net loss per share.

8. STOCK-BASED COMPENSATION

(a) Employee Stock Option Plan ("ESOP")

The Company's ESOP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Under this plan, options are granted at the fair market value of the underlying shares on the day prior to the date of grant. The number of shares subject to option for any one person may not exceed 5% of the Company's common shares issued and outstanding at the date of grant.

Up to May 31, 2001, the number of common shares reserved for issuance under the ESOP was 6,000,000 and options granted under the ESOP had a maximum term of ten years. On April 24, 2001, the Compensation Committee of the Board of Directors adopted a policy pursuant to which options granted after that date have a maximum term of five years. In 2001, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP by 2,000,000 to 8,000,000. In 2004, 2006, 2008, 2010 and 2011, the shareholders approved a further 2,000,000, 3,000,000, 6,000,000, 1,300,000 and 3,000,000 common shares for issuance under the ESOP, respectively.

Of the 2,630,785 options granted under the ESOP in 2011, 657,696 options vested immediately and expire in 2016. The remaining options expire in 2016 and vest in equal installments, on each anniversary date of the grant, over a three-year period. Of the

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

8. STOCK-BASED COMPENSATION (Continued)

2,926,080 options granted under the ESOP in 2010, 731,520 options vested immediately and expire in 2015. The remaining options expire in 2015 and vest in equal installments, on each anniversary date of the grant, over a three-year period. Of the 2,276,000 options granted under the ESOP in 2009, 569,000 options vested immediately and expire in 2014. The remaining options expire in 2014 and vest in equal installments, on each anniversary date of the grant, over a three-year period.

Upon the exercise of options under the ESOP, the Company issues new common shares to settle the obligation.

The following summary sets out the activity with respect to Agnico-Eagle's outstanding stock options:

	2011		2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	6,762,704	C\$ 56.94	5,707,940	C\$ 53.85	4,752,440	C\$ 44.57
Granted	2,630,785	76.12	2,926,080	57.55	2,276,000	62.65
Exercised	(308,688)	43.62	(1,627,766)	47.02	(1,238,000)	34.28
Forfeited	(125,750)	67.47	(243,550)	58.03	(82,500)	55.99
Outstanding, end of year	8,959,051	C\$ 62.88	6,762,704	C\$ 56.94	5,707,940	C\$ 53.85
Options exercisable at end of year	5,178,172		2,972,857		2,445,615	

The following table sets out the activity with respect to Agnico-Eagle's nonvested stock options:

	2011	
	Number of Options	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	3,789,847	C\$ 18.71
Granted	2,630,785	C\$ 17.05
Vested	(2,537,253)	C\$ 18.40
Forfeited (unvested)	(102,500)	C\$ 17.77
Nonvested, end of year	3,780,879	C\$ 17.79

Cash received for options exercised in 2011 was \$13.6 million (2010 — \$74.7 million; 2009 — \$36.6 million).

The total intrinsic value of options exercised in 2011 was C\$8.0 million (2010 — C\$46.5 million; 2009 — C\$43.8 million).

The weighted average grant date fair value of options granted in 2011 was C\$17.05 (2010 — C\$16.31; 2009 — C\$24.52). The total fair value of options vested during 2011 was \$46.7 million (2010 — \$36.7 million; 2009 — \$27.4 million). The following table summarizes information about Agnico-Eagle's stock options outstanding and exercised at December 31, 2011:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
C\$23.02 — C\$36.23	16,000	1.84 years	C\$ 33.26	16,000	C\$ 33.26	
C\$39.18 — C\$59.71	4,361,866	2.00 years	54.94	3,070,576	54.17	
C\$60.72 — C\$83.08	4,581,185	3.16 years	70.55	2,091,596	67.22	
C\$23.02 — C\$83.08	8,959,051	2.59 years	C\$ 62.88	5,178,172	C\$ 59.38	

The weighted average remaining contractual term of options exercisable at December 31, 2011 was 2.6 years.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

8. STOCK-BASED COMPENSATION (Continued)

The Company has reserved for issuance 8,959,051 common shares in the event that these options are exercised.

The number of shares available for the granting of options as at December 31, 2011, 2010 and 2009 was 3,262,135, 2,771,420 and 4,155,750, respectively.

Subsequent to the year ended December 31, 2011 and on January 3, 2012, 3,072,000 options were granted under the ESOP, of which 768,000 options vested immediately and expire in the year 2017. The remaining options expire in 2017 and vest in equal installments on each anniversary date of the grant, over a three-year period.

Agnico-Eagle estimated the fair value of options under the Black-Scholes option pricing model using the following weighted average assumptions:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Risk-free interest rate	1.95%	1.86%	1.27%
Expected life of options (in years)	2.5	2.5	2.5
Expected volatility of Agnico-Eagle's share price	34.70%	43.80%	64.00%
Expected dividend yield	0.89%	0.42%	0.42%

The Company uses historical volatility in estimating the expected volatility of Agnico-Eagle's share price. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination experience.

The aggregate intrinsic value of options outstanding at December 31, 2011 was C\$(231.4) million. The aggregate intrinsic value of options exercisable at December 31, 2011 was C\$(115.6) million.

The total compensation expense for the ESOP recognized in the general and administrative line item of the consolidated statements of income (loss) for the current year was \$42.2 million (2010 — \$37.8 million; 2009 — \$27.7 million). The total compensation cost related to non-vested options not yet recognized is \$32.8 million as of December 31, 2011 and the weighted average period over which it is expected to be recognized is 1.7 years. Of the total compensation cost for the ESOP, \$1.4 million was capitalized as part of property, plant and mine development in 2011 (2010 — \$1.3 million; 2009 — \$8.7 million).

(b) Incentive Share Purchase Plan

On June 26, 1997, the shareholders approved an incentive share purchase plan (the "Purchase Plan") to encourage directors, officers and employees ("Participants") to purchase Agnico-Eagle's common shares at market value. In 2009, the Purchase Plan was amended to remove non-executive directors as eligible Participants in the plan.

Under the Purchase Plan, Participants may contribute up to 10% of their basic annual salaries, and the Company contributes an amount equal to 50% of each Participant's contribution. All shares subscribed for under the Purchase Plan are newly issued by the Company. The total compensation cost recognized in 2011 related to the Purchase Plan was \$6.4 million (2010 — \$5.0 million; 2009 — \$3.8 million).

In 2011, 360,833 common shares were subscribed for under the Purchase Plan (2010 — 229,583; 2009 — 196,649) for a value of \$19.2 million (2010 — \$15.0 million; 2009 — \$11.3 million). In May 2008, shareholders approved an increase in the maximum number of shares reserved for issuance under the Purchase Plan to 5,000,000 from 2,500,000. As at December 31, 2011, Agnico-Eagle has reserved for issuance 2,150,088 common shares (2010 — 2,510,921; 2009 — 2,740,504) under the Purchase Plan.

(c) Restricted Share Unit Plan

In 2009, the Company implemented the RSU plan for certain employees. A deferred compensation balance was recorded for the total grant date value on the date of grant. The deferred compensation balance was recorded as a reduction of shareholders' equity and is being amortized as compensation expense (or capitalized to construction in progress) over the applicable vesting period of two years.

The Company funded the plan by transferring \$3.7 million (2010 — \$4.0 million; 2009 — \$3.0 million) to an employee benefit trust (the "Trust") that then purchased shares of the Company in the open market. Compensation cost for RSUs incorporates an expected forfeiture rate. The forfeiture rate is estimated based on the Company's historical employee turnover rates and expectations of future forfeiture rates that incorporate various factors that include historical ESOP forfeiture rates. For 2009 through 2011, the impact of forfeitures was not material. For accounting purposes, the Trust is treated as a variable interest entity

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

8. STOCK-BASED COMPENSATION (Continued)

and consolidated in the accounts of the Company. On consolidation, the dividends paid on the shares held by the Trust are eliminated. The shares purchased and held by the Trust are treated as not being outstanding for the basic earnings per share ("EPS") calculations. They are amortized back into basic EPS over the vesting period. All of the shares held by the Trust were excluded from the diluted EPS calculations as they were anti-dilutive for 2011 due to the net loss position. The shares held by the trust were included in previous period diluted EPS calculations.

Compensation cost related to the RSU plan was \$3.3 million in 2011 (2010 — \$3.0 million), with nil (2010 — \$0.1 million) being capitalized to the "Property, plant and mine development" line item in the consolidated balance sheets. The \$3.3 million (2010 — \$2.9 million) of compensation expense is included as components of the Production, General and administrative, and Exploration and corporate development line items of the consolidated statements of income (loss), consistent with the classification of other elements of compensation expense for those employees who held RSUs.

9. INCOME AND MINING TAXES

Income and mining taxes expense (recovery) is made up of the following geographic components:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current provision			
Canada	\$ 58,752	\$ 34,217	\$ 1,171
Mexico	3,496	1,942	—
Finland	222	—	—
	<u>62,470</u>	<u>36,159</u>	<u>1,171</u>
Deferred provision (recovery)			
Canada	(337,408)	47,083	27,083
Mexico	54,996	18,759	—
Finland	10,269	1,086	(6,754)
	<u>(272,143)</u>	<u>66,928</u>	<u>20,329</u>
	<u>\$ (209,673)</u>	<u>\$ 103,087</u>	<u>\$ 21,500</u>

Cash income and mining taxes paid in 2011 were \$110.9 million (2010 — \$25.2 million; 2009 — \$8.8 million).

The income and mining taxes expense (recovery) is different from the amount that would have been computed by applying the Canadian statutory income tax rate as a result of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Combined federal and composite provincial tax rates	27.8%	29.6%	30.9%
Increase (decrease) in tax rates resulting from:			
Provincial mining duties	5.9	6.8	16.1
Tax law change	(2.7)	(5.1)	(24.4)
Impact of foreign tax rates	(0.2)	(0.5)	(4.9)
Permanent differences	(1.6)	(4.2)	2.2
Valuation allowance	(0.3)	(0.2)	—
Effect of changes in income tax rates	(2.0)	(2.7)	—
Actual rate as a percentage of pre-tax income	<u>26.9%</u>	<u>23.7%</u>	<u>19.9%</u>

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

9. INCOME AND MINING TAXES (Continued)

As at December 31, 2011 and December 31, 2010, Agnico-Eagle's deferred income and mining tax assets and liabilities were as follows:

	2011	2010
	(Assets)/	(Assets)/
	Liabilities	Liabilities
Mining properties	\$ 704,379	\$ 966,485
Net operating and capital loss carry forwards	(104,332)	(133,042)
Mining duties	(88,670)	(71,492)
Reclamation provisions	(51,926)	(30,752)
Valuation allowance	39,121	4,855
Deferred income and mining tax liabilities	<u>\$ 498,572</u>	<u>\$ 736,054</u>

All of Agnico-Eagle's deferred income tax assets and liabilities were denominated in the local currency based on the jurisdiction in which the Company paid taxes, except for Canada, and were translated into US dollars using the exchange rate in effect at the consolidated balance sheet dates. For Canadian income tax purposes, for December 31, 2008 and subsequent years, the Company elected to use the US dollar as its functional currency.

The Company operates in different jurisdictions and, accordingly, it is subject to income and other taxes under the various tax regimes in the countries in which it operates. The tax rules and regulations in many countries are highly complex and subject to interpretation. The Company may be subject in the future to a review of its historic income and other tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules and regulations to the Company's business conducted within the country involved.

A reconciliation of the beginning and ending amounts of the unrecognized tax benefits is as follows:

	2011	2010
Unrecognized tax benefits, beginning of year	\$ 1,630	\$ 5,608
Reductions	(430)	(3,978)
Unrecognized tax benefit, end of year	<u>\$ 1,200</u>	<u>\$ 1,630</u>

The full amount of unrecognized tax benefits, if recognized, would reduce the Company's annual effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company is subject to taxes in the following significant jurisdictions: Canada, Mexico, Sweden and Finland, each with varying statutes of limitations. The 2007 through 2011 taxation years generally remain subject to examination.

10. ACQUISITIONS

Grayd Resource Corporation

In September 2011, Agnico-Eagle entered into an acquisition agreement with Grayd, a Canadian-based natural resource company listed on the TSX Venture Exchange, pursuant to which the Company agreed to make an offer to acquire all of the issued and outstanding common shares of Grayd. At the time, Grayd held a 100% interest in the La India project located in the Mulatos Gold Belt of Sonora, Mexico (approximately 70 kilometers northwest of Agnico-Eagle's Pinos Altos gold mine) and had recently discovered the Tarachi exploration property located approximately ten kilometres north of the La India project. On October 13, 2011, the Company made the offer by way of a take-over bid circular, as amended and supplemented on October 21, 2011.

On November 18, 2011, Agnico-Eagle acquired 94.77% of the outstanding shares of Grayd, on a fully-diluted basis, by way of a take-over bid. The November 18, 2011 purchase price of \$222.1 million was comprised of \$166.0 million in cash and 1,250,477 newly issued Agnico-Eagle shares.

The related transaction costs associated with the acquisition totaling \$3.8 million were expensed through the Interest and sundry expense (income) line of the consolidated statements of income (loss) during the fourth quarter of 2011. The Company has accounted for the purchase of Grayd as a business combination.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

10. ACQUISITIONS (Continued)

Grayd owns a 100% interest in the La India project located in the Mulatos Gold Belt of Sonora, Mexico (approximately 70 kilometers northwest of Agnico-Eagle's Pinos Altos gold mine). Grayd also owns a 100% interest in the Tarachi exploration property located approximately 10 kilometers north of the La India project. The La India project hosts a National Instrument 43-101 compliant measured and indicated gold resource. This acquisition has the potential to contribute to the ongoing growth in Agnico-Eagle's gold production and cash flows.

The following table sets forth the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value.

Total purchase price:	
Cash paid for acquisition	\$ 165,954
Agnico-Eagle shares issued for acquisition	56,146
Total purchase price to allocate	<u>\$ 222,100</u>
Fair value of assets acquired and liabilities assumed:	
Mining properties	\$ 282,000
Goodwill	29,215
Cash and cash equivalents	2,907
Trade receivables	469
Other current assets	1,700
Equipment	56
Accounts payable and accrued liabilities	(9,767)
Deferred tax liability	(72,229)
Non-controlling interest	(12,251)
Net assets acquired	<u>\$ 222,100</u>

The Company believes that goodwill for the Grayd acquisition arose principally because of the following factors: (1) the going concern value implicit in the Company's ability to sustain and/or grow its business by increasing reserves and resources through new discoveries; and (2) the requirement to record a deferred tax liability for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

Pro forma results of operations for Agnico-Eagle assuming the acquisition of Grayd described above had occurred as of January 1, 2010 are shown below. On a *pro forma* basis, there would have been no effect on Agnico-Eagle's consolidated revenues:

	<u>2011</u>	<u>2010</u>
	Unaudited	
<i>Pro forma</i> net income (loss) attributed to common shareholders	\$ (582,762)	\$ 324,708
<i>Pro forma</i> net income (loss) per share — basic	\$ (3.42)	\$ 1.98

Subsequent to the year ended December 31, 2011 and on January 23, 2012, the Company acquired the remaining outstanding shares of Grayd it did not already own, pursuant to a previously announced compulsory acquisition carried out under the provisions of the *Business Corporations Act* (British Columbia). The January 23, 2012 purchase price of \$11.8 million was comprised of \$9.3 million in cash and 68,941 newly issued Agnico-Eagle shares.

Summit Gold Project

On December 20, 2011, the Company completed the acquisition of 100% of the Summit Gold project from Columbus Gold Corporation, subject to a 2% net smelter returns mineral production royalty reserved by Cordilleran Exploration Company. The Nevada-based project's purchase price of \$8.5 million, including transaction costs, was comprised entirely of cash. This transaction was accounted for as an asset acquisition.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

10. ACQUISITIONS (Continued)

Comaplex Minerals Corp.

On April 1, 2010, Agnico-Eagle and Comaplex jointly announced that they reached an agreement in principle whereby Agnico-Eagle would acquire all of the shares of Comaplex (the "Comaplex Shares") that it did not already own. The transaction was completed under a plan of arrangement under the *Business Corporations Act* (Alberta). Under the terms of the transaction, each shareholder of Comaplex, other than Agnico-Eagle, received 0.1576 of an Agnico-Eagle share per Comaplex share. Additionally, at closing, each Comaplex shareholder, other than Agnico-Eagle and Perfora Investments S.a.r.l. ("Perfora"), received one common share of a newly formed, wholly-owned, subsidiary of Comaplex, Geomark Exploration Ltd. ("Geomark"), in respect of each Comaplex Share and Comaplex transferred to Geomark all of the assets and related liabilities of Comaplex other than those relating to the Meliadine gold exploration properties in Nunavut, Canada. The Geomark assets included all of Comaplex's net working capital, the non-Meliadine mineral properties, all oil and gas properties and investments. Under the plan of arrangement, Comaplex changed its name to Meliadine Holdings Inc.

Prior to the announcement of the transaction, Perfora and Agnico-Eagle had entered into a support agreement pursuant to which Perfora agreed to, among other things, support the transaction and vote all of the shares it held in Comaplex in favour of the plan of arrangement. Perfora held approximately 17.3% and Agnico-Eagle held approximately 12.3%, on a fully diluted basis, of the outstanding shares of Comaplex prior to the announcement of the acquisition.

On July 6, 2010, the transactions relating to the plan of arrangement closed and Agnico-Eagle issued a total of 10,210,848 shares to the shareholders of Comaplex, other than Agnico-Eagle, for a total value of \$579.0 million. The related transaction costs associated with the acquisition totalling \$7.0 million were expensed through the Interest and sundry expense (income) line of the consolidated statements of income (loss) during the third quarter of 2010. The Company has accounted for the purchase of Comaplex as a business combination.

The following table sets forth the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value.

Total purchase price:	
Comaplex shares previously purchased	\$ 88,683
Agnico-Eagle shares issued for acquisition	578,955
Total purchase price to allocate	<u>\$ 667,638</u>
Fair value of assets acquired and liabilities assumed:	
Property	\$ 642,610
Goodwill	200,064
Supplies	542
Equipment	2,381
Asset retirement obligation	(3,400)
Deferred tax liability	(174,559)
Net assets acquired	<u>\$ 667,638</u>

The Comaplex shares purchased prior to the April 1, 2010 announcement of the acquisition had a cost base of \$24.1 million and a fair value at July 6, 2010 of \$88.6 million. Upon the acquisition of Comaplex, the non-cash gain of \$64.5 million on those shares within accumulated other comprehensive income (loss) was reversed into the consolidated statements of income (loss) as a gain during the third quarter of 2010.

The Company believes that goodwill for the Comaplex acquisition arose principally because of the following factors: (1) the going concern value implicit in the Company's ability to sustain and/or grow its business by increasing reserves and resources through new discoveries; and (2) the requirement to record a deferred tax liability for the difference between the assigned values and the tax basis of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

10. ACQUISITIONS (Continued)

Pro forma results of operations for Agnico-Eagle assuming the acquisition of Comaplex described above had occurred as of January 1, 2009 are shown below. On a *pro forma* basis, there would have been no effect on Agnico-Eagle's consolidated revenues:

	2010	2009
	Unaudited	
<i>Pro forma</i> net income attributed to common shareholders	\$ 331,516	\$ 85,371
<i>Pro forma</i> net income per share — basic	\$ 2.04	\$ 0.55

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Trade payables	\$ 104,699	\$ 91,974
Wages payable	27,247	21,583
Accrued liabilities	47,462	33,390
Goldex mine government grant (note 6(b))	1,452	1,485
Other liabilities	22,687	11,943
	\$ 203,547	\$ 160,375

In 2011 and 2010, the other liabilities balance mainly consisted of various employee payroll tax withholdings and other payroll taxes.

12. COMMITMENTS AND CONTINGENCIES

As part of its ongoing business and operations, the Company has been required to provide assurance in the form of letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes. As at December 31, 2011, the total amount of these guarantees was \$119.0 million.

Certain of the Company's properties are subject to royalty arrangements. The following are the most significant royalties:

The Company has a royalty agreement with the Finnish government relating to the Kittila mine. Starting 12 months after the mining operations commenced, the Company is required to pay 2% on net smelter returns, defined as revenue less processing costs. The royalty is paid on a yearly basis the following year.

The Company is committed to pay a royalty on production from the Meadowbank mine. The Nunavut Tunngavik-administered mineral claims are subject to production leases including a 12% net profits interest royalty from which annual deductions are limited to 85% of gross revenue. Production from Crown mining leases is subject to a royalty of up to 14% of adjusted net profits, as defined in the *Northwest Territories and Nunavut Mining Regulations* under the *Territorial Lands Act* (Canada).

The Company is committed to pay a royalty on production from certain properties in the Abitibi area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 0.5% to 5%.

The Company is committed to pay a royalty on production from certain properties in the Pinos Altos mine area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 2.5% to 3.5%.

The Company is committed to pay a 2% royalty on future net smelter returns on the production of minerals from the Summit Gold project, acquired on December 20, 2011.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

12. COMMITMENTS AND CONTINGENCIES (Continued)

In addition, the Company has the following purchase commitments:

	Purchase Commitments
2012	\$ 11,481
2013	7,141
2014	7,853
2015	4,671
2016	4,716
Subsequent years	26,452
Total	\$ 62,314

13. LEASES

(a) *Capital Leases*

In each of 2010 and 2009, the Company entered into five sale-leaseback agreements with third parties for various fixed and mobile equipment within Canada. These arrangements represent sale-leaseback transactions in accordance with ASC 840-40 — Sale-Leaseback Transactions. The sale-leaseback agreements have an average effective annual interest rate of 6.18% and the average length of the contracts is 4.5 years.

All of the sale-leaseback agreements have end of lease clauses that qualify as bargain purchase options that the Company expects to execute. The total gross amount of assets recorded under sale-leaseback capital leases amounts to \$33.6 million (2010 — \$33.6 million).

The Company has agreements with third party providers of mobile equipment that are used at the Meadowbank and Kittila mines. These arrangements represent capital leases in accordance with the guidance in ASC 840-30 — Capital Leases. The leases for mobile equipment at the Kittila mine are for 5 years and the leases for mobile equipment at the Meadowbank mine are for 5 years. The effective annual interest rate on the lease for mobile equipment at the Meadowbank mine is 5.64%. The effective annual interest rate on the lease for mobile equipment at the Kittila mine is 4.99%.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as at December 31, 2011:

<u>Year ending December 31:</u>	
2012	\$ 12,714
2013	15,520
2014	8,829
2015	3,567
2016	—
Thereafter	—
Total minimum lease payments	40,630
Less amount representing interest	3,378
Present value of net minimum lease payments	\$ 37,252

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

13. LEASES (Continued)

The Company's capital lease obligations at December 31 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Total future lease payments	\$ 40,630	\$ 54,476
Less: interest	3,378	5,865
	<u>37,252</u>	<u>48,611</u>
Less: current portion	11,068	10,592
Long-term portion of capital lease obligations	<u>\$ 26,184</u>	<u>\$ 38,019</u>

At the end of 2011, the gross amount of assets recorded under capital leases, including sale-leaseback capital leases was \$56.9 million (2010 — \$56.9 million; 2009 — \$51.7 million). The charge to income resulting from the amortization of assets recorded under capital leases is included in the "Amortization of property, plant and mine development" component of the consolidated statements of income (loss).

(b) Operating Leases

The Company has a number of operating lease agreements involving office space. Some of the leases for office facilities contain escalation clauses for increases in operating costs and property taxes. Future minimum lease payments required to meet obligations that have initial or remaining non-cancellable lease terms in excess of one year as at December 31, 2011 are as follows:

	<u>Minimum Lease Payments</u>
2012	\$ 1,676
2013	946
2014	755
2015	696
2016	696
Thereafter	3,822
Total	<u>\$ 8,591</u>

The portion of operating leases relating to rental expense was \$0.9 million in 2011 (2010 — \$4.1 million; 2009 — \$3.7 million).

14. RESTRICTED CASH

As part of the Company's insurance programs fronted by a third party provider and reinsured through the Company's internal insurance program, the third party provider requires that cash of \$3.4 million be restricted (2010 — \$2.5 million).

As part of the Company's tax planning, \$32.0 million was contributed to a qualified environmental trust ("QET") in December 2011 to fulfil the requirement of financial security for costs related to the environmental remediation of the Goldex mine. Agnico-Eagle expects to incur the majority of these expenses in 2012.

15. FINANCIAL INSTRUMENTS

From time to time, Agnico-Eagle has entered into financial instruments with several financial institutions in order to hedge underlying cash flow and fair value exposures arising from changes in commodity prices, interest rates, equity prices or foreign currency exchange rates.

In 2010 and 2011, financial instruments that subjected Agnico-Eagle to market risk and concentration of credit risk consisted primarily of cash and cash equivalents and short-term investments. Agnico-Eagle places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

15. FINANCIAL INSTRUMENTS (Continued)

Agnico-Eagle generates almost all of its revenues in US dollars. The Company's Canadian operations, which include the LaRonde, Lapa and Meadowbank mines, and the Meliadine project have Canadian dollar requirements for capital, operating and exploration expenditures. In addition, the Company's Goldex mine, which suspended operations on October 19, 2011, has Canadian dollar requirements.

The Company utilizes foreign exchange hedges to reduce the variability in expected future cash flows arising from changes in foreign currency exchange. The hedged items represent a portion of the Canadian dollar denominated cash outflows arising from Canadian dollar denominated expenditures in 2011 and 2012.

During the year, the Company entered into forward contracts with an ineffective cash flow hedging relationship that did not qualify for hedge accounting. The forward contracts hedged \$150 million of 2011 expenditures and nil of 2012 expenditures at an average rate of US\$1.00 = C\$0.99. There were no similar foreign exchange forward contracts in 2010. The hedges that expired during the year resulted in a realized loss of \$1.4 million. As of December 31, 2011 all ineffective cash flow hedges had expired.

The forward contracts with a cash flow hedging relationship that did qualify for hedge accounting, hedged \$60 million of 2011 expenditures at an average rate of US\$1.00 = C\$0.99 and \$300 million of 2012 expenditures. \$25 million will expire each month during 2012 at an average rate of US\$1.00 = C\$1.01. There were no similar effective foreign exchange forward contracts in 2010. The \$60 million of hedges that expired during the year resulted in a realized loss of \$1.5 million. As of December 31, 2011, the Company recognized a mark-to-market loss of \$4.4 million in accumulated other comprehensive income (loss). Amounts deferred in accumulated other comprehensive income (loss) are reclassified to Production costs on the statements of income (loss) and comprehensive income (loss), as applicable, when the hedged transaction has occurred. The mark-to-market loss is recorded at fair value based on broker-dealer quotations that utilize period end forward pricing of the currency hedged.

The Company's other foreign currency derivative strategies in 2011 consisted mainly of writing US dollar call options with short maturities to generate premiums that would, in essence, enhance the spot transaction rate received when exchanging US dollars to Canadian dollars. All of these derivative transactions expired prior to year-end such that no derivatives were outstanding as of December 31, 2011. The Company's foreign currency derivative strategy generated \$5.0 million in call option premiums for the year ended December 31, 2011 (2010 — \$4.9 million) that were recognized in the Gain on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss).

In addition, the Company recognized a loss of \$3.4 million (2010 — \$3.1 million) on intra-quarter silver financial instruments associated with timing of sales of silver products during 2011 that were recognized in the "(Gain) loss on derivative financial instruments" line item of the consolidated statements of income (loss) and comprehensive income (loss). There were no silver financial instruments outstanding at December 31, 2011 or December 31, 2010.

In the first quarter of 2011, to mitigate the risks associated with fluctuating zinc prices, the Company entered into a zero-cost collar to hedge the price on a portion of zinc associated with the LaRonde mine's 2011 production. The purchase of zinc put options was financed through selling zinc call options at a higher level such that the net premium payable to the counterparty by the Company is nil.

A total of 20,000 metric tonnes (2010 — 15,000 metric tonnes) of zinc call options were written at a strike price of \$2,500 (2010 — \$2,500) per metric tonne with 2,000 metric tonnes (2010 — 1,500 metric tonnes) expiring each month beginning February 28, 2011 (2010 — March 31, 2010). A total of 20,000 metric tonnes (2010 — 15,000 metric tonnes) of zinc put options were purchased at a strike price of \$2,200 (2010 — \$2,200) per metric tonne with 2,000 metric tonnes (2010 — 1,500 metric tonnes) expiring each month beginning February 28, 2011 (2010 — March 31, 2010). While setting a minimum price, the zero-cost collar strategy also limits participation to zinc prices above \$2,500 (2010 — \$2,500) per metric tonne. These contracts did not qualify for hedge accounting under ASC 815 — Derivatives and Hedging. Gains or losses, along with mark-to-market adjustments, were recognized in the Gain on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss). All options entered into during the year expired during the year resulting in a realized gain of \$3.4 million (2010 — \$3.7 million).

The following table sets out the changes in the Accumulated other comprehensive income (loss) ("AOCI") balances recorded in the consolidated financial statements pertaining to the foreign exchange hedging activities. The fair values, based on calculated

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

15. FINANCIAL INSTRUMENTS (Continued)

mark-to-market valuations, of recorded derivative related assets and liabilities and their corresponding entries to AOCI reflect the netting of the fair values of individual derivative financial instruments.

	2011	2010
AOCI, beginning of year	\$ —	\$ —
Loss reclassified from AOCI into production cost	1,459	—
Loss recognized in OCI	(5,863)	—
AOCI, end of year	<u>\$ (4,404)</u>	<u>\$ —</u>

As at December 31, 2011 and 2010, there were no metal derivative positions. The Company may from time to time utilize short-term (including intra-quarter) financial instruments as part of its strategy to minimize risks and optimize returns on its byproduct metal sales.

Other required derivative disclosures can be found in note 7(e), Accumulated other comprehensive income (loss).

The following table provides a summary of the amounts recognized in the Gain on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss):

	2011	2010	2009
Premiums realized on written foreign exchange call options	\$ 4,995	\$ 4,845	\$ 4,494
Realized gain on foreign exchange extendible flat forward	—	1,797	—
Realized loss on foreign exchange forwards	(1,407)	—	—
Realized gain on foreign exchange collar	—	711	—
Mark-to-market gain on foreign exchange extendible flat forward	—	142	—
Realized gain (loss) on zinc financial instruments	3,419	3,733	(752)
Realized gain (loss) on copper financial instruments	79	(558)	(150)
Realized loss on silver financial instruments	(3,403)	(3,058)	—
	<u>\$ 3,683</u>	<u>\$ 7,612</u>	<u>\$ 3,592</u>

Agnico-Eagle's exposure to interest rate risk at December 31, 2011 relates to its cash and cash equivalents, short-term investments and restricted cash totaling \$221.5 million (2010 — \$104.6 million) and the Credit Facility. The Company's short-term investments and cash equivalents have a fixed weighted average interest rate of 0.61% (2010 — 0.56%).

The fair values of Agnico-Eagle's current financial assets and liabilities approximate their carrying values as at December 31, 2011.

16. GENERAL AND ADMINISTRATIVE

Due to a kitchen fire at the Meadowbank mine in March 2011, the Company recognized a loss on disposal of the kitchen of \$6.9 million, incurred related costs of \$7.4 million, and also recognized an insurance receivable for \$11.2 million. The difference of \$3.1 million was recognized in the "General and administrative" line item of the consolidated statements of income (loss) and comprehensive income (loss) during the year. The Company's exposure to insurance losses related to this claim is limited to the \$3.1 million exposure through its captive insurance company.

During the year, \$2.4 million of insurance proceeds were received and as at December 31, 2011 the Company had a remaining insurance receivable of \$8.8 million (note 2(a)).

17. LOSS ON GOLDEX MINE

On October 19, 2011, the Company announced that it was suspending mining operations and gold production at the Goldex mine in Quebec, Canada effective immediately. This decision followed the receipt of an opinion from a second rock mechanics consulting firm which recommended that underground mining operations be halted. It appeared that a weak volcanic rock unit in the hanging wall of the Goldex mine deposit had failed. This rock failure is thought to extend between the top of the deposit and surface. As a result, this structure has allowed an increase in ground water to flow into the mine. This water flow has likely contributed to further weakening and movement of the rock mass.

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

17. LOSS ON GOLDEX MINE (Continued)

Agnico-Eagle has written off its investment in the Goldex mine (net of expected residual value), written off the underground ore stockpile, and recorded a provision for the anticipated costs of environmental remediation. Given the amount of uncertainty in estimating the fair value of the Goldex mine property, plant, and mine development, the Company determined that the fair value was equal to the residual value. All of the remaining 1.6 million ounces of proven and probable gold reserves at the Goldex mine, other than the ore stockpiled on surface, have been reclassified as mineral resources. The Goldex mine is part of the "Canada" segment as shown in Note 19.

The mill processed feed from the remaining surface stockpile at the Goldex mine in October 2011.

Impairment loss on Goldex mine property, plant, and mine development	\$ 237,110
Loss on underground ore stockpile	16,641
Supplies inventory obsolescence provision	1,915
Increase in environmental remediation liability	47,227
Loss on Goldex mine (before income and mining taxes)	<u>\$ 302,893</u>

The environmental remediation liability for the anticipated costs of remediation associated with the Company's Goldex mine requires management to make estimates and judgments that affect the reported amount. In making judgments in accordance with US GAAP, the Company uses estimates based on historical experience and various assumptions that are considered reasonable in the circumstances. Actual results may differ from these estimates.

18. IMPAIRMENT LOSS ON MEADOWBANK MINE

For the year ended December 31, 2011 the Company performed a full review of the Meadowbank mine operations and updated the related life of mine plan. This review considered the exploration potential of the area, the current mineral reserves and resources, the projected operating costs in light of the persistently high operating costs experienced since commencement of commercial operations, metallurgical performance and gold price. These served as inputs into pit optimizations to determine which reserves and resources could be economically mined and be considered as mineable mineral reserves. As a result of these factors, an updated mine plan with a shorter mine life was developed and cash flows calculated, resulting in an impairment charge to the Meadowbank mine carrying value of \$907.7 million. The Meadowbank mine previously had a property, plant and mine development book value of approximately \$1.7 billion.

Net estimated future cash flows from the Meadowbank mine were calculated, on an undiscounted basis, based on best estimates of future gold production, which were based on long-term gold prices from \$1,250 to \$1,553 per ounce (in real terms), foreign exchange rates from US\$0.92:C\$1 to US\$0.97:C\$1, increased cost estimates based on revised operating levels, average gold recovery of 92.9% and expected continuation of operations to 2017, including the processing of stockpiled ore. Future expected operating costs, capital expenditures, and asset retirement obligations were based on the updated life of mine plan. The fair value was calculated by discounting the estimated future net cash flows using a 5% interest rate (in real terms), commensurate with the estimated level of risk. Management's estimate of future cash flows is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Company's long-lived assets and may have a material effect on the Company's results of operations and financial position. The Meadowbank mine is a part of the "Canada" segment as shown in Note 19.

19. SEGMENTED INFORMATION

Agnico-Eagle operates in a single industry, namely exploration for and production of gold. The Company's primary operations are in Canada, Mexico, and Finland. The Company identifies its reportable segments as those operations whose operating results are reviewed by the Chief Executive Officer and Chief Operating Officer, and that represent more than 10% of the combined revenue, profit or loss or total assets of all reported operating segments. The following are the reporting segments of the Company and reflect how the Company manages its business and how it classifies its operations for planning and measuring performance:

Canada:	LaRonde mine, Lapa mine, Goldex mine, Meadowbank mine, Meliadine project and the Regional Office
Europe:	Kititila mine
Latin America:	Pinos Altos mine, Creston Mascota deposit at Pinos Altos and the La India project
Exploration:	USA Exploration office, Europe Exploration office, Canada Exploration offices, and the Latin America Exploration office

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011**

19. SEGMENTED INFORMATION (Continued)

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies. There are no transactions between the reported segments affecting revenue. Production costs for the reported segments are net of intercompany transactions. Of the \$229.3 million of goodwill reflected on the consolidated balance sheets at December 31, 2011, \$200.1 million relates to the Meliadine project that is a component of the Canada segment and \$29.2 million relates to the La India project that is a component of the Latin America segment.

Corporate Head Office assets are included in the "Canada" segment and specific corporate income and expense items are noted separately below.

Certain items in the comparative segmented information relating to the Meliadine project have been reclassified from the "Exploration" segment to the "Canada" segment.

On May 1, 2009, both the Lapa mine and the Kittila mine achieved commercial production. The Pinos Altos mine achieved commercial production on November 1, 2009. The Meadowbank mine achieved commercial production on March 1, 2010. The Creston Mascota deposit at Pinos Altos achieved commercial production on March 1, 2011. The LaRonde mine extension achieved commercial production on December 1, 2011.

Year Ended December 31, 2011	Revenues from Mining Operations	Production Costs	Amortization	Exploration and Corporate Development	Foreign Currency Translation Loss (Gain)	Loss on Goldex Mine	Impairment Loss on Meadowbank Mine	Segment Income (Loss)
Canada	\$ 1,217,858	\$ 619,987	\$ 198,219	\$ —	\$ 2,825	\$ 302,893	\$ 907,681	\$ (813,747)
Europe	225,612	110,477	26,574	—	1,063	—	—	87,498
Latin America	378,329	145,614	36,988	—	(4,955)	—	—	200,682
Exploration	—	—	—	75,721	(15)	—	—	(75,706)
	<u>\$ 1,821,799</u>	<u>\$ 876,078</u>	<u>\$ 261,781</u>	<u>\$ 75,721</u>	<u>\$ (1,082)</u>	<u>\$ 302,893</u>	<u>\$ 907,681</u>	<u>\$ (601,273)</u>
Segment loss								\$ (601,273)
Corporate and Other								
Interest and sundry expense								(5,188)
Net loss on sale and write-down of available-for-sale securities								(3,662)
Gain on derivative financial instruments								3,683
General and administrative								(107,926)
Provincial capital tax								(9,223)
Interest expense								(55,039)
Loss before income and mining taxes								<u>\$ (778,628)</u>

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

19. SEGMENTED INFORMATION (Continued)

Year Ended December 31, 2010	Revenues from Mining Operations	Production Costs	Amortization	Exploration and Corporate Development	Foreign Currency Translation Loss (Gain)	Segment Income (Loss)
Canada	\$ 1,086,744	\$ 499,621	\$ 140,024	\$ —	\$ 22,815	\$ 424,284
Europe	160,140	87,735	31,231	—	(2,780)	43,954
Latin America	175,637	90,116	21,134	—	(2,126)	66,513
Exploration	—	—	97	54,958	1,627	(56,682)
	<u>\$ 1,422,521</u>	<u>\$ 677,472</u>	<u>\$ 192,486</u>	<u>\$ 54,958</u>	<u>\$ 19,536</u>	<u>\$ 478,069</u>
Segment income						\$ 478,069
Corporate and Other						
Interest and sundry income						10,254
Gain on acquisition of Comaplex, net						57,526
Gain on sale of available-for-sale securities						19,487
Gain on derivative financial instruments						7,612
General and administrative						(94,327)
Provincial capital tax						6,075
Interest expense						(49,493)
Income before income and mining taxes						<u>\$ 435,203</u>

Year Ended December 31, 2009	Revenues from Mining Operations	Production Costs	Amortization	Exploration and Corporate Development	Foreign Currency Translation Loss (Gain)	Segment Income (Loss)
Canada	\$ 538,123	\$ 252,035	\$ 60,028	\$ —	\$ 36,499	\$ 189,561
Europe	61,457	42,464	10,909	—	3,582	4,502
Latin America	14,182	11,819	1,524	—	(250)	1,089
Exploration	—	—	—	36,279	—	(36,279)
	<u>\$ 613,762</u>	<u>\$ 306,318</u>	<u>\$ 72,461</u>	<u>\$ 36,279</u>	<u>\$ 39,831</u>	<u>\$ 158,873</u>
Segment income						\$ 158,873
Corporate and Other						
Interest and sundry income						12,580
Gain on sale of available-for-sale securities						10,142
Gain on derivative financial instruments						3,592
General and administrative						(63,687)
Provincial capital tax						(5,014)
Interest expense						(8,448)
Income before income and mining taxes						<u>\$ 108,038</u>

	Total Assets as at	
	December 31, 2011	December 31, 2010
Canada	\$ 3,205,158	\$ 4,179,446
Europe	771,714	679,258
Latin America	1,020,078	619,263
Exploration	37,312	22,384
	<u>\$ 5,034,262</u>	<u>\$ 5,500,351</u>

AGNICO-EAGLE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2011

19. SEGMENTED INFORMATION (Continued)

	Capital Expenditures		
	2011	2010	2009
Canada	\$ 319,728	\$ 1,004,129	\$ 435,098
Europe	95,549	67,894	84,955
Latin America	313,669	103,131	136,706
Exploration	8,418	97	—
	<u>\$ 737,364</u>	<u>\$ 1,175,251</u>	<u>\$ 656,759</u>

20. SUBSEQUENT EVENTS

On January 23, 2012, the Company acquired the remaining outstanding shares of Grayd it did not already own, pursuant to a previously announced compulsory acquisition carried out under the provisions of the *Business Corporations Act* (British Columbia). The January 23, 2012 purchase price of \$11.8 million was comprised of \$9.3 million in cash and 68,941 newly issued Agnico-Eagle shares.

On February 16, 2012, Agnico-Eagle announced that the Board of Directors approved the payment of a quarterly cash dividend of \$0.20 per common share, payable on March 15, 2012 to holders of record of the common shares of the Company on March 1, 2012.

21. ALLEGED SECURITIES CLASS ACTION LAWSUITS

On November 7 and 22, 2011, the Company, three of its senior executive officers and two also being directors, and one of its former senior executive officers and directors were named as defendants in two putative class action lawsuits, styled *Jerome Stone v. Agnico-Eagle Mines Ltd., et al.*, and *Chris Hastings v. Agnico-Eagle Mines Limited, et al.*, which were filed in the United States District Court for the Southern District of New York. These actions purport to be brought on behalf of all persons who purchased the Company's securities during the period March 26, 2010 through October 19, 2011 (the "Class Period"). The lawsuits allege, among other things, that the Company violated the U.S. securities laws by making a series of material misrepresentations and/or omitting to disclose material information during the Class Period, thereby artificially inflating the price of the Company's securities. The original complaints seek, among other things, (i) a determination that the action is a proper class action, and (ii) awards for unspecified damages and interest, costs and expenses. On February 6, 2012, the court entered an order consolidating the *Stone* and *Hastings* actions under the caption *In re Agnico-Eagle Mines Ltd. Securities Litigation* and appointing a lead plaintiff (not one of the plaintiffs who filed the original complaints). The lead plaintiff has until April 6, 2012 to file a consolidated amended complaint. Defendants will then respond to the consolidated amended complaint, including filing a motion to dismiss for failure to state a claim under the U.S. securities laws, if they deem it appropriate. Eberhard Scherkus, one of the three executives employed by Agnico-Eagle at the time the case was filed and named as a defendant in the lawsuits, resigned as a director and officer of the company effective February 15, 2012.

On March 8, 2012, a Notice of Action was issued by AF A Livforsakringsaktiebolag, AF A Sjukforsakringsaktiebolag, AF A Trygg Hetsforsakringsaktiebolag, Kollektiv a Vtalsstiftelsen Trygghetsfonden TSL, and William Leslie against the Company and certain of its current and former officers and directors. The Notice alleges, among other things, that the Company failed to disclose the specific risks regarding ongoing water inflow at the Goldex mine. The Notice was issued by the plaintiffs as a proposed class action on behalf of all persons who acquired securities of the Company during the period March 26, 2010 to October 19, 2011. The plaintiffs seek to certify the action as a class action and seek damages of \$250 million.

QuickLinks

Exhibit 99.3

[Annual Audited Consolidated Financial Statements \(Prepared in accordance with United States GAAP\)](#)

[REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

[MANAGEMENT CERTIFICATION](#)

[REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

[AGNICO-EAGLE MINES LIMITED CONSOLIDATED BALANCE SHEETS \(thousands of United States dollars, US GAAP basis\)](#)

[AGNICO-EAGLE MINES LIMITED CONSOLIDATED STATEMENTS OF INCOME \(LOSS\) AND COMPREHENSIVE INCOME \(LOSS\)](#)

[\(thousands of United States dollars, except per share amounts, US GAAP basis\)](#)

[AGNICO-EAGLE MINES LIMITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY \(thousands of United States dollars, US GAAP basis\)](#)

[AGNICO-EAGLE MINES LIMITED CONSOLIDATED STATEMENTS OF CASH FLOWS \(thousands of United States dollars, US GAAP basis\)](#)

[AGNICO-EAGLE MINES LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS \(thousands of United States dollars, except per share amounts, unless otherwise indicated\) December 31, 2011](#)