2011 was a disappointing year for Agnico-Eagle. A fire disrupted production at our Meadowbank mine, and geotechnical issues compelled us to suspend operations at Goldex. For a variety of reasons, we missed our production and cost targets. But, without downplaying the challenges, it's important to acknowledge Agnico-Eagle's strengths. The Company has good people, a quality asset base, solid financial performance and an outstanding investment track record with strong potential for more.

**That's where we stand.**

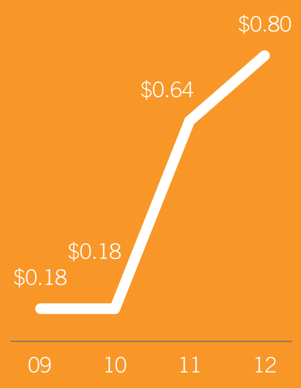
Sean Boyd, *President and Chief Executive Officer*

AEM

**Agnico-Eagle Mines Limited**
**2011 Annual Report**

# FINANCIAL SUMMARY

**Annualized Dividend**
(per share)




| All dollar amounts in this report are in US$ unless otherwise indicated | **2011** | 2010 | 2009 |
|---|---|---|---|
| **Operating** | | | |
| Gold production (ounces) | **985,460** | 987,609 | 492,972 |
| Total cash costs per ounce | **$ 580** | $ 451 | $ 346 |
| Average realized gold price | **$ 1,573** | $ 1,250 | $ 1,024 |
| **Financial** | | | |
| (millions except per share amounts) | | | |
| Revenue from mining operations | **$ 1,822** | $ 1,422.5 | $ 613.8 |
| Net income | **(569)**[1] | 332.1 | 86.5 |
| Net income per share | **(3.36)**[1] | 2.05 | 0.55 |
| Annualized dividend per share | **$ 0.64**[2] | $ 0.18 | $ 0.18 |

Total cash costs per ounce is a non-GAAP measure.

This document uses the terms “measured resources,” “indicated resources” and “inferred resources.” We advise investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them.

[1] 2011 net income results impacted in the fourth quarter by the after-tax writedowns of Meadowbank and Goldex of $645 million and $161 million, respectively.

[2] In February 2012, the Company announced a quarterly dividend of $0.20 per share.

# Dear shareholders,

There is no other way to look at it. 2011 was a challenge for our Company. Thankfully, over our 55 years of operating history, we have had many more up years than down, and we have learned to regroup, take the necessary corrective actions and move forward. It is this resolve and practicality that have enabled us to overcome past challenges and deliver some of the best long-term shareholder returns in the industry.

One of our main issues in 2011 was the persistently high operating costs at our Meadowbank mine in the Canadian Arctic. Ore dilution, which resulted in lower than expected grades to the mill, and the cost of transportation, logistics, labour and maintenance continued to be much higher than expected. The best solution was to re-optimize the mine plan based on this reality and adopt a lower-risk approach. The new plan forecasts lower gold production over a shorter mine life but is still expected to allow us to generate significant free cash flow over the next six years. The new plan is also significantly de-risked as it excludes approximately 36% of the previously budgeted ore and waste tonnes and includes more conservative dilution estimates than the original plan. As a result of our estimates for operating costs going forward, we incurred a $645 million after-tax partial writedown of the Meadowbank mine.

In October 2011, we had to suspend production at our Goldex mine in Val-d'Or, Quebec, due to geotechnical concerns. It was suggested that a weak rock unit in the hanging wall of the Goldex deposit had failed. Considering the safety of our employees, and the integrity of surface infrastructure, the decision was made to stop production. We have initiated an investigation, monitoring and remediation plan, which is continuing into 2012. Due to the uncertainty regarding any future production at Goldex, a $161 million after-tax writedown was incurred. In addition, all proven and probable reserves at Goldex were transferred into mineral resources.

In light of our challenges, we took the time needed to re-evaluate our assets and to lay out a plan to begin 2012 on a stronger footing. This included revising our budgeting, forecasting and reporting processes and ensuring that our focus remains on the important issues. The solid, attainable production and cost guidance issued for the next three years reflects our work. We are forecasting growth at four of our five operating mines in 2012, with the fifth, Lapa, expected to produce approximately the same amount of gold as in 2011.

At LaRonde, we will start to benefit from the completion of the deep extension of the orebody, which will enable us to access higher valued ore. In fact, LaRonde is expected to be our biggest driver of production growth over the next few years due to higher gold grades, which are expected to more than offset the concurrent decline in base metals grades. At both Kittila and Pinos Altos, we achieved record annual gold production in 2011 and are poised to continue the growth in 2012. Pinos Altos was our highest cash flow generator, with notably low total cash costs of $299 per ounce of gold produced. Kittila is expected to exceed its record gold production from 2011, while Meadowbank is expected to rebound in 2012 with higher gold production due to a full year of throughput at more than 9,000 tonnes per day.

What gets lost in the troubles of last year is the fact that we generated record mine profit of approximately $946 million and record cash provided by operating activities of approximately $663 million in 2011. We expect reserves, production and cash flows from our current mines to grow in 2012.

We enjoyed considerable exploration success in 2011, with continued growth in the Kittila, Meliadine and Mexican deposits. Kittila is now our largest contributor to gold reserves at 5.2 million ounces, and is wide open geologically. In the one and a half years since we acquired Meliadine, exploration drilling has expanded the amount of gold contained in reserves and resources by approximately 40%. There is strong potential at Meliadine, which is nearly double the size and double the average reserve grade of the Meadowbank deposit, and is favourably located near the western shores of Hudson Bay. In addition, drilling in 2011 has resulted in an extension of the mine life of Creston Mascota on the Pinos Altos property by approximately two years.

For 2012, we have budgeted $106 million for exploration, focused primarily on accelerating the drilling programs at Kittila, Meliadine, Mascota and Bravo (near Pinos Altos), and on work at our newest Mexican properties acquired in the 2011 Grayd Resource Corporation (Grayd) transaction.

Our cash flows are enabling us to fund a larger dividend. We announced a 25% increase to the quarterly cash dividend to $0.20 per share. Agnico-Eagle has now declared a dividend for 30 consecutive years – a rare accomplishment in the gold mining business. Our goal is to continue increasing the dividend on a sustainable basis via continued growth in our production base.

We plan to continue looking for new opportunities to build value by bringing our mine development and exploration skills to promising, early-stage gold deposits and projects. In keeping with our longstanding approach to mergers and acquisitions, we acquired Grayd for its 100%-owned advanced-stage La India gold project and the recently discovered Tarachi gold deposit in the Sierra Madre gold belt of northern Mexico. These deposits are approximately 70 kilometres from our operations at Pinos Altos. La India will be evaluated in 2012 for its potential as a low-cost open pit heap leach mine.

With strong growth prospects, solid operating plans in place, a robust financial position and a re-energized management team, we are off to a good start in 2012. Our sights remain firmly fixed on delivering growth in a variety of per share metrics, consistent with our long history of creating value for shareholders. It's worth noting that in the 5-, 10-, 15- and 20-year periods up to 2009, Agnico-Eagle dramatically outperformed all senior gold producers, the gold price and the S&P 500. We aim to get back on this track.

In conclusion, I would like to publicly recognize the contributions of Mr. Ebe Scherkus, the former President and Chief Operating Officer, and Mr. Paul-Henri Girard, the former Vice-President, Canada. Over his 26 years with Agnico-Eagle, Ebe helped build and transform the organization from a single-asset producer to a multi-mine international gold company. In his 25 years of service, Paul-Henri was instrumental in the development of the world-class LaRonde mine and in building the Company's mining base. Both men will continue to serve Agnico-Eagle as advisors. Everyone at Agnico-Eagle thanks them for their leadership, commitment and friendship.

Thanks are also extended to our Board of Directors for their support and counsel this past year, and, most importantly, to our employees, whose depth of skills, relentless effort and confidence in the future of Agnico-Eagle have helped us turn the corner and move forward.

Sean Boyd

**Sean Boyd**
President and Chief Executive Officer
March 19, 2012

# CORPORATE STRATEGY

1 **Increase gold production**

Targeting 1,055,000 ounces by 2014

2 **Grow gold reserves**

Targeting a 12% increase, net of production, at year-end 2012, to approximately 20 million ounces

3 **Acquire small, think big**

Focusing on early-stage mergers and acquisitions with minimal share dilution

4 **Be a low-cost leader**

Projecting total cash costs to be in the range of \$690 to \$750 per ounce in 2012. Corporate goal is to drive costs down

5 **Maintain a solid financial profile**

Increasing net free cash flow as production increases and capital expenditures decrease

*"We announced a 25% dividend increase for 2012 and aim to raise the dividend even further as we grow gold output."*

**Alain Blackburn**
*Senior Vice-President, Exploration*

**Tim Haldane**
*Senior Vice-President, Latin America*

**David Smith**
*Senior Vice-President, Strategic Planning and Investor Relations*

**Sean Boyd**
*President and Chief Executive Officer*

**Yvon Sylvestre**
*Senior Vice-President, Operations*

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

## TARGETS AND ACHIEVEMENTS

| 2011 TARGETS | WHAT WE DELIVERED | 2012 TARGETS |
|---|---|---|
| Reduce lost-time accident frequency below a rate of 3.4 for the Agnico-Eagle workforce | **Achieved 3.21** | Lost-time accident frequency at 3.3 or below for the Agnico-Eagle workforce |
| No fines or penalties for environmental failures | **Achieved** | No fines or penalties for environmental failures |
| Zero category 3, 4 or 5 environmental incidents | **Achieved** | Zero category 3, 4 or 5 environmental incidents |
| 1.13 to 1.23 million ounces of gold production | **985,460 ounces, largely due to the closure of Goldex and lower than expected grades at Meadowbank and LaRonde** | 875,000 to 950,000 ounces of gold production |
| Increase gold production per share | **Did not achieve our target, largely due to the closure of Goldex and lower than expected grades at Meadowbank and LaRonde** | Increase gold production per share |
| More than 22 million ounces of gold reserves | **18.8 million ounces, largely due to the closure of Goldex and the new mining plan and lower reserves at Meadowbank** | More than 20 million ounces of gold reserves |
| Increase gold reserves per share | **Did not achieve our target, due to 2011 gold production, reclassification of Goldex reserves to resources, and the new mining plan and lower reserves at Meadowbank** | Increase gold reserves per share |
| Total cash costs of $420 to $470 per ounce | **Total cash costs of $580 per ounce, primarily due to the impact of high costs at Meadowbank, the loss of Goldex and general mining cost escalation** | Total cash costs of $690 to $750 per ounce |
| Increase operating cash flow per share | **Achieved. Record operating cash flow of $3.92 per share** | Increase operating cash flow per share |
| Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities | **Acquired Grayd, owner of the La India gold project and the Tarachi gold deposit in northern Mexico** | Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities |

**Jean Robitaille**
*Senior Vice-President, Technical Services and Project Development*

**R. Gregory Laing**
*General Counsel, Senior Vice-President, Legal, and Corporate Secretary*

**Louise Grondin**
*Senior Vice-President, Environment and Sustainable Development*

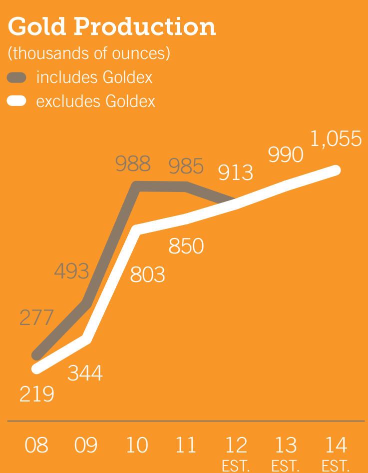
**Donald G. Allan**
*Senior Vice-President, Corporate Development*

**Marc Legault**
*Senior Vice-President, Project Evaluations*

**Jean-Luk Pellerin**
*Senior Vice-President, Human Resources*

**Daniel Racine**
*Senior Vice-President, Mining*

Agnico-Eagle's mines generated nearly $1 billion of gross mine profit in 2011. Production, reserves and free cash flow are projected to grow in 2012 and beyond, on the strength of our cornerstone assets at Kittila, LaRonde and Meliadine, and those in Mexico.





## CORNERSTONE ASSETS

### Kittila

**Lapland, Finland**

– Highest level of gold reserves of all our properties

– Remains open geologically

### LaRonde

**Quebec, Canada**

– Consistent engine of cash flow and earnings

– Production and cash flow projected to increase in 2012

### Meliadine

**Nunavut, Canada**

– Large, long-life deposit continues to grow

– Updated feasibility study expected in late 2013

### Mexico

**Chihuahua and Sonora States, Mexico**

– Pinos Altos mine is our highest cash flow generator

– La India expected to add to production profile within three years

# KITTILA

KITTILA

5.2 million
ounces of gold in reserves

Estimated mine life to
2044

Record annual gold production of
143,560 ounces

With an increase in gold reserves in 2011, Kittila is now our largest contributor to proven and probable gold reserves at 5.2 million ounces. Production and mill recoveries are steadily improving, achieving record levels in 2011. The stage has been set for further expected production growth in 2012.

The Kittila mine is located in the Lapland region of northern Finland, approximately 900 kilometres north of Helsinki and 150 kilometres north of the Arctic Circle. At current production levels Kittila's mine life is expected to last until 2044.

Ongoing exploration in 2011 expanded the Kittila mineralization in the Rimpi and Roura deposit areas at depth and to the north, highlighting further exploration upside at this deposit.

In light of the continued growth of the orebody, we are evaluating a 25% throughput expansion at Kittila, which could be supported by the current reserve and could potentially be operational in 2015.

We are also considering a larger expansion at a later date, which would include sinking a shaft and increasing milling capacity. The deposit appears to be significantly richer and thicker beneath the Rimpi zone (approximately two kilometres north of the main Suuri deposit, which is currently being mined). We plan to spend $16 million in exploration in 2012, focusing on the Rimpi deposit and on demonstrating continuity of the mineralization at different depths.

We have operated our flagship LaRonde mine in northwestern Quebec since 1988. This has been a longstanding training ground for our employees, and many have been with the Company since we began mining operations in the Abitibi region of Quebec.

LaRONDE

4.7 million ounces of gold in reserves

Estimated mine life to 2026

Despite decades of production, LaRonde still contains 4.7 million ounces of proven and probable gold reserves, which are among the largest gold reserves at an operating mine in Canada. LaRonde is a consistent engine of cash flow and earnings for Agnico-Eagle. With the completion in late 2011 of a deep extension, which accesses richer ores, the mine promises to be a primary driver of the Company's gold production and cash flow growth over the next several years. It has an estimated mine life to 2026.

By 2014, we plan to achieve full production levels from the deeper ore, and are forecasting 280,000 ounces of gold output in that year. This would more than double the 2011 production rate of 124,173 ounces.

LaRonde also produces silver, zinc and copper. As we mine the deeper gold, byproduct grades will decline significantly, largely due to lower zinc grades at depth. However, due to the higher gold grade, the operating profit at the mine is expected to increase significantly. At metals prices realized in 2011, the average value of a tonne of ore over the remaining mine life is expected to increase by more than 50%.

Gold output estimated to increase to 280,000 ounces in 2014

## MELIADINE

MELIADINE

**2.9 million** ounces of gold in reserves

Average reserve grade of **7.2 grams** per tonne

Measured and indicated resources total **1.7 million** ounces of gold

Agnico-Eagle has a strong foothold in the Nunavut Territory of Canada. While the remote location and harsh weather conditions can present their share of challenges, we are confident in the potential of our orebodies to create value for our shareholders and for the people living in the region.

The advanced-stage Meliadine project is one of our largest gold deposits in terms of reserves and resources. Its large size, high grades and optimal location near the western shore of Hudson Bay (which is expected to help mitigate high logistics costs) make it a cornerstone asset. We expect further exploration success to contribute to a growing reserve, which is forecasted to be mined over a long life.

An updated feasibility study for Meliadine is expected in late 2013 and first production is anticipated in 2017.

Since acquiring Meliadine in mid-2010, we have conducted an extensive drilling program, which has expanded the gold contained in reserves and resources by approximately 40%. The gold deposits are within a large land package that is nearly 80 kilometres long and largely unexplored. There continues to be strong exploration upside, and we are budgeting more than $30 million for drilling in known deposits and grassroots exploration in 2012.

# MEXICO

Our position in the Sierra Madre region of northern Mexico was strengthened in 2011 with the acquisition of Grayd, through which we acquired the La India gold project and the recently discovered Tarachi gold deposit. These two projects are approximately 70 kilometres away from our Pinos Altos mine. The promising outlook for these properties reinforces the growing importance of our Mexican operations as a key contributor to Agnico-Eagle's operating and growth profile.

PINOS ALTOS

3.1 million ounces of gold in reserves

Estimated mine life to 2029

## Pinos Altos

The Pinos Altos mine achieved record annual gold production in 2011 of 204,380 ounces at total cash costs of $299 per ounce. It was our highest cash flow generator during the year. Production and cost improvements were largely due to the contribution of the new heap leach operation at Creston Mascota and higher throughput in the Pinos Altos mill.

Creston Mascota is a satellite operation located seven kilometres northwest of the main Santo Niño deposit. This mine achieved commercial production in March 2011. Successful exploration results in 2011 added approximately 75,000 ounces of proven and probable reserves, extending Creston Mascota's estimated mine life by approximately two years, through to 2017.

With the significant growth of ore reserves since Pinos Altos was acquired in 2006, we have begun an underground expansion that will help offset lower grades in the latter years of the mine. Increased underground mine production would likely require a

1.85 million ounces of silver production in 2011

LA INDIA

**715,000** ounces of inferred resources*

**1.2** million ounces of measured and indicated resources*

shaft but not require significant mill expansion as the process plant at Pinos Altos has already proven its capacity to exceed the original design throughput of 4,000 tonnes per day.

Pinos Altos currently has an estimated mine life to 2029. Two potential growth projects at the Bravo and Sinter deposits could potentially increase the production profile of the mine. In particular, the Sinter deposit, located approximately two kilometres north of the Santo Niño zone, is being examined as a possible source of open pit ore for the Pinos Altos mill.

## La India and Tarachi

The La India property, located in Mexico's Sonora State, covers the La India feasibility-stage heap leach gold project and the recently discovered Tarachi gold zone. It also includes several prospective targets in the belt, among them a potential new high-sulphidation system and a gold-silver prospect. Both projects are located in a large package of exploration concessions that total approximately 54,000 hectares.

The La India project added approximately 1.2 million ounces of measured and indicated gold resources* (48 million tonnes grading 0.74 grams per tonne) and 715,000 ounces in inferred resources* (32 million tonnes grading 0.69 grams per tonne). Ongoing exploration is focused on converting current resources into reserves. We are also advancing the engineering study and permitting process with the goal of initial production from a low-cost open pit heap leach mine within the next three years.

Initial drilling and sampling at the Tarachi gold deposit suggest that the mineralized structure extends over several kilometres. The Tarachi gold deposit will be a focus of resource exploration drilling in 2012, and an expansion to the mineral resource is expected in 2013.

In addition to our cornerstone assets, our Meadowbank and Lapa mines are important contributors to annual gold production. Although production at the Goldex mine has been suspended, we continue to evaluate other possible development options during the ongoing investigation and remediation phase.

MEADOWBANK

**2.2 million** ounces of gold in reserves

Gold production of **270,801 ounces** in 2011

## Meadowbank

The Meadowbank mine in northern Canada achieved commercial production in 2010 but has experienced a number of issues since start-up. While the mill throughput exceeded design capacity in the second half of 2011, the grades continued to be lower than expected and operating costs were significantly higher. As a result, we revised the mine plan and incurred a partial after-tax writedown of $645 million.

The new mine plan forecasts lower gold production over a shorter mine life, which now extends to 2017 rather than 2020. While it will still allow us to generate significant cash flow over the next six years, the lower-risk plan removes approximately 73 million tonnes, or 36%, of the previously budgeted ore and waste tonnes and includes more conservative dilution estimates than the original plan.

Despite the challenges, the mine was our largest gold producer in 2011. We estimate gold production to be in the 295,000- to 310,000-ounce range for each of the next three years.

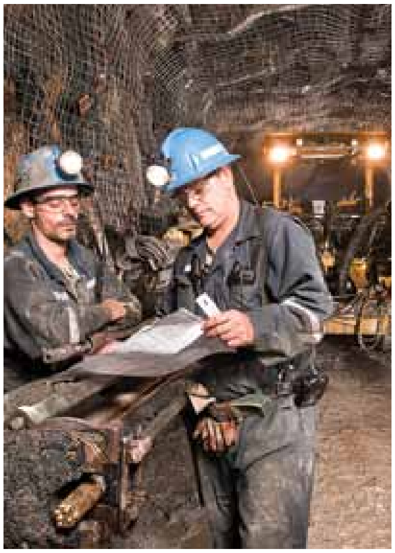
LAPA

Life of mine extended to

2015

Average gold reserve grade of

6.5 grams per tonne



## Lapa

The high-grade Lapa mine is located 11 kilometres east of our LaRonde mine. Ore is trucked to a dedicated milling circuit at LaRonde for processing. Lapa achieved commercial production in 2009 and has an estimated mine life to 2015. While this is a difficult orebody to mine due to challenging ground conditions, the employees have maintained good throughput and cost control.

For 2012, production and costs are expected to be in the same range as in 2011, with gold output ranging from 95,000 to 105,000 ounces and total cash costs estimated to be $750 per ounce.

Exploration success added 70,000 ounces of gold to the reserve at Lapa in 2011, resulting in an extension to the mine life of six months. In 2012, we are looking to further extend the mine life and will spend approximately $3 million conducting exploration drilling from underground drifts to the east of the orebody.

## Goldex

While the mine produced 135,478 ounces of gold in 2011, in October we suspended production at our Goldex mine in Val-d'Or, Quebec, due to geotechnical concerns. It was suggested that a weak rock unit in the hanging wall of the deposit had failed. We initiated an investigation, monitoring and remediation plan, which is continuing into 2012. We also transferred all proven and probable reserves at Goldex into mineral resources. At the same time, we are conducting exploration drilling to help evaluate the economic potential of other mineralized zones in the property.

# EXPLORATION AND RESERVES & RESOURCES SUMMARY

Growing gold reserves on a per share basis is integral to our strategy and critical to our long-term performance. Exploration plays a key role in enabling us to meet this objective. We enjoyed considerable exploration success in 2011, even though total reserves declined from 2010 levels due to gold production, the reclassification of Goldex reserves to resources following the suspension of mining, and the revised mine plan at Meadowbank.

Among our key advances:

- Kittila's gold reserves increased by approximately 0.3 million ounces, despite gold production and the impact of more conservative operating cost assumptions. Reserves were added at the Rimpi and Roura deposit areas at depth and to the north, highlighting further exploration upside at this deposit.
- At Meliadine, resource conversion drilling resulted in an additional 0.3 million ounces of proven and probable gold reserves, mainly in the Tiriganiaq zone. In addition, the Wesmeg zone demonstrated significant growth in gold resources.
- In Mexico, approximately 75,000 ounces of gold reserves were added at Creston Mascota, increasing its expected mine life by approximately two years. The acquisition of Grayd and its La India project added approximately 1.2 million ounces of measured and indicated resources (48 million tonnes grading 0.74 grams per tonne) and 0.7 million ounces in inferred resources (32 million tonnes grading 0.69 grams per tonne). The acquisition included the recently discovered Tarachi deposit.

For 2012, we are projecting year-end reserves to grow to approximately 20 million ounces of gold, or an increase of approximately 12%, net of production, through a $106 million exploration drilling campaign.

The program will be primarily focused on the acceleration of the drilling programs at Kittila, Meliadine and Mascota/Bravo, the conversion of resources at La India and the further exploration of Tarachi. These programs will form part of the feasibility studies at each of these projects, which could add to the Company's production growth profile.

## Reserve Summary

| Gold Reserves by Mine/Project | Proven and Probable Reserves (thousands of ounces) | |
|---|---|---|
| | **2011** | 2010 |
| LaRonde | **4,700** | 4,818 |
| Goldex | – | 1,566 |
| Lapa | **501** | 677 |
| Kittila | **5,177** | 4,880 |
| Pinos Altos | **3,103** | 3,271 |
| Meadowbank | **2,201** | 3,486 |
| Meliadine | **2,877** | 2,600 |
| Bousquet | **191** | – |
| Total | **18,750** | 21,299 |

Amounts presented in this table have been rounded to the nearest thousand. Please see our website for a detailed breakdown of the Company's reserves and resources.

Agnico-Eagle's byproduct proven and probable reserves include approximately 116 million ounces of silver, 324,000 tonnes of zinc and 91,000 tonnes of copper. The byproduct reserves and resources for silver, zinc, copper and lead contained in the LaRonde orebody, and the silver reserves contained at Pinos Altos, are presented on our website. These byproduct reserves are not included in Agnico-Eagle's gold reserve and resource totals.

The assumptions incorporated in the 2011 reserve calculation, as compared with those in 2010, are as follows:

| Reserve Assumptions | **2011** | 2010 |
|---|---|---|
| Gold (US$/oz) | **1,255** | 1,024 |
| Silver (US$/oz) | **23.00** | 16.62 |
| Copper (US$/lb) | **3.25** | 2.97 |
| Zinc (US$/lb) | **0.91** | 0.86 |
| C$/US$ | **1.05** | 1.08 |
| US$/Euro | **1.37** | 1.40 |
| MXP/US$ | **12.86** | 12.43 |

## Health and Safety

Our overriding goal is zero harm to all workers at our sites. We achieve this through a combination of safety standards, safe work practices and procedures, incident reporting and tracking, knowledge sharing across our operations and safety audits. Safety performance improved in 2011, with a 4% decline in lost-time accident frequency, from 3.32 in 2010 to 3.21.

## Our People

With the suspension of mining at Goldex, we implemented a plan to minimize the impact on the operation's 250 employees during the investigation and remediation phase. As a result, none of our permanent employees were laid off. Approximately 95 people were relocated to our other Canadian mining operations, while others are active at the Goldex mine. Some are working on the surface injection and remediation program, and other employees are involved in an exploration program and the development of an underground ramp to a deeper mineralized zone.

## In the Community

Our Meadowbank mine in Nunavut continued to advance its partnership with government and educational leaders within a program aimed at encouraging students to pursue careers in mining. Initiatives range from course curriculum to apprenticeship and co-op programs.

## External Codes and Initiatives

We continued our implementation of the Mining Association of Canada's (MAC) Towards Sustainable Mining (TSM) initiative, developed to help mining companies improve their management systems in the areas of tailings management, energy use and greenhouse gas emissions, external outreach and crisis management planning.

Throughout our 55 years of operating history, we have consistently maintained high standards of health, safety and environment management, been a good neighbour in host communities, and sought to continuously improve our corporate social responsibility (CSR) practices and performance.

Lost-time accident frequency declined by

**4%**

Pinos Altos recognized as a socially responsible company for the

**4th**

**consecutive year**

For more detailed information on our CSR performance, please download a copy of our 2011 CSR Report at www.agnico-eagle.com or request a copy of our Summary CSR Report at CSR@agnico-eagle.com

We also signed on to the International Cyanide Management Code for the manufacture, transport and use of cyanide in the production of gold. The Code's principles and standards are regarded as industry best practices. An independent third party will conduct a review of our operations to ensure our compliance.

## Recognition

Agnico-Eagle was added to the Jantzi Social Index (JSI), a socially screened, market capitalization-weighted common stock index modeled on the S&P/TSX 60 consisting of 60 Canadian companies that pass a set of broadly based environmental, social, and governance rating criteria. In addition, several of our operations were recognized by industry and government organizations for their "best-in-class" achievements:

- Pinos Altos received certification as a Socially Responsible Company from the Mexican Centre 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 fourth consecutive year. Our Mexico operation also earned the distinction awarded by the Mexican government of being an "equal opportunity" employer, specifically for providing equality of women's rights in the workplace.
- Agnico-Eagle was recognized 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.
- Our Toronto office was selected as one of the Top Employers in the Greater Toronto Area for the second year in a row. This designation recognizes employers that lead their industries in offering exceptional places to work.

# CORPORATE GOVERNANCE

We strive to earn and retain the trust of shareholders through a steadfast commitment to sound and effective corporate governance. Our governance practices reflect the structure and processes we believe are necessary to improve company performance and enhance shareholder value.

## Board of Directors

Our Board consists of 13 directors. All but one director are independent of management and free from any interest or business that could materially interfere with their ability to act in the Company's best interests.

The Board is ultimately responsible for overseeing the management of the business and affairs of the Company and, in doing so, is required to act in the best interests of the Company. It discharges its responsibilities either directly or through four committees.

## Board Committees

The Corporate Governance Committee advises and makes recommendations to the Board on corporate governance matters, the effectiveness of the Board and its committees, the contributions of individual directors and the identification and selection of director nominees.

The Audit Committee assists the Board in its oversight responsibilities with respect to the integrity of the Company's financial statements, compliance with legal and regulatory requirements, external auditor qualifications, and the independence and performance of the Company's internal and external audit functions.

The Compensation Committee advises and makes recommendations to the Board on the Company's strategy, policies and programs for compensating and developing senior management and officers and for compensating directors.

The Health, Safety and Environment (HSE) Committee advises and makes recommendations to the Board with respect to monitoring and reviewing HSE policies, principles, practices and processes; HSE performance; and regulatory issues relating to health, safety and the environment.

All of the Board committees are composed entirely of outside directors who are unrelated to and independent from Agnico-Eagle. Committee charters are posted to the corporate website.

## Ethical Business Conduct

Agnico-Eagle has adopted a Code of Business Conduct and Ethics that provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work. We have also adopted a Code of Business Ethics for consultants and contractors. The Audit Committee is responsible for monitoring compliance with these Codes. In conjunction with the Codes, we have established a toll-free compliance hotline to allow for anonymous reporting of suspected violations. More information is posted on the corporate website.

# BOARD OF DIRECTORS

**James D. Nasso** [1,3,4]
*Chairman of the Board*
*(Director since 1986)*

Mr. Nasso is now retired and is a graduate of St. Francis Xavier University (B.Comm.) and a certified director of the Institute of Corporate Directors (ICD.D).

**Sean Boyd**
*Vice-Chairman*
*(Director since 1998)*

Mr. Boyd is the President and Chief Executive Officer and a director of Agnico-Eagle. Mr. Boyd has been with Agnico-Eagle since 1985 and has served as Chief Executive Officer since 1998, Vice-President and Chief Financial Officer from 1996 to 1998, Treasurer and Chief Financial Officer from 1990 to 1996 and Comptroller from 1985 to 1990. Prior to joining Agnico-Eagle in 1985, he was a staff accountant with Clarkson Gordon (Ernst & Young). Mr. Boyd is a graduate of the University of Toronto (B.Comm.).

**Leanne M. Baker** [1,2]
*(Director since 2003)*

Dr. Baker is Managing Director of Investor Resources LLC, which acts as a consultant to companies in the mining and financial services industries. 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).

**Douglas R. Beaumont** [2,3]
*(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.).

**Martine Celej**
*(Director since 2011)*

Ms. Celej is a Vice-President, Investment Advisor with RBC Dominion Securities and has been in the investment industry since 1989. She is a graduate of Victoria College at the University of Toronto (B.A. Honours).

**Clifford J. Davis** [2,4]
*(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).

**Robert J. Gemmell**
*(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).

**Bernard Kraft** [1,3]
*(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.

**Mel Leiderman** [1,2]
*(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).

**Sean Riley**
*(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).

**J. Merfyn Roberts** [1,3]
*(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.

**Howard Stockford** [2,4]
*(Director since 2005)*

Mr. Stockford is a retired mining executive with almost 50 years' 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, UK (B.Sc., Mining Geology).

**Pertti Voutilainen** [3,4]
*(Director since 2005)*

Mr. Voutilainen is a mining industry veteran. Most recently, he was the Chairman of the board of directors of Riddarhyttan 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.).

[1] Audit Committee
[2] Compensation Committee
[3] Corporate Governance Committee
[4] Health, Safety and Environment Committee

# FORWARD-LOOKING STATEMENT

The information in this annual report has been prepared as at March 19, 2012. Certain statements contained in this annual report constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information under Canadian provincial securities laws. When used in this document, the words "anticipate", "expect", "estimate", "forecast", "planned" and similar expressions are intended to identify forward-looking statements and information.

Such statements include, without limitation: estimates of future mineral production and sales; estimates of future production costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs; statements as to the projected development of certain ore deposits, including estimates of exploration, development, and other capital costs, and estimates of the timing of such development or decisions with respect to such development; estimates of reserves and resources, anticipated future exploration and feasibility study results; the anticipated timing of events with respect to the Company's minesites; and other statements regarding anticipated trends with respect to the Company's capital resources and results of operations. Such statements reflect the Company's views as at the date this annual report was prepared and are subject to certain risks, uncertainties and assumptions. Many factors, known and unknown, could cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such risks include, but are not limited to: uncertainty of mineral reserve, mineral resource, mineral grade and mineral recovery estimates; uncertainty of future production, capital expenditures and other costs; gold and other metals price volatility; currency fluctuations; mining risks; and governmental and environmental regulation. For a more detailed discussion of such risks and other factors, see the Company's Annual Information Form and Annual Report on Form 20-F for the year ended December 31, 2011 as well as the Company's other filings with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission. The Company does not intend, and does not assume any obligation, to update these forward-looking statements.

***Technical Information** Please refer to the company press release dated February 16, 2012 for further details on the mineral reserves and resources. The technical information has been prepared under the supervision of, and reviewed by, Marc Legault, P.Eng., Senior Vice-President, Project Evaluations, and a "Qualified Person" for the purposes of National Instrument 43-101.

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2011**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**Date of event requiring this shell company report** ____________
**For the transition period from** ____________ **to** ____________

**Commission file number: 1-13422**

# AGNICO-EAGLE MINES LIMITED

*(Exact name of Registrant as Specified in its Charter)*

**Not Applicable**
*(Translation of Registrant's Name into English)*

**Ontario, Canada**
*(Jurisdiction of Incorporation or Organization)*

**145 King Street East, Suite 400**
**Toronto, Ontario, Canada M5C 2Y7**
*(Address of Principal Executive Offices)*

**R. Gregory Laing**
**145 King Street East, Suite 400**
**Toronto, Ontario, Canada M5C 2Y7**
**Telephone: 416-947-1212 Fax: 416-367-4681**
*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| | |
|---|---|
| **Common Shares, without par value** | **The Toronto Stock Exchange and the New York Stock Exchange** |
| *(Title of Class)* | *(Name of exchange on which registered)* |

Securities registered or to be registered pursuant to Section 12(g) of the Act:
**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
**None**
*(Title of Class)*

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

170,859,604 Common Shares as of December 31, 2011

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)
Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes ☐ No ☒

## TABLE OF CONTENTS

* Omitted pursuant to General Instruction E(b) of Form 20-F.

** Pursuant to General Instruction E(c) of Form 20-F, the registrant has elected to provide the financial statements and related information specified in Item 18.

## PRELIMINARY NOTE

***Currencies:*** Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") presents its consolidated financial statements in United States dollars. All dollar amounts in this Annual Report on Form 20-F ("Form 20-F") are stated in United States dollars ("U.S. dollars", "$" or "US$"), except where otherwise indicated. Certain information in this Form 20-F is presented in Canadian dollars ("C$") or European Union euros ("Euro" or "€"). See "Item 3 Key Information – Currency Exchange Rates" for a history of exchange rates of Canadian dollars into U.S. dollars.

***Generally Accepted Accounting Principles:*** Agnico-Eagle reports its financial results using United States generally accepted accounting principles ("US GAAP") due to its substantial U.S. shareholder base and to maintain comparability with other gold mining companies. Unless otherwise specified, all references to financial results herein are to those calculated under US GAAP.

***Forward-Looking Information:*** Certain statements in this Form 20-F, 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 Form 20-F are based, and which may prove to be incorrect, include, but are not limited to, the assumptions set out elsewhere in this 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 or man-made occurrences, mining or milling issues, 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 U.S. dollar will be approximately consistent with current levels or as set out in this 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 Form 20-F reflect the Company's views as at the date of this Form 20-F 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". 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 Form 20-F 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. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in allowing year over year comparisons. Investors are cautioned that this information may not be suitable for other purposes.

## NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESOURCES

The mineral reserve and mineral resource estimates contained in this Form 20-F have been prepared in accordance with the Canadian securities regulatory authorities' (the "CSA") National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). These standards are similar to those used by the United States Securities and Exchange Commission's (the "SEC") Industry Guide No. 7, as interpreted by Staff at the SEC ("Guide 7"). However, the definitions in NI 43-101 differ in certain respects from those under Guide 7. Accordingly, mineral reserve information contained or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. Under the requirements of the SEC, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC does not recognize measures of "mineral resource".

The metal grades reported in the mineral reserve and mineral resource estimates represent in-place grades and do not reflect losses in the recovery process, that is, the metallurgical losses associated with processing the extracted ore. The mineral reserve figures presented herein are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The Company does not include equivalent gold ounces for byproduct metals contained in mineral reserves in its calculation of contained ounces.

### 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 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 Form 20-F 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 "Item 5 Operating and Financial Review and Prospects – 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, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. This Form 20-F 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.

# PART I

## ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Pursuant to the instructions to Item 1 of Form 20-F, this information has not been provided.

## ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3 KEY INFORMATION

### Selected Financial Data

The following selected financial data for each of the years in the five-year period ended December 31, 2011 are derived from the consolidated financial statements of Agnico-Eagle audited by Ernst & Young LLP. The selected financial data should be read in conjunction with the Company's operating and financial review and prospects set out in Item 5 of this Form 20-F, the consolidated financial statements and the notes thereto set out in Item 18 of this Form 20-F and other financial information included elsewhere in this Form 20-F.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | *(in thousands of U.S. dollars, US GAAP basis, other than share and per share information)* | | | | |
| **Income Statement Data** | | | | | |
| Revenues from mining operations | 1,821,799 | 1,422,521 | 613,762 | 368,938 | 432,205 |
| Production costs | 876,078 | 677,472 | 306,318 | 186,862 | 166,104 |
| Exploration and corporate development | 75,721 | 54,958 | 36,279 | 34,704 | 25,507 |
| Equity loss in junior exploration company | – | – | – | – | – |
| Amortization | 261,781 | 192,486 | 72,461 | 36,133 | 27,757 |
| General and administrative | 107,926 | 94,327 | 63,687 | 47,187 | 38,167 |
| Write-down of available-for-sale securities | 8,569 | – | – | 74,812 | – |
| Loss (Gain) on derivative financial instruments | (3,683) | (7,612) | – | – | 5,829 |
| Provincial capital tax | 9,223 | (6,075) | 5,014 | 5,332 | 3,202 |
| Interest | 55,039 | 49,493 | 8,448 | 2,952 | 3,294 |
| Interest and sundry income | 5,188 | (10,254) | (16,172) | (11,721) | (25,142) |
| Loss on Goldex mine | 302,893 | – | – | – | – |
| Impairment loss on Meadowbank mine | 907,681 | – | – | – | – |
| Gain on acquisition of Comaplex, net of transaction costs | – | (57,526) | – | – | – |
| Gain on sale of available-for-sale-securities | (4,907) | (19,487) | (10,142) | (25,626) | (4,088) |
| Foreign exchange (gain) loss | (1,082) | 19,536 | 39,831 | (77,688) | 32,297 |
| Income before income and mining taxes | (778,628) | 435,203 | 108,038 | 95,991 | 159,278 |
| Income and mining taxes (recoveries) | (209,673) | 103,087 | 21,500 | 22,824 | 19,933 |
| Net income | (568,955) | 332,116 | 86,538 | 73,167 | 139,345 |
| Attributed to non-controlling interest | (60) | – | – | – | – |
| Attributed to common shareholders | (568,895) | – | – | – | – |
| Net income per share – basic | (3.36) | 2.05 | 0.55 | 0.51 | 1.05 |
| Net income per share – diluted | (3.36) | 2.00 | 0.55 | 0.50 | 1.04 |
| Weighted average number of shares outstanding – basic | 170,275,475 | 162,342,686 | 155,942,151 | 144,740,658 | 132,768,049 |
| Weighted average number of shares outstanding – diluted | 170,275,475 | 165,842,259 | 158,620,888 | 145,888,728 | 133,957,869 |
| Dividends declared per common share | 0.00 | 0.64 | 0.18 | 0.18 | 0.18 |

| Balance Sheet Data (at end of period) | Year Ended December 31, 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | *(in thousands of U.S. dollars, US GAAP basis, other than share and per share information)* | | | | |
| Mining properties (net) | 3,895,355 | 4,564,563 | 3,581,798 | 2,997,500 | 2,123,397 |
| Total assets | 5,034,262 | 5,500,351 | 4,247,357 | 3,378,824 | 2,735,498 |
| Long-term debt | 920,095 | 650,000 | 715,000 | 200,000 | – |
| Reclamation provision and other liabilities | 145,988 | 145,536 | 96,255 | 71,770 | 57,941 |
| Net assets | 3,215,163 | 3,665,450 | 2,751,761 | 2,517,756 | 2,058,934 |
| Common shares | 3,181,381 | 3,078,217 | 2,378,759 | 2,299,747 | 1,931,667 |
| Shareholders' equity | 3,215,163 | 3,665,450 | 2,751,761 | 2,517,756 | 2,058,934 |
| Total common shares outstanding | 170,859,604 | 168,720,355 | 156,625,174 | 154,808,918 | 142,403,379 |

### Currency Exchange Rates

All dollar amounts in this Form 20-F are in U.S. dollars, except where otherwise indicated. The following tables set out, in Canadian dollars, the exchange rates for the U.S. dollar, based on the noon buying rate as reported by the Bank of Canada (the "Noon Buying Rate"). On March 12, 2012, the Noon Buying Rate was US$1.00 equals C$0.9935.

| | Year Ended December 31, 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| High | 1.0604 | 1.0778 | 1.3000 | 1.2969 | 1.1853 |
| Low | 0.9449 | 0.9946 | 1.0292 | 0.9719 | 0.9170 |
| End of Period | 1.0170 | 0.9946 | 1.0466 | 1.2246 | 0.9881 |
| Average | 0.9891 | 1.0299 | 1.1420 | 1.0660 | 1.0748 |

| | 2012 | | | 2011 | | | |
|---|---|---|---|---|---|---|---|
| | March (to March 12) | February | January | December | November | October | September |
| High | 1.0015 | 1.10016 | 1.0272 | 1.0406 | 1.0487 | 1.0604 | 1.0389 |
| Low | 0.9849 | 0.9866 | 0.9986 | 1.0105 | 1.0126 | 0.9935 | 0.9752 |
| End of Period | 0.9935 | 0.9866 | 1.0052 | 1.0170 | 1.0197 | 0.9935 | 1.0389 |
| Average | 0.9929 | 0.9965 | 1.0134 | 1.0238 | 1.0258 | 1.0207 | 1.0026 |

On December 31, 2011 and March 12, 2012, US$1.00 equalled €0.7729 and €0.7623, respectively, as reported by the European Central Bank.

## Risk Factors

***The Company's financial performance and results may fluctuate widely due to volatile and unpredictable commodity prices.***

The Company's earnings are directly related to commodity prices, as revenues are derived from the sale of precious metals (gold and silver), zinc and copper. Gold prices, which have the greatest impact on the Company's financial performance, fluctuate widely and are affected by numerous factors beyond the Company's control, including central bank purchases and sales, producer hedging and de-hedging activities, expectations of inflation, investment demand, the relative exchange rate of the U.S. dollar with other major currencies, interest rates, global and regional demand, political and economic conditions, production costs in major gold-producing regions, speculative positions taken by investors or traders in gold and changes in supply, including worldwide production levels. The aggregate effect of these factors is impossible to predict with accuracy. In addition, the price of gold has on occasion been subject to very rapid short-term changes because of speculative activities. Fluctuations in gold prices may materially adversely affect the Company's financial performance or results of operations. If the market price of gold falls below the Company's total cash costs per ounce of production at one or more of its projects at that time and remains so for any sustained period, the Company may experience losses and/or may curtail or suspend some or all of its exploration, development and mining activities at such projects or at other projects. In addition, such fluctuations may require changes to the mine plan. Also, the Company's decisions to proceed with the operations at its current mines were based on a market price of gold between $400 and $450 per ounce. If the market price of gold falls below these levels, the mines may be rendered uneconomic and production may be suspended. Also, the Company's evaluation of the Meliadine project acquisition was based on an assumption of a market price of gold of $950 per ounce and the evaluation of the La India project acquisition was based on an assumption of a market price of gold of $1,150 per ounce. If the market price of gold falls below these respective levels, future activity at the Meliadine project or the La India project may be rendered uneconomic and activities may be suspended. In addition, the Company's current mine plans are all based on a gold price of $1,500 per ounce and reserve and resource estimates are based on a gold price of $1,255 per ounce; if the price of gold falls below these levels the mine plans may have to be changed, which may result in reduced production, higher costs than anticipated or both and estimates of reserves and resources may have to be reduced. Further, the prices received from the sale of the Company's byproduct metals produced at its LaRonde mine (zinc, silver, lead and copper) and its Pinos Altos mine (silver) affect the Company's ability to meet its targets for total cash costs per ounce of gold produced. These byproduct metal prices fluctuate widely and are also affected by numerous factors beyond the Company's control. The Company's policy and practice is not to sell forward its future gold production; however, under the Company's price risk management policy, approved by the Company's board of directors (the "Board"), the Company may review this practice on a project by project basis. See "Item 11 Quantitative and Qualitative Disclosures about Market Risk – Derivatives" for more details on the Company's use of derivative instruments. The Company occasionally uses derivative instruments to mitigate the effects of fluctuating byproduct metal prices; however, these measures may not be successful.

The volatility of gold prices is illustrated in the following table which sets out, for the periods indicated, the high, low and average afternoon fixing prices for gold on the London Bullion Market (the "London P.M. Fix").

| | 2012 (to March 12) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| High price ($ per ounce) | 1,781 | 1,895 | 1,421 | 1,212 | 1,011 | 841 |
| Low price ($ per ounce) | 1,598 | 1,319 | 1,058 | 810 | 712 | 608 |
| Average price ($ per ounce) | 1,698 | 1,572 | 1,125 | 972 | 872 | 695 |

On March 12, 2012, the London P.M. Fix was $1,698 per ounce of gold.

The assumptions that underlie the estimate of future operating results and the strategies used to mitigate the effects of risks of metal prices are set out herein and in "Item 5 Operating and Financial Review and Prospects – Outlook – Gold Production Growth" of this Form 20-F.

Based on 2012 production estimates, the approximate sensitivities of the Company's after-tax income to a 10% change in certain metal prices from 2011 market average prices are as follows:

| | Income per share |
|---|---|
| Gold | $ 0.64 |
| Silver | $ 0.06 |
| Zinc | $ 0.02 |
| Copper | $ 0.01 |

Sensitivities of the Company's after-tax income to changes in metal prices will increase with increased production.

***The Company is largely dependent upon its mining and milling operations at its Meadowbank mine in Nunavut and at its LaRonde mine in Quebec, and any adverse condition affecting those operations may have a material adverse effect on the Company.***

The Company's operations at the Meadowbank mine accounted for approximately 27% of the Company's gold production and are expected to account for approximately 30% of the Company's gold production in 2012 (using 912,500 ounces, being the midpoint of the Company's production guidance range of 875,000-950,000 ounces). The LaRonde mine in the Abitibi region of northern Quebec accounted for approximately 12.6% of the Company's gold production in 2011 and is expected to account for approximately 17% of the Company's gold production in 2012. In 2011, gold production at the Meadowbank mine was approximately 90,000 ounces below the Company's expectation as a result of issues that included a fire that destroyed the minesite's kitchen facilities and above anticipated dilution. For the year ended December 31, 2011, the Company performed a full review of the Meadowbank mine's operation and updated the related life of mine plan. The review considered the exploration potential of the area, the current mineral reserves and resources, the projected operating costs in light of persistently high operating costs experienced since the commencement of commercial operations, metallurgical performance and gold price. The updated life of mine plan contemplates a shorter mine life and reduced reserves and resources and required the Company to incur a pre-tax asset impairment charge of $907.7 million. At the LaRonde mine, the Company is now extracting ore from below Level 245, which was previously referred to as the LaRonde mine extension. The depth of these operations, as well as the new infrastructure required to extract this deeper ore, could pose significant challenges to the Company such as geomechanical risks and ventilation and air conditioning requirements, which could result in difficulties and delays in achieving gold production objectives. Any adverse condition affecting mining or milling conditions at the Meadowbank or LaRonde mines could be expected to have a material adverse effect on the Company's financial performance and results of operations. The Company also anticipates using revenue generated by its operations at these mines to finance a substantial portion of its capital expenditures in 2012, including new projects at the Pinos Altos mine and the Meliadine and La India projects.

The Kittila, Pinos Altos and Lapa mines commenced commercial production in 2009 and commercial production at the Creston Mascota deposit at Pinos Altos was achieved in the first quarter of 2011. However, unless the Company otherwise acquires significant gold-producing assets in other regions, the Company will continue to be dependent on its operations at the Meadowbank and LaRonde mines for a substantial portion of its gold production. Further, there can be no assurance that the Company's current exploration and development programs at the LaRonde or Meadowbank mines will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

***The Company may experience difficulties operating its Meadowbank mine and developing the Meliadine project as a result of their remote location.***

The Company's Meadowbank mine is located in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. The closest major city is Winnipeg, Manitoba, approximately 1,500 kilometres to the south. Though the Company constructed 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 unable 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, 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. For example, the February 2011 fire at the Meadowbank Mine's kitchen facilities required the mine to be on reduced operations which resulted in reduced gold production at the mine.

The Company's Meliadine project, 290 kilometres southeast of the Meadowbank mine, is also located in the Kivalliq District of Nunavut, approximately 25 kilometres northwest of the hamlet of Rankin Inlet on the west coast of Hudson Bay. Access to the property is by helicopter from Rankin Inlet year-round and by tracked vehicles overland on a winter road from approximately late December to mid-May. An all-weather access road between the project and Rankin Inlet is at the permitting stage. The Company's operations at the Meliadine project may be constrained by its remoteness and, prior to the completion of the all weather access road, lack of access if the winter road season is shortened by permit delays or unusually warm weather, or if construction of the all-weather road is delayed. Most of the materials that the Company requires to operate the advanced exploration program, and may require if it determines to build a mine in the future, must be transported through the port of Rankin Inlet during its six-week shipping season. If the Company cannot identify and procure suitable equipment and materials within a timeframe that permits transporting them to the project within this shipping season, this could result in delays and/or cost increases in the exploration program and, if the Company determines to build a mine, any construction or development on the property.

The remoteness of the Meadowbank mine and Meliadine project also necessitates the use of fly-in/fly-out camps for the accommodation of site employees and contractors, which may have an impact on the Company's ability to attract and retain qualified mining, exploration and construction personnel. If the Company is unable to attract and retain sufficient personnel or sub-contractors on a timely basis, the Company's operations at the Meadowbank mine and future development plans at the Meliadine project may be adversely affected.

***The Company's recently opened mines, mine construction projects and expansion projects are subject to risks associated with new mine development, which may result in delays in the start-up of mining operations, delays in existing operations and unanticipated costs.***

The Company's production forecasts are based on full production being achieved at all of its mines, and the Company's ability to achieve and maintain full production rates at these mines is subject to a number of risks and uncertainties. Production from these mines in 2012 may be lower than anticipated if the anticipated full production rate cannot be achieved.

The LaRonde mine extension, which commenced operation in late 2011, will be 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 will 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 development of the Kittila and Pinos Altos mines requires the construction and operation of significant new underground mining operations. The construction and operation of underground mining facilities is subject to a number of risks, including unforeseen geological formations, implementation of new mining processes, delays in obtaining required construction, environmental or operating permits and engineering and mine design adjustments.

***If the Company experiences mining accidents or other adverse conditions, the Company's mining operations may yield less gold than indicated by its estimated gold production.***

The Company's gold production may fall below estimated levels as a result of mining accidents 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, autoclave, filter press or semi-autogenous grinding ("SAG") 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, 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; increased stress levels in a sill pillar requiring the temporary closure of production sublevels in 2005; and delays in the commissioning of the Goldex production hoist and the Kittila autoclave in 2008. 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, at the Pinos Altos mine resulting from problems in commissioning the dry tailings filter presses and at the Lapa mine resulting from dilution issues. In 2010, gold production of 987,607 ounces was below the initial anticipated range of 1 million to 1.1 million ounces primarily as a result of lower throughput at the Meadowbank mine mill due to a bottleneck in the crushing circuit and because there were autoclave issues at the Kittila mine in the first half of the year. In 2011, gold production of 985,460 ounces was below the initial anticipated range of 1.13 to 1.23 million ounces primarily as a result of suspension of mining operations at the Goldex mine due to suspected rock subsidence in the hanging wall above the main orebody, a fire in the Meadowbank mine kitchen complex which negatively impacted production and lower than expected grades at the Meadowbank and LaRonde mines. 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 Company's total cash costs per ounce of gold production depend, in part, on external factors that are subject to fluctuation and, if such costs increase, some or all of the Company's activities may become unprofitable.***

The Company's total cash costs per ounce of gold are dependent on a number of factors, including the exchange rate between the U.S. dollar and the Canadian dollar, Euro or Mexican peso, smelting and refining charges, production royalties, the price of gold and byproduct metals and the cost of inputs used in mining operations. At the LaRonde mine, the Company's total cash costs per ounce of production are primarily affected by the prices and production levels of byproduct zinc, silver and copper, the revenue from which is offset against the cost of gold production. Total cash costs per ounce from the Company's operations at the Pinos Altos mine are affected by the exchange rate between the U.S. dollar and the Mexican peso and the price and production level of byproduct silver, the revenue from which is offset against the cost of gold production. Total cash costs per ounce from the Company's operations at its mines in Canada and the Kittila mine are affected by changes in the exchange rates between the U.S. dollar and the Canadian dollar and the Euro, respectively. Total cash costs per ounce at all of the Company's mines are also affected by the costs of inputs used in mining operations, including labour (including contractors), steel, chemical reagents and energy. All of these factors are beyond the Company's control. If the Company's total cash costs per ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

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 uses this generally accepted industry measure in evaluating operating performance and believes it to be a realistic indicator of such performance and useful in allowing year over year comparisons. The data also reflects the Company's ability to generate cash flow and operating income at various gold prices. This additional information should be considered together with other data prepared in accordance with US GAAP and is not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. See "Item 5 Operating and Financial Review and Prospects – Results of Operations – Production Costs" for reconciliation of total cash costs per ounce and minesite costs per tonne to their closest US GAAP measure and "Note to Investors Concerning Certain Measures of Performance" for a discussion of these non-US GAAP measures.

***The Company may experience operational difficulties at its mines in Finland and Mexico.***

The Company's operations include a mine in Finland and a mine in northern Mexico. These operations are subject 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.

Changes, if any, in mining or investment policies or shifts in political attitude in Finland or Mexico may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to matters including restrictions on production, price controls, export controls, currency controls or restrictions, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

In addition, Finland and Mexico have significantly different laws and regulations than Canada and there exist cultural and language differences between these countries and Canada. Also, the Company faces challenges inherent in efficiently managing an increased number of employees over large geographical distances, including the challenges of staffing and managing operations in several international locations and implementing appropriate systems, policies, benefits and compliance programs. These challenges may divert management's attention to the detriment of the Company's operations in Canada. There can be no assurance that difficulties associated with the Company's foreign operations can be successfully managed.

***Mineral reserve and mineral resource estimates are only estimates and such estimates may not accurately reflect future mineral recovery.***

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. Mineral reserve and resource estimates are based on gold recoveries in small scale laboratory tests and may not be indicative of the mineralization in the entire orebody and the Company may not be able to achieve similar results in larger scale tests under on-site conditions or during production. 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 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 September 2010; however, prior to that time, monthly average gold prices were below $1,255 per ounce. 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 increased 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 may experience problems in executing acquisitions or managing and integrating any completed acquisitions with its existing operations.***

The Company regularly evaluates opportunities to acquire securities or assets of other mining businesses. Such acquisitions may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial or geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms and integrate their operations successfully with those of the Company. Any acquisition would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired businesses; the potential disruption of the Company's ongoing business; the inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired assets and businesses; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential unknown liabilities associated with acquired assets and businesses. In addition, the Company may need additional capital to finance an acquisition. Debt financing related to any acquisition may expose the Company to the risks related to increased leverage, while equity financing may cause existing shareholders to suffer dilution. The Company is permitted under the terms of its unsecured revolving bank credit facility and its $600 million of guaranteed senior unsecured notes referred to under the heading "Item 4 Information on the Company – History and Development of the Company" to incur additional unsecured indebtedness, provided that it maintains certain financial ratios and meets financial condition covenants and, in the case of the bank credit facility, that it complies with certain covenants, including that no default under the bank credit facility has occurred and is continuing, or would occur as a result of the incurrence or assumption of such indebtedness, the terms of such indebtedness are no more onerous to the Company than those under the bank credit facility and such indebtedness does not require principal payments until at least 12 months following the then existing maturity date of the bank credit facility. There can be no assurance that the Company would be successful in overcoming these or any other problems encountered in connection with such acquisitions.

***Fluctuations in foreign currency exchange rates in relation to the U.S. dollar may adversely affect the Company's results of operations.***

The Company's operating results and cash flow are significantly affected by changes in the U.S. dollar/Canadian dollar exchange rate. All of the Company's revenues are earned in U.S. dollars but the majority of its operating costs at the LaRonde, Goldex, Lapa and Meadowbank mines, as well as the Meliadine project, are incurred in Canadian dollars. The U.S. dollar/Canadian dollar exchange rate has fluctuated significantly over the last several years. From January 1, 2007 to January 1, 2012, the Noon Buying Rate fluctuated from a high of C$1.3000 per $1.00 to a low of C$0.9170 per $1.00. Historical fluctuations in the U.S. dollar/Canadian dollar exchange rate are not necessarily indicative of future exchange rate fluctuations. Based on the Company's anticipated 2012 after-tax operating results, a 10% change in the U.S. dollar/Canadian dollar exchange rate from the 2011 market average exchange rate would affect net income by approximately $0.30 per share. To attempt to mitigate its foreign exchange risk and minimize the impact of exchange rate movements on operating results and cash flow, the Company has periodically used foreign currency options and forward foreign exchange contracts to purchase Canadian dollars; however, there can be no assurance that these strategies will be effective. See "Item 5 Operating and Financial Review and Prospects – Outlook – Gold Production Growth" for a description of the assumptions underlying the sensitivity and the strategies used to mitigate the effects of risks. In addition, the majority of the Company's operating costs at the Kittila mine are incurred in Euros and a portion of operating costs at the Pinos Altos mine and exploration and development costs at the La India project are incurred in Mexican pesos. Each of these currencies has fluctuated significantly against the U.S. dollar over the past several years. There can be no assurance that the Company's foreign exchange derivatives strategies will be successful or that foreign exchange fluctuations will not materially adversely affect the Company's financial performance and results of operations.

***If the Company fails to comply with restrictive covenants in its debt instruments, the Company's ability to borrow under its unsecured revolving bank credit facility could be limited and the Company may then default under other debt agreements, which could harm the Company's business.***

The Company's unsecured revolving $1.2 billion bank credit facility limits, among other things, the Company's ability to permit the creation of certain liens, make investments in a business or carry on business unrelated to mining, dispose of the Company's material assets or, in certain circumstances, pay dividends. In addition, the Company's $600 million guaranteed senior unsecured notes limit, among other things, the Company's ability to permit the creation of certain liens, carry on business unrelated to mining or dispose of the Company's material assets. The bank credit facility and the guaranteed senior unsecured notes also require the Company to maintain specified financial ratios and meet financial condition covenants. Events beyond the Company's control, including changes in general economic and business conditions, may affect the Company's ability to satisfy these covenants, which could result in a default under one of the bank credit facility or the notes. At March 12, 2012 there was approximately $320 million drawn under the bank credit facility, and the Company anticipates that it will continue to draw on the bank credit facility to fund part of the capital expenditures required in connection with its current development projects. If an event of default under the bank credit facility or the notes occurs, the Company would be unable to draw down further on the bank credit facility and the lenders could elect to declare all principal amounts outstanding thereunder at such time, together with accrued interest, to be immediately due and it could cause an event of default under the notes. An event of default under either the bank credit facility or the notes may also give rise to an event of default under existing and future debt agreements and, in such event, the Company may not have sufficient funds to repay amounts owing under such agreements.

***The exploration of mineral properties is highly speculative, involves substantial expenditures and is frequently unsuccessful.***

The Company's profitability is significantly affected by the costs and results of its exploration and development programs. As mines have limited lives based on proven and probable mineral reserves, the Company actively seeks to replace and expand its mineral reserves, primarily through exploration and development as well as through strategic acquisitions. Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic orebodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. Substantial expenditures are required to pursue such exploration and development activities. Assuming discovery of an economic orebody, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and during such time the economic feasibility of production may change. Accordingly, there can be no assurance that the Company's current or future exploration and development programs will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

***The mining industry is highly competitive, and the Company may not be successful in competing for new mining properties.***

There is a limited supply of desirable mineral lands available for claim staking, leasing or other acquisitions in the areas where the Company contemplates conducting exploration activities. Many companies and individuals are engaged in the mining business, including large, established mining companies with substantial capabilities and long earnings records. The Company may be at a competitive disadvantage in acquiring mining properties, as it must compete with these companies and individuals, some of which have greater financial resources and larger technical staff than the Company. Accordingly, there can be no assurance that the Company will be able to compete successfully for new mining properties.

***The success of the Company is dependent on good relations with its employees and on its ability to attract and retain employees and key personnel.***

Production at the Company's mines and mine projects is dependent on the efforts of the Company's employees and contractors. The Company competes with mining and other companies on a global basis to attract and retain employees at all levels with appropriate technical skills and operating experience necessary to operate its mines. Relationships between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by relevant government authorities in the jurisdictions that the Company operates. Changes in applicable legislation or in the relationship between the Company and its employees or contractors may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is also dependent on a number of key management personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals.

The Company faces significant competition to attract and retain qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

***The Company may have difficulty financing its additional capital requirements for its planned mine construction, exploration and development.***

The sustaining capital required for operations (including potential expansions) and the development of the Meliadine and La India projects, and the exploration and development of the Company's properties, including continuing exploration and development projects in Quebec, Nunavut, Finland, Mexico and Nevada, will require substantial capital expenditures. The Company estimates that capital expenditures will be approximately $382.3 million in 2012 and $277.4 million in 2013. As at March 12, 2012, the Company had approximately $844.4 million available to be borrowed under its bank credit facility. Based on current funding available to the Company and expected cash from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures for all of its current properties. However, if cash from operations is lower than expected or capital costs at these mines or projects exceed current estimates, or if the Company incurs major unanticipated expenses related to exploration, development or maintenance of its properties, or if advances from the bank credit facility are unavailable, the Company may be required to seek additional financing to maintain its capital expenditures at planned levels. In addition, the Company will have additional capital requirements to the extent that it decides to expand its present operations and exploration activities, construct additional mining and processing operations at any of its properties or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may arise. Additional financing may not be available when needed or, if available, the terms of such financing may not be favourable to the Company and, if raised by offering equity securities, or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties, which may have a material adverse effect on the Company's business, financial condition and results of operations.

***The continuing weakness in the global credit and capital markets could have a material adverse impact on the Company's liquidity and capital resources.***

The credit and capital markets experienced significant deterioration in 2008, including the failure of significant and established financial institutions in the United States and abroad, and continues to show weakness and volatility. These unprecedented disruptions in the credit and capital markets have negatively impacted the availability and terms of credit and capital. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on the Company's liquidity, ability to raise capital and costs of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations.

***Due to the nature of the Company's mining operations, the Company may face liability, delays and increased production costs from environmental and industrial accidents and pollution, and the Company's insurance coverage may prove inadequate to satisfy future claims against the Company.***

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, 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 incur significant costs that could have a material adverse effect on its financial performance and results of operations.

***The Company's operations are subject to numerous laws and extensive government regulations which may cause a reduction in levels of production, delay or the prevention of the development of new mining properties or otherwise cause the Company to incur costs that adversely affect the Company's results of operations.***

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.

***Title to the Company's properties may be uncertain and subject to risks.***

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims on underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, although the Company believes that it has sufficient surface rights for its operations, the Company may be unable to operate its properties as permitted or to enforce its rights in respect of its properties.

***Increased regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations.***

The Company operates in a number of jurisdictions in which regulatory requirements have been introduced or are being contemplated to monitor, report and/or reduce greenhouse gas emissions. Under the Copenhagen Accord, Canada has committed to reducing greenhouse gas emissions by 17%, relative to 2005 levels, by 2020, but this commitment is subject to future alignment with reduction targets and regulatory requirements in the United States. Canada is also considering new regulatory requirements to address greenhouse gas emissions. Similarly, the Province of Quebec is a member of the Western Climate Initiative and has passed legislation enabling the establishment of a greenhouse gas emissions registry, greenhouse gas reduction targets and a cap-and-trade system to achieve Quebec's commitment to reduce greenhouse gas emissions by 20%, relative to 1990 levels, by 2020. The Company's operations in Quebec use primarily hydroelectric power and as a consequence are not large producers of greenhouse gases. The Meadowbank mine produces approximately 165,110 tonnes of carbon dioxide equivalent per year from its own production of electricity from diesel-power generation and it is expected that any mining operation at the Meliadine project would also produce some of its power from diesel-power generation. The Pinos Altos mine purchases electricity that is largely fossil-fuel generated. The Pinos Altos mine also generates electricity locally with a diesel-powered genset during "peak" periods. As a result, it is the Company's second highest greenhouse gas producer at 109,483 tonnes of carbon dioxide equivalent per year. None of the Company's other operations emit more than 30,400 tonnes of carbon dioxide equivalent per year. As a result, notwithstanding the ongoing uncertainty around the regulation of greenhouse gas emissions, new regulatory requirements in respect of greenhouse gasses and the additional costs required to comply are not expected to have a material effect on the Company's operations and financial condition.

***The Company is subject to the risk of litigation, the causes and costs of which cannot be known.***

The Company is subject to litigation arising in the normal course of business and may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations, such as in the litigation referred to in note 21 to the Financial Statements contained in Item 18 hereof. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company's ability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

***The use of derivative instruments for the Company's byproduct metal production may prevent gains from being realized from subsequent byproduct metal price increases.***

While the Company's general policy is not to sell forward its future gold production, the Company has used, and may in the future use, various byproduct metal derivative strategies, such as selling future contracts or purchasing put options. The Company continually evaluates the potential short- and long-term benefits of engaging in such derivative strategies based upon current market conditions. No assurance can be given, however, that the use of byproduct metal derivative strategies will benefit the Company in the future. There is a possibility that the Company could lock in forward deliveries at prices lower than the market price at the time of delivery. In addition, the Company could fail to produce enough byproduct metals to offset its forward delivery obligations, causing the Company to purchase the metal in the spot market at higher prices to fulfill its delivery obligations or, for cash settled contracts, make cash payments to counterparties in excess of byproduct revenue. If the Company is locked into a lower than market price forward contract or has to buy additional quantities at higher prices, its net income could be adversely affected. None of the current contracts establishing the byproduct metal derivatives positions qualified for hedge accounting treatment under US GAAP and therefore any year-end mark-to-market adjustments are recognized in the "Gain on derivative financial instruments" line item of the consolidated statements of income and comprehensive income. See "Item 11 Quantitative and Qualitative Disclosures about Market Risk – Derivatives".

***The trading price for the Company's securities is volatile.***

The trading price of the Company's common shares and, consequently, the trading price of securities convertible into or exchangeable for the Company's common shares, have been and may continue to be subject to large fluctuations which may result in losses to investors. The trading price of the Company's common shares and securities convertible into or exchangeable for common shares may increase or decrease in response to a number of events and factors, including:

- changes in the market price of gold or other byproduct metals the Company sells;
- events affecting the economic situation in Canada, the United States and elsewhere;
- trends in the mining industry and the markets in which the Company operates;
- changes in financial estimates and recommendations by securities analysts;
- acquisitions and financings;
- quarterly variations in operating results;
- the operating and share price performance of other companies that investors may deem comparable; and
- purchases or sales of large blocks of the Company's common shares or securities convertible into or exchangeable for the Company's common shares.

Wide price swings are currently common in the markets on which the Company's securities trade. This volatility may adversely affect the prices of the Company's common shares and the securities convertible into or exchangeable for the Company's common shares regardless of the Company's operating performance.

***The Company may not be able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act.***

Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting. Section 404 of SOX also requires an annual attestation report by the Company's independent auditors addressing the effectiveness of the Company's internal control over financial reporting. The Company has completed its Section 404 assessment and received the auditors' attestation as of December 31, 2011.

If the Company fails to maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, the Company may not be able to conclude that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares and securities convertible or exchangeable for common shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will prevent misstatement due to error or fraud or will detect or uncover all control issues or instances of fraud, if any. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in maintaining adequate internal control over financial reporting will increase and will require that the Company continue to improve its internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in continuing to comply with Section 404 of SOX.

***Potential unenforceability of civil liabilities and judgments.***

The Company is incorporated under the laws of the Province of Ontario, Canada. A majority of the Company's directors and officers as well as the experts named in this Form 20-F are residents of Canada. Also, almost all of the Company's assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for shareholders to initiate a lawsuit within the United States against these non-U.S. residents, or to enforce U.S. judgments against the Company or these persons. The Company's Canadian counsel has advised the Company that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot provide assurance that this will be the case. It is less certain that an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

## ITEM 4 INFORMATION ON THE COMPANY

### History and Development of the Company

The Company is an established Canadian-based international gold producer with mining operations in northwestern Quebec, northern Mexico, northern Finland and Nunavut and exploration activities in Canada, Europe, Latin America and the United States. The Company's operating history includes over three decades of continuous gold production primarily from underground operations. Since its formation on June 1, 1972, the Company has produced almost 7.5 million ounces of gold. For definitions of certain technical terms used in the following discussion, see "– Property, Plant and Equipment – Glossary of Selected Mining Terms".

The Company's strategy is to focus on the continued exploration, development and expansion of its properties, all of which are located in politically stable jurisdictions. The Company has spent approximately $2.7 billion on mine development over the last five years. Through this development program, the Company transformed itself from a regionally focused, single mine producer to a multi-mine international gold producer with five operating, 100% owned mines.

Since 1988, the LaRonde mine, in the Abitibi region of Quebec, has been the Company's flagship operation, producing approximately 4.3 million ounces of gold as well as valuable byproducts. The Lapa mine, the Company's highest grade metals mine, is 11 kilometres east of the LaRonde mine. The synergies between these sites contribute to the Company's efforts to reduce costs. The Kittila mine, in Finland, achieved commercial production in May 2009, has a long reserve life and has significant production expansion potential. The Pinos Altos mine, in Mexico, achieved commercial production in November 2009 and also has significant production expansion potential. The Company's fifth mine, Meadowbank, in Nunavut, achieved commercial production in March 2010 and is expected to produce the most gold (295,000 ounces) in 2012. In addition, the Company plans to pursue opportunities for growth in gold production and gold reserves through the prudent acquisition or development of exploration properties, development properties, producing properties and other mining businesses in the Americas and Europe.

In 2011, the Company produced 985,460 ounces of gold at total cash costs per ounce of $580 net of revenues from byproduct metals. For 2012, the Company expects to produce between 875,000 and 950,000 ounces of gold at a total cash costs per ounce of gold produced between $690 and $750 net of byproduct revenue. These expected higher total cash costs compared to 2011 reflect the closure of the Goldex mine, the Company's second lowest cost mine, in October 2011 due to suspected rock subsidence issues; the higher proportion of production coming from the Meadowbank mine, which is expected to have higher total cash costs per ounce compared to the Company's average; higher costs associated with the transition to underground mining operations at the Pinos Altos mine and the Kittila mine; and increased production from the Company's mines and mine projects that do not contain byproduct metals, revenue from which reduces total cash costs per ounce. In addition, the higher total cash costs per ounce also reflect the Canadian dollar strengthening against the U.S. dollar and continued escalations in labour, shipping and transportation costs. See "Note to Investors Concerning Certain Measures of Performance" for a discussion of the use of the non-US GAAP measure total cash costs per ounce. The Company has traditionally sold all of its production at the spot price of gold due to its general policy not to sell forward its future gold production.

The Company operates through four segments: Canada, Europe, Latin America and Exploration.

The Canadian Segment is comprised of the Province of Quebec and the Territory of Nunavut. The Company's Quebec properties include the LaRonde mine, the Goldex mine (mining operations suspended in October 2011) and the Lapa mine, each of which is held directly by the Company. In 2011, the Quebec properties accounted for 37.2% of the Company's gold production, comprised of 12.6% from the LaRonde mine, 13.7% from the Goldex mine and 10.9% from the Lapa mine. In 2012, the Company anticipates that its Quebec properties will account for 26.4% of the Company's gold production, of which 17.3% and 9.1% of the Company's gold production will come from the LaRonde mine and the Lapa mine, respectively.

The Company's Nunavut properties are comprised of the Meadowbank mine and the Meliadine project, which are both held directly by the Company. In 2011, the Meadowbank mine accounted for 27.5% of the Company's gold production and the Company anticipates that in 2012 the Meadowbank mine will account for approximately 32.3% of the Company's gold production.

The Company's operations in the European Segment are conducted through its indirect subsidiary, Agnico Eagle Finland Oy, which indirectly owns the Kittila mine in Finland. In 2011, the Kittila mine accounted for 14.6% of the Company's gold production and the Company anticipates that in 2012 the Kittila mine will account for approximately 16.9% of the Company's gold production.

The Company's mining operations in the Latin American Region are conducted through its subsidiary, Agnico Eagle Mexico S.A. de C.V., which owns the Pinos Altos mine, including the Creston Mascota deposit at Pinos Altos. The La India project is owned by the Company's indirect subsidiary, Resource Grayd De Mexico, S.A. de C.V.. In 2011, the Pinos Altos mine accounted for 20.7% of the Company's gold production and the Company anticipates that in 2012 the Pinos Altos mine will account for approximately 22.5% of the Company's gold production.

The Exploration Segment includes the Company's grassroots exploration operations in the United States, the European exploration office, the Canadian exploration offices and the Latin American exploration office. In addition, the Company has an international exploration office in Reno, Nevada.

Agnico-Eagle's expertise in acquiring mine projects and developing mines is shown through the launch of five operating mines. The following table sets out the date of acquisition, the date of commencement of construction and the date of achieving commercial production for the Company's mines and mine projects.

| | Date of Acquisition | Date of Commencement of Construction | Date of achieving Commercial Production |
|---|---|---|---|
| **LaRonde mine** | 1992 (1) | 1985 | 1988 |
| **Goldex mine** (suspended in October, 2011) | December 1993 (1) | July 2005 | August 2008 |
| **Kittila mine** | November 2005 | June 2006 | May 2009 |
| **Lapa mine** | June 2003 (1) | June 2006 | May 2009 |
| **Pinos Altos mine** | March 2006 | August 2007 | November 2009 |
| **Meadowbank mine** | April 2007 | Pre-April 2007 | March 2010 |
| **Meliadine project** | July 2010 | 2014 (2) | 2017 (2) |
| **La India project** | January 2012 | – | – |

Notes:

(1) Date when 100% ownership was acquired.

(2) Anticipated.

The Company's exploration program focuses primarily on the identification of new mineral reserves and resources and new development opportunities in proven gold producing regions. Current exploration activities are concentrated in Canada, Europe, Latin America and the United States. Several projects were evaluated during the year in other countries where the Company believes the potential for gold occurrences is excellent and which the Company believes to be politically stable and supportive of the mining industry. The Company currently manages 77 properties in Canada, 6 properties in the United States, three groups of properties in Finland, one property in Sweden, six projects in Mexico and one project in Argentina. Exploration activities are managed from offices in Val d'Or, Quebec; Reno, Nevada; Chihuahua, Mexico; Kittila, Finland; and Vancouver, British Columbia.

In addition, the Company continuously evaluates opportunities to make strategic acquisitions, such as the acquisition of Grayd Resource Corporation ("Grayd") completed in January 2012 that resulted in 100% ownership of the La India project. Five of the Company's new mines or projects came from relatively recent acquisitions.

In the second quarter of 2004, the Company acquired an approximate 14% ownership interest in Riddarhyttan Resources AB ("Riddarhyttan"), a Swedish precious and base metals exploration and development company that was at the time listed on the Stockholm Stock Exchange. In November 2005, the Company completed a tender offer (the "Riddarhyttan Offer") for all of the issued and outstanding shares of Riddarhyttan that it did not own. The Company issued 10,023,882 of its common shares and paid and committed an aggregate of $5.1 million cash as consideration to Riddarhyttan shareholders in connection with the Riddarhyttan Offer. On March 28, 2011, Riddarhyttan was merged with Agnico-Eagle AB and Agnico-Eagle Sweden AB, with Agnico-Eagle Sweden AB as the continuing entity. The Kittila mine, located approximately 900 kilometres north of Helsinki near the town of Kittila in Finnish Lapland, is currently 100% owned by Agnico-Eagle Finland Oy, which is owned by Agnico-Eagle Sweden AB.

In the first quarter of 2005, the Company entered into an exploration and option agreement with Industrias Penoles S.A. de C.V. ("Penoles") to acquire the Pinos Altos property in northern Mexico. The Pinos Altos property is comprised of approximately 11,000 hectares in the Sierra Madre gold belt, approximately 225 kilometres west of the city of Chihuahua in the state of Chihuahua in northern Mexico. In February 2006, the Company exercised its option and acquired the Pinos Altos property on March 15, 2006. Under the terms of the exploration and option agreement, the purchase price of $66.8 million was comprised of $32.5 million in cash and 2,063,635 common shares of the Company.

In February 2007, the Company made an exchange offer for all of the outstanding shares of Cumberland Resources Ltd. ("Cumberland") not already owned by the Company. At the time, Cumberland was a pre-production development stage company listed on the Toronto Stock Exchange (the "TSX") and American Stock Exchange whose primary asset was the Meadowbank property. In May 2007, the Company acquired approximately 92% of the issued and outstanding shares of Cumberland that it did not previously own and, in July 2007, the Company completed the acquisition of all Cumberland shares by way of a compulsory acquisition. The Company issued 13,768,510 of its common shares and paid $9.6 million in cash as consideration to Cumberland shareholders in connection with its acquisition of Cumberland.

In April 2010, the Company entered into an agreement in principle with Comaplex Minerals Corp. ("Comaplex") whereby the Company would acquire all of the outstanding shares of Comaplex that it did not already own. At the time, Comaplex owned a 100% interest in the advanced stage Meliadine gold property, which is located approximately 300 kilometres southeast of the Company's Meadowbank mine. In May 2010, the Company executed the definitive agreements with Comaplex and, in July 2010 by plan of arrangement, the Company acquired 100% of the Meliadine gold property through the acquisition of Comaplex, which was renamed Meliadine Holdings Inc. ("Meliadine"). Pursuant to the arrangement, Comaplex transferred to Geomark Exploration Ltd. all assets and related liabilities other than those relating to the Meliadine project. In connection with the arrangement, the Company issued 10,210,848 of its common shares as consideration to Comaplex shareholders. On January 1, 2011, the Company amalgamated with Meliadine.

In September 2011, the Company 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 and had recently discovered the Tarachi gold porphyry prospect located approximately ten kilometres north of the La India project. In October 2011, the Company made the offer by way of a take-over bid circular, as amended and supplemented, and, in November 2011, acquired approximately 95% of the outstanding common shares of Grayd. In January 2012, the Company completed a compulsory acquisition of the remaining outstanding common shares of Grayd and Grayd became a wholly-owned subsidiary of the Company. In aggregate, the Company issued 1,319,418 of its common shares and paid C$179.7 million in cash as consideration to Grayd shareholders in connection with the transaction.

In 2011, the Company's capital expenditures were $482.8 million. The 2011 capital expenditures included $90.7 million at the LaRonde mine (which included approximately $49.5 million of expenditures relating to the LaRonde mine extension), $42.2 million at the Goldex mine, $86.5 million at the Kittila mine, $18.4 million at the Lapa mine, $40.0 million at the Pinos Altos mine (which included approximately $7.6 million related to the Creston Mascota deposit), $116.9 million at the Meadowbank mine and $73.9 million at the Meliadine project and $14.2 million at other minor projects. In addition, the Company spent $11.0 million on mine site exploration and $64.7 million on exploration activities at the Company's grassroots exploration properties, including corporate development expenses.

Budgeted 2012 capital expenditures of $382.3 million include $74.8 million at the LaRonde mine, $10.2 million at the Lapa mine, $31.5 million at the Pinos Altos mine, $51.9 million at the Kittila mine, $88.5 million at the Meadowbank mine and $44.5 million in capitalized exploration expenditures. In addition, the Company plans exploration expenditures on grassroots exploration projects of approximately $80.4 million, including $52.0 million at the Meliadine project and $3.5 million at the La India project. Depending on the success of the exploration programs at these and other properties, the Company may be required to make additional capital expenditures for exploration, development and pre-production.

The financing for the expenditures set out above is expected to be from internally generated cash flow from operations, from the Company's existing cash balances and from drawdowns of the Company's bank credit facility. Please see "Item 10 Additional Information – Material Contracts – Credit Agreement". Based on current funding available to the Company and expected cash flows from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures for all its properties.

Capital expenditures by the Company in 2010 and 2009 were $512 million and $657 million, respectively. The 2010 capital expenditures included $97 million at the LaRonde mine (which included approximately $62 million of expenditures relating to the LaRonde mine extension), $24 million at the Goldex mine, $72 million at the Kittila mine, $33 million at the Lapa mine, $104 million at the Pinos Altos mine (which included approximately $43 million related to the Creston Mascota deposit at Pinos Altos) and $174 million at the Meadowbank mine and $8 million at the Meliadine project and other minor properties. In addition, the Company spent $35 million on exploration activities at the Company's grassroots exploration properties. The 2009 capital expenditures included $76 million at the LaRonde mine (which included approximately $39 million of expenditures relating to the LaRonde mine extension), $22 million at the Goldex mine, $90 million at the Kittila mine (which included $36 million of expenditures on construction of the underground mine), $47 million at the Lapa mine (which included $22 million on construction of the mine), $133 million at the Pinos Altos mine and $288 million at the Meadowbank mine. In addition, the Company spent $55 million on exploration activities at the Company's grassroots exploration properties.

The Company was formed by articles of amalgamation under the laws of the Province of Ontario on June 1, 1972, as a result of the amalgamation of Agnico Mines Limited ("Agnico Mines") and Eagle Gold Mines Limited ("Eagle"). Agnico Mines was incorporated under the laws of the Province of Ontario on January 21, 1953 under the name "Cobalt Consolidated Mining Corporation Limited". Eagle was incorporated under the laws of the Province of Ontario on August 14, 1945.

On December 19, 1989, Agnico-Eagle acquired the remaining 57% interest in Dumagami Mines Limited not already owned by it, as a consequence of the amalgamation of Dumagami Mines Limited with a wholly-owned subsidiary of Agnico- Eagle, to continue as one company under the name Dumagami Mines Inc. ("Dumagami"). On December 29, 1992, Dumagami transferred all of its property and assets, including the LaRonde mine, to Agnico-Eagle and was subsequently dissolved.

On December 8, 1993, the Company acquired the remaining 46.3% interest in Goldex Mines Limited not already owned by it, as a consequence of the amalgamation of Goldex Mines Limited with a wholly-owned subsidiary of the Company, to continue as one company under the name Goldex Mines Limited. On January 1, 1996, the Company amalgamated with two wholly-owned subsidiaries, including Goldex Mines Limited.

In October 2001, under a plan of arrangement, the Company amalgamated with an associated corporation, Mentor Exploration and Development Co., Limited ("Mentor"). In connection with the arrangement, the Company issued 369,348 of its common shares in consideration for the acquisition of all of the issued and outstanding shares of Mentor that it did not already own.

On August 1, 2007, the Company, Agnico-Eagle Acquisition Corporation, Cumberland and a wholly-owned subsidiary of Cumberland, Meadowbank Mining Corporation, amalgamated under the laws of the Province of Ontario and continued under the name of Agnico-Eagle Mines Limited.

On January 1, 2011, the Company and 1816276 Ontario Inc. (the successor corporation to Meliadine, which in turn was the successor corporation to Comaplex) amalgamated under the laws of the Province of Ontario and continued under the name of Agnico-Eagle Mines Limited.

The Company's executive and registered office is located at Suite 400, 145 King Street East, Toronto, Ontario, Canada M5C 2Y7; telephone number (416) 947-1212; website: http://www.agnico-eagle.com. The information contained on the website is not part of this Form 20-F. The Company's principal place of business in the United States is located at 8725 Technology Way, Suite B, Reno, Nevada 89521.

## Business Overview

The Company believes that it has a number of key operating strengths that provide distinct competitive advantages.

*Growth Profile.* The Company has a proven track record of increasing production capacity at existing operations through a combination of acquisitions, operational improvements, expansions and development. The closure of the Goldex mine in October 2011 was an unanticipated event and has negatively impacted the growth profile. However, the Company anticipates production of between 875,000 and 950,000 ounces of gold in 2012 with continued growth to 2014. In 2012, the Company expects production increases at the LaRonde, Meadowbank and Kittila mines. The Company's production growth in 2012 is expected to come principally from the Meadowbank Mine, as well as from the continued operational improvements at the Kittila and LaRonde mines. Over the last five years, the Company has spent over $2.7 billion on the development of five new mines, and its significant extension of the LaRonde mine at depth. With the large majority of mine development projects complete and with five mines having achieved steady state operational status, capital expenditures are expected to decline from 2011 onward, significantly increasing free cash flow. Future capital expenditures are expected to be primarily for incremental expansion projects and exploration and development of the Meliadine project.

*Operations in Politically Stable, Mining-Friendly Regions.* The Company and its predecessors have over three decades of continuous gold production experience and expertise in metals mining. The Company's operations and exploration and development projects are located in regions that the Company believes are supportive of the mining industry. Two of the Company's producing mines are located in northwestern Quebec, one of North America's principal gold-producing regions. The Company's Kittila mine in northern Finland, Pinos Altos mine in northern Mexico and Meadowbank mine in Nunavut are also located in regions which the Company believes are also supportive of the mining industry.

*Strong Operating Base.* Through its acquisition, exploration and development program, the Company has been transformed from a regionally focused, single mine producer to a multi-mine international gold producer with five operating, 100% owned mines. The Company's existing operations at the LaRonde mine provide a strong base for additional mineral reserve and production development at the property and in the Abitibi region of northwestern Quebec and for the development of its mines and projects in Nunavut, Finland and Mexico. The experience gained through building and operating the LaRonde mine has assisted with the Company's development of its other mine projects. In addition, the extensive infrastructure associated with the LaRonde mine supports the nearby Lapa mine.

*Highly Experienced Management Team.* The members of the Company's senior management team have an average of over 22 years of experience in the mining industry. Management's significant experience has underpinned the Company's historical growth and provides a solid base upon which to expand the Company's operations.

Based on these strengths, the Company's corporate strategy is to grow production and reserves in mining-friendly regions.

*Optimize and Further Expand Operations.* The Company continues to focus its resources and efforts on the exploration and development of its properties in Quebec, Nunavut, Finland and Mexico with a view to increasing annual gold production and gold mineral reserves.

*Leverage Mining Experience.* The Company believes it can benefit not only from the existing infrastructure at its mines but also from the geological knowledge that it has gained in mining and developing its properties. The Company's strategy is to capitalize on its mining expertise to exploit fully the potential of its properties.

*Expand Gold Reserves.* The Company is conducting drilling programs at all of its properties with a goal of further increasing its gold reserves. In 2011, on a contained gold ounces basis, the gold reserves of the Company decreased to 18.75 million ounces (157 million tonnes grading 3.71 grams of gold per tonne), a decrease from the 21.3 million ounces reported as at December 31, 2010, primarily as a result of the reclassification of reserves to resources at the Goldex mine due to the suspension of operations and a reduction of reserves at the Meadowbank mine due to a new mine plan.

*Growth Through Primary Exploration and Acquisitions.* The Company's growth strategy has been to pursue the expansion of its development base through the acquisition of additional properties in the Americas and Europe. Historically, the Company's producing properties have resulted from a combination of investments in advanced exploration companies and primary exploration activities. By investing in pre-development stage companies, the Company believes that it has been able to acquire control of projects at favourable prices and reasonable valuations.

## Mining Legislation and Regulation

### *Canada*

The mining industry in Canada operates under both federal and provincial or territorial legislation governing prospecting and the exploration, development, operation and decommissioning of mines and mineral processing facilities. Such legislation relates to the method of acquisition and ownership of mining rights, labour, occupational or worker health and safety standards, royalties, mining, exports, reclamation, closure and rehabilitation of mines and other matters.

The mining industry in Canada is also subject to extensive laws and regulations at both the federal and provincial or territorial levels concerning the protection of the environment. The primary federal regulatory authorities with jurisdiction over the Company's mining operations in respect of environmental matters are the Department of Fisheries and Oceans (Canada) and Environment Canada. The construction, development and operation of a mine, mill or refinery requires compliance with applicable environmental laws and regulations and/or review processes, including obtaining land use permits, water permits, air emissions certifications, industrial depollution attestations, hazardous substances management and similar authorizations from various governmental agencies. Environmental laws and regulations impose high standards on the mining industry to reduce or eliminate the effects of waste generated by mining and processing operations and subsequently deposited on the ground or affecting the air or water. Laws and regulations regarding the decommissioning, reclamation and rehabilitation of mines may require approval of reclamation plans, provision of financial guarantees and long-term management of closed mines.

*Quebec*

In Quebec, mining rights are governed by the *Mining Act* (Quebec) and, subject to limited exceptions, are owned by the province. A mining claim entitles its holder to explore for minerals on the subject land. It remains in force for a term of two years from the date it is registered and may be renewed indefinitely subject to continued exploration works in relation thereto. In order to retain title to mining claims, in addition to paying a small bi-annual rental fee currently ranging from C$27 to C$123 per claim depending on its location and area (as set by Quebec government regulations), exploration work (or an equivalent value cash payment) has to be completed in advance (either on the claim or on adjacent mining claims, concessions or leases) and filed with the Ministry of Natural Resources and Wildlife (Quebec) prior to the date of expiry of the claim. The amount of exploration work required bi-annually currently ranges from C$48 to C$3,600 per claim depending on its location, area and period of validity (as set by Quebec government regulations). In 1966, the mining concession system set out for lands containing mineralized zones in the *Mining Act* (Quebec) was replaced by a system of mining leases, but the mining concessions sold prior to such replacement remain in force. A mining lease entitles its holder to mine and remove valuable mineral substances from the subject land, provided it pays the annual rent set by Quebec government regulations, which currently ranges from C$21 per hectare (on privately held land) to C$44 per hectare (on land owned by the province). Leases are granted initially for a term of 20 years and are renewable up to three times, each for a duration of ten years. After the third renewal, the Minister of Natural Resources and Wildlife (Quebec) may grant an extension thereof on the conditions, for the rental and for the term he or she determines.

Bill 14, *An Act respecting the development of mineral resources in keeping with the principles of sustainable development*, was introduced in the Quebec National Assembly in May 2011 and is currently being studied by a parliamentary commission. If adopted, Bill 14 will amend a number of rules relating to the mining regime in Quebec, including measures to stimulate exploration work on claims, to enhance the protection of the environment and to promote social acceptability of mining activities, all of which will likely impact the Company's activities in Quebec. Among other provisions of Bill 14, obligations respecting exploration work expenditures on claims will become more stringent; mine operators will be required to provide a financial guarantee respecting a broader scope of rehabilitation and restoration work and such financial guarantee will need to be provided within a shorter timeframe; public consultations will be required before commencing mining operations; in certain urban, residential, vacationing or recreational areas, exploration and mining activities may be restricted; and the Minister of Natural Resources and Wildlife will have an increased ability to withdraw land from mining activity or otherwise limit mining activities to avoid conflicts with other land uses. Bill 14 will also increase penalties for contraventions of the *Mining Act* (Quebec).

In Quebec, the primary provincial regulatory authorities with jurisdiction over the Company's mining operations in respect of environmental matters are the Ministry of Sustainable Development, Environment and Parks (Quebec) and the Ministry of Natural Resources and Wildlife (Quebec).

*Nunavut*

As a result of the Nunavut Land Claims Agreement (the "Land Claims Agreement") of July 1993, ownership of large tracts of land was granted to the Inuit. These Inuit-owned lands include areas with high mineral potential. Further, as a result of other rights granted to the Inuit in the Land Claims Agreement, Inuit organizations play an important role in the management of natural resources and the environment in Nunavut. These duties are shared among the federal and territorial governments and Inuit organizations. Under the Land Claims Agreement, the Inuit own surface rights to certain lands representing approximately 16% of Nunavut. For a portion of the Inuit-owned lands representing approximately 2% of Nunavut, the Inuit own mineral (subsurface) rights in addition to the surface rights.

In Nunavut, the Crown's mineral rights are administered by the Aboriginal Affairs and Northern Development Canada in accordance with the *Northwest Territories and Nunavut Mining Regulations* (the "Territorial Mining Regulations") under the *Territorial Lands Act* (Canada). The Inuit mineral rights in subsurface Inuit-owned lands are owned and administered by Nunavut Tunngavik Incorporated ("Nunavut Tunngavik"), a corporation representing the Inuit people of Nunavut.

Future production from Nunavut Tunngavik-administered mineral claims is subject to production leases which include 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 Territorial Mining Regulations. Before the operation of a Major Development Project, as defined in the Land Claims Agreement, can begin, developers must also negotiate an Inuit impact benefits agreement with the regional Inuit Association.

The Kivalliq Inuit Association (the "KIA") is the Inuit organization that holds surface title to the Inuit-owned lands in the Kivalliq region and is responsible for administering surface rights on these lands on behalf of the Inuit of the region. In order to conduct exploration work on Inuit-owned lands, the Company is required to submit a project proposal or work plan. This proposal is subject to approval by the KIA for surface land tenure and to review by other boards established by the Land Claims Agreement to determine environmental effects and, if needed, to grant water rights. Federal and territorial government departments participate in the reviews conducted by these boards. For mine development, the Company requires a surface lease and water compensation agreement with the KIA and a licence under federal legislation for the use of water, including the deposit of waste.

During mine construction and operations, the Company is subject to additional Nunavut and federal government regulations related to environmental, safety, fire and other operational matters.

***Finland***

Mining legislation in Finland consists of the Mining Act, the Mining Safety Decree and the Mining Hoisting Equipment Decree. The new Mining Act was implemented on July 1, 2011 and replaced the previous Mining Act (503/1965) as a result of overall reform of mining legislation in Finland.

In Finland, subject to certain area restrictions, anyone has a right irrespective of land ownership to conduct survey work and take geological measurements and observations, with the right to take small samples from the soil provided that these measures do not cause other than only minor damage or inconvenience. However, before sampling, notice must be given to the owner of the respective land.

A prospecting permit is required for more comprehensive survey work and it entitles its holder to conduct necessary research and explorations in certain areas defined in the prospecting permit in order to discover the quality and extent of the deposit and to build or move temporary facilities and machinery onto the prospecting area. The prospecting permit does not grant a right to exploit a deposit, for which purpose a mining permit is required, but it grants its holder a priority to receive the mining permit on the prospecting area.

A mining permit entitles its holder to exploit all minerals found on the mining area defined in the permit as well as all organic and non-organic surface material and the soil and bedrock as considered necessary for the purposes of the mining work. In addition to the mining permit a mining safety permit regarding safety measures of the contemplated mining operations is required in order to build and operate a mine.

The mining area must either be owned or leased by voluntary agreements by the permit holder for mining work to commence in accordance with the terms of the permit. In certain cases, if the mining operator and the owner of the land cannot come to a voluntary agreement on the use of the land for mining purposes, the Council of State of Finland may grant a mining area redemption permit which entitles its holder the right to establish a mining area on the area owned by another landowner without consent, provided that the mining project is required by public interest.

The Finnish Safety and Chemicals Agency is responsible for granting prospecting permits, mining permits and mining safety permits upon an application provided that statutory requirements are fulfilled. Prospecting permits are issued for fixed periods of time (a maximum period of four years at a time which can be extended for three-year periods, up to a maximum of 15 years). Mining permits are generally granted without an expiry date. However, the Safety and Chemicals Agency investigates grounds for the continued existence of the permit at least once every ten years. In some cases, depending on the prevailing circumstances and the deposit, mining permits may only be granted for a fixed period of time (to a maximum period of ten years at a time).

Prospecting permits and mining permits may be cancelled if the holder of the permit does not perform mining operations in accordance with the permit and its terms or violates rules of the Mining Act.

Without specific permission of the National Board of Patents and Registrations of Finland a right to apply for and acquire a prospecting permit and mining permit is limited to Finnish corporations and individuals and foreign individuals and corporations domiciled in a state belonging to the European Economic Area.

All mining operations must be carried out in accordance with the permit terms and with laws and regulations concerning conservation and environmental protection issues. Under the Environmental Protection Act, mining activities require an environmental permit which may be issued either for a definite or indefinite period of time. The Environmental Protection Act is based on the principles of prevention and minimization of damages and hazards, application of the best available technology, application of the best environmental practice and the "polluter pays" principle.

The Act on Compensation for Environmental Damage includes provisions on the compensation for damage to a person or a property resulting from pollution of water, air, soil, noise, vibration, radiation, light, heat, smell or other similar nuisances, caused by an activity carried out at a fixed location. This act is based on the principle of strict liability.

In addition to the permits listed above, mining operators may require several other permits and may be subject to other obligations under Finnish legislation.

According to the Act on Environmental Impact Assessment Procedure, certain projects require compliance with an environmental impact assessment procedure. These include major projects with a considerable impact on the environment, such as the excavation, enrichment and handling of metals and other minerals in cases where the excavated material is estimated to exceed 550,000 tonnes annually. A permit authority may not give its approval to an activity covered by the scope of the Act on the Environmental Impact Assessment Procedure without having taken an environmental impact assessment report into consideration.

### *Mexico*

Mining in Mexico is subject to the Mining Law, a federal law. Under the Mexican Constitution, all minerals belong to the Mexican Nation. Private parties may explore and extract minerals pursuant to mining concessions granted by the executive branch of the Mexican government, as a general rule to whoever first claims them. While the Mining Law touches briefly upon labour, occupational and worker health and safety standards, these are primarily dealt with by the Federal Labour Law. The Mining Law also briefly addresses environmental matters, which are primarily regulated by the General Law of Ecological Balance and Protection of the Environment, also of federal jurisdiction.

The primary agencies with jurisdiction over mining activities are the Ministry of the Economy, the Ministry of Labor and Social Welfare and the Ministry of the Environment and Natural Resources. The National Water Commission has jurisdiction regarding the granting of water rights and the Ministry of Defense with respect to the use of explosives.

Concessions are granted for 50 years, renewable once. The main obligations to keep concessions current are the semi-annual payment of mining duties (taxes), based on the surface area of the concession, and the performance of work in the areas covered by the concessions, which is evidenced by minimum expenditures or by the extraction of ore.

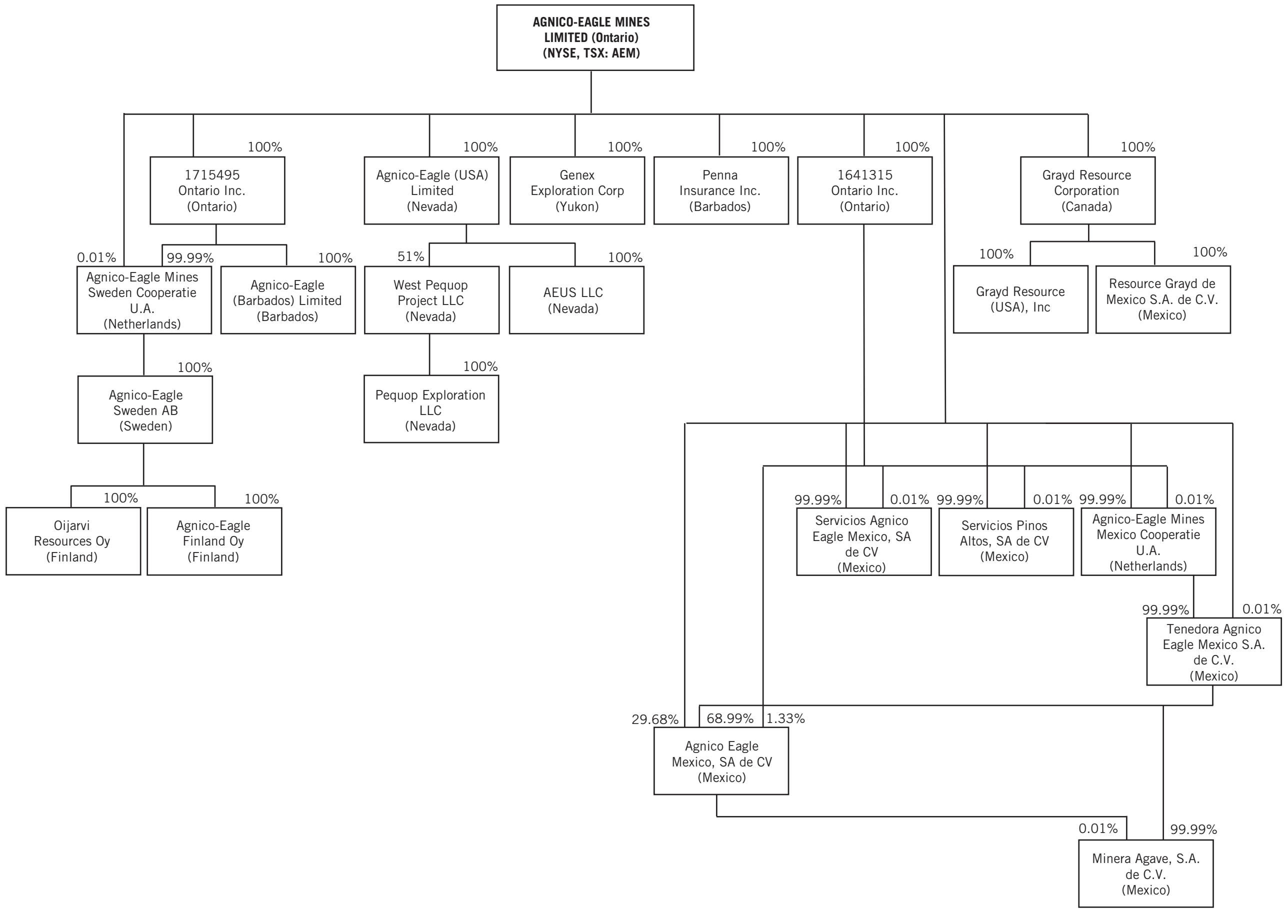
## Organizational Structure

The Company's significant subsidiaries (all of which are directly or indirectly wholly-owned by the Company, unless otherwise indicated) are 1715495 Ontario Inc., Agnico-Eagle Mines Sweden Cooperatie U.A., which owns all of the shares of Agnico-Eagle Sweden AB, a Swedish company through which the Company holds its interest in Oijarvi Resources Oy, and Agnico-Eagle Finland Oy, a Finnish company through which the Kittila mine is held. In addition, the Company's interest in the Pinos Altos mine in northern Mexico is held through its indirect wholly-owned Mexican subsidiary, Agnico Eagle Mexico S.A. de C.V., which is owned, in part, by 1641315 Ontario Inc. and Tenedora Agnico Eagle Mexico S.A. de C.V., which is owned in part by Agnico-Eagle Mines Mexico Cooperatie U.A. and the Company's interest in the La India project in Mexico is held through its indirect wholly-owned Mexican subsidiary, Resource Grayd De Mexico, S.A. de C.V., which is owned by Grayd, which is directly wholly owned by the Company, and Tenedora Agnico Eagle Mexico S.A. de C.V. The LaRonde mine, the Lapa mine, the Goldex mine, the Meadowbank mine and the Meliadine project are owned directly by the Company.

The Company's wholly-owned subsidiaries, Servicios Agnico Eagle Mexico, S.A. de C.V., Servicios Pinos Altos, S.A. de C.V. and Minera Agave, S.A. de C.V. provide services in connection with the Company's operations in Mexico. The Company's operations in the United States are conducted through Agnico-Eagle (USA) Limited.

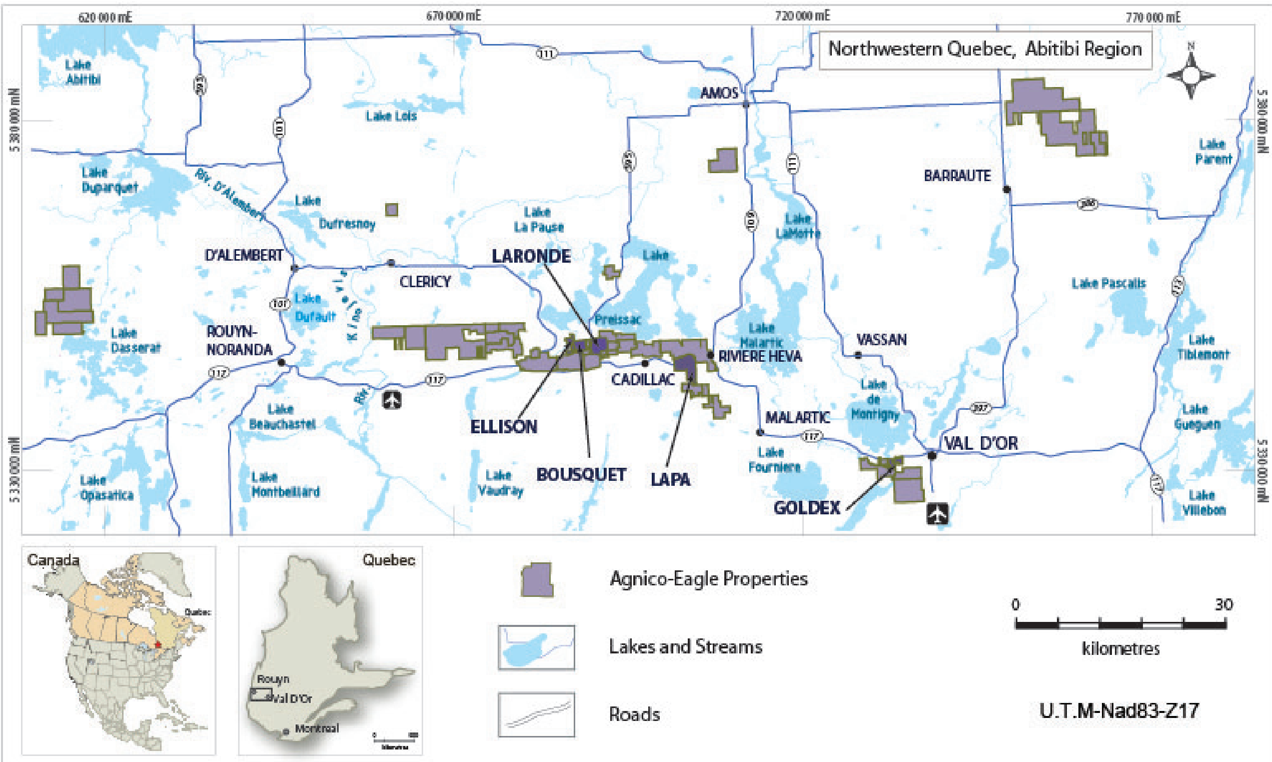
The following chart sets out the corporate structure of the Company, each of its significant subsidiaries and certain other subsidiaries, together with the jurisdiction of organization of the Company and each such subsidiary as at March 12, 2012:

Agnico-Eagle Organizational Chart



## Property, Plant and Equipment

Location Map of the Abitibi Region

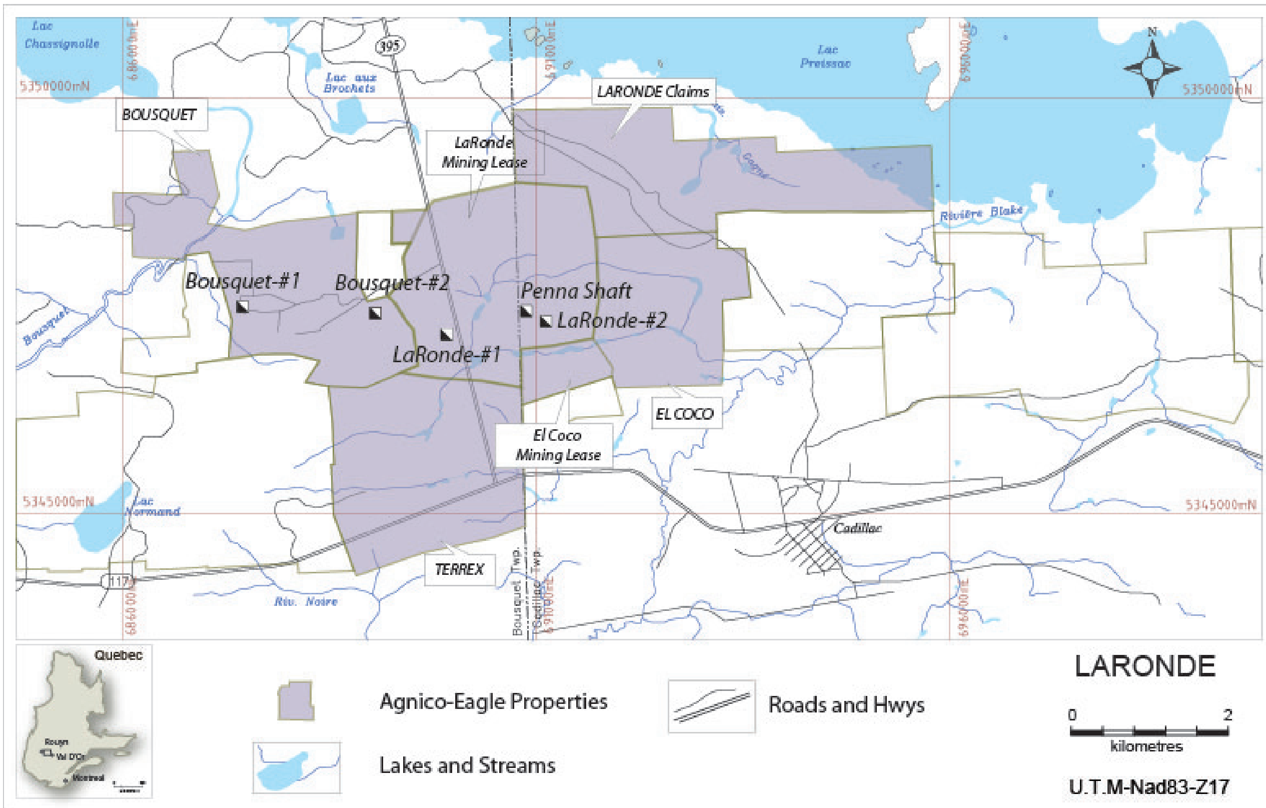



### *LaRonde Mine*

The LaRonde mine is situated approximately halfway between the City of Rouyn-Noranda and the City of Val d'Or in northwestern Quebec (approximately 470 kilometres northwest of Montreal, Quebec) in the municipalities of Preissac and Cadillac. At December 31, 2011, the LaRonde mine was estimated to contain proven and probable mineral reserves of approximately 4.7 million ounces of gold comprised of 33.2 million tonnes of ore grading 4.40 grams per tonne. The Company's LaRonde mine consists of the LaRonde property and the adjacent El Coco and Terrex properties, each of which is 100% owned and operated by the Company. The LaRonde mine can be accessed either from Val d'Or in the east or from Rouyn-Noranda in the west, which are located approximately 60 kilometres from the LaRonde mine via Quebec provincial highway No. 117. The LaRonde mine is situated approximately two kilometres north of highway No. 117 on Quebec regional highway No. 395. The Company has access to the Canadian National Railway at Cadillac, Quebec, approximately six kilometres from the LaRonde mine.

The LaRonde mine operates under mining leases obtained from the Ministry of Natural Resources and Wildlife (Quebec) and under certificates of approval granted by the Ministry of Sustainable Development, Environment and Parks (Quebec). The LaRonde property consists of 35 contiguous mining claims and one provincial mining lease and covers in total 1,044.9 hectares. The El Coco property consists of 22 contiguous mining claims and one provincial mining lease and covers in total 356.7 hectares. The Terrex property consists of 21 mining claims that cover in total 424.4 hectares. The mining leases on the LaRonde and El Coco properties expire in 2018 and 2021, respectively, and are automatically renewable for three further ten-year terms upon payment of a small fee. The Company also has three surface rights leases that cover in total approximately 301.5 hectares that relate to the water pipeline right of way from Lake Preissac and the eastern extension of the LaRonde tailings pond #7 on the El Coco property. The surface rights leases are renewable annually.

Location Map of the LaRonde Mine



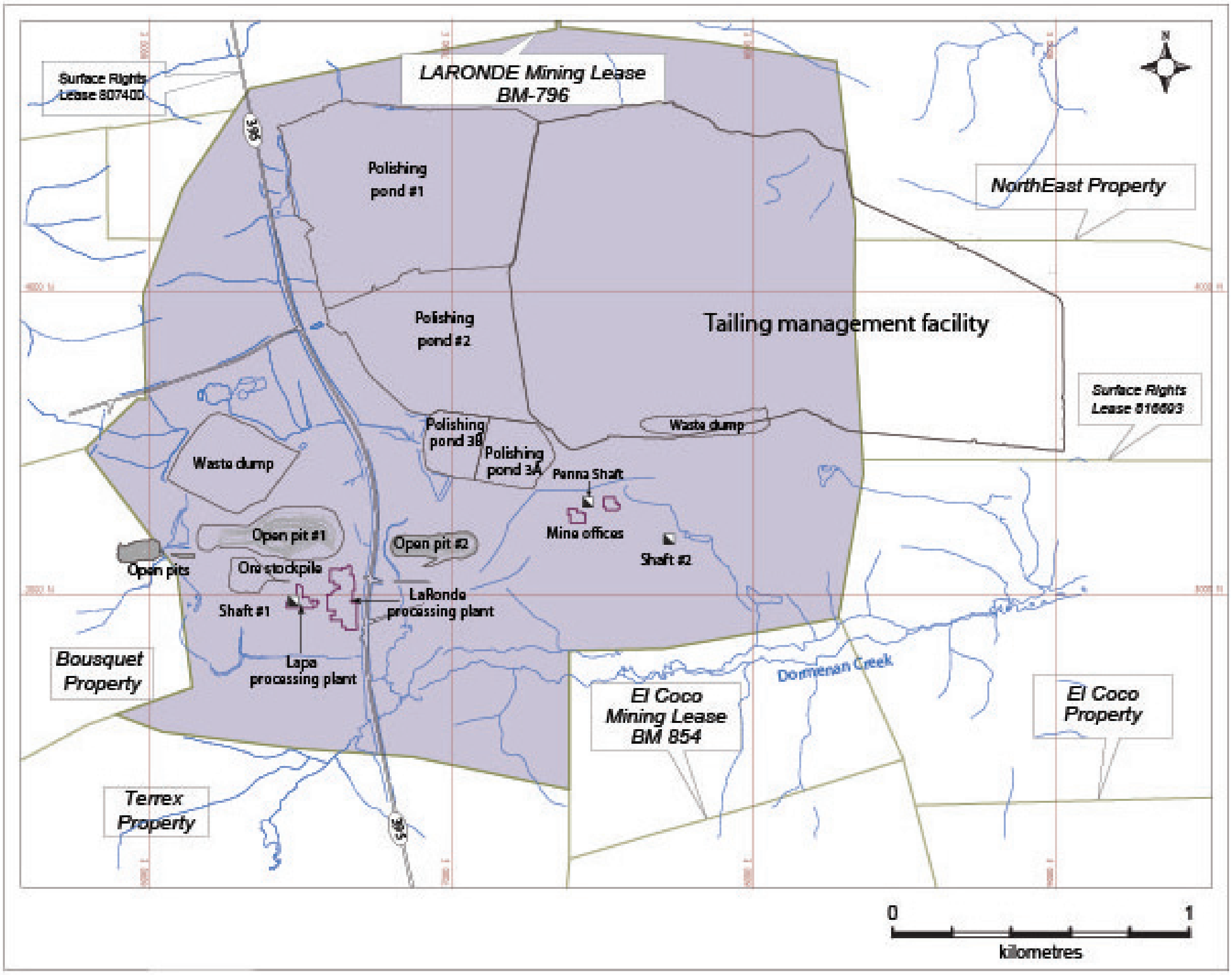

The LaRonde mine includes underground operations at the LaRonde and El Coco properties that can both be accessed from the Penna Shaft, a mill, a treatment plant, a secondary crusher building and related facilities. The El Coco property is subject to a 50% net profits interest in favour of Barrick Gold Corporation ("Barrick") on future production from approximately 500 metres east of the LaRonde property boundary. The remaining 1,500 metres is subject to a 4% net smelter return royalty. This area of the property is now substantially mined out and the Company has not paid royalties since 2004 and does not expect to pay royalties in 2012. In 2003, exploration work started to extend outside of the LaRonde property onto the Terrex property where a down-plunge extension of Zone 20 North was discovered. The Terrex property is subject to a 5% net profits royalty to Delfer Gold Mines Inc. and a 2% net smelter return royalty to Barrick. The Company does not expect to pay royalties on this part of the property in 2012. In addition, the Company owns 100% of the Sphinx property immediately to the east of the El Coco property.

In 2012, payable gold production at the LaRonde mine is expected to increase to approximately 157,500 ounces, and total cash costs per ounce are expected to be approximately $570.

The Abitibi region has a continental climate with average annual rainfall of 64 centimetres and average annual snowfall of 318 centimetres. The average monthly temperatures range from a minimum of −23 degrees Celsius in January to a maximum of 23 degrees Celsius in July. Under normal circumstances, mining operations are conducted year-round without interruption due to weather conditions. The Company believes that the Abitibi region of northwestern Quebec has sufficient experienced mining personnel to staff its operations in the Abitibi region. The elevation is 337 metres above sea level. The LaRonde property is relatively flat with a maximum relief of approximately 40 metres. The topography gently slopes down from north to south and is characterized by boreal-type forest at LaRonde and the nearby properties. All of the LaRonde mine's power requirements are supplied by Hydro-Quebec through connections to its main power transmission grid. Water used in the LaRonde mine's operations is sourced from Lake Preissac and is transported approximately four kilometres to the minesite through a surface pipeline.

*Mining and Milling Facilities*

Surface Plan of the LaRonde Mine




The LaRonde mine was originally developed utilizing a 1,207-metre shaft (Shaft #1) and an underground ramp access system. The ramp access system is available down to Level 25 of Shaft #1 and continues down to Level 248 at the Penna Shaft. The mineral reserve accessible from Shaft #1 was depleted in September 2000 and Shaft #1 is no longer in use. A second production shaft (Shaft #2), located approximately 1.2 kilometres to the east of Shaft #1, was completed in 1994 to a depth of 525 metres and was used to mine Zones 6 and 7. Both ore zones were depleted in March 2000 and the workings were allowed to flood up to Level 6 (approximately 280 metres). A third shaft (the Penna Shaft), located approximately 800 metres to the east of Shaft #1, was completed down to a depth of 2,250 metres in March 2000. The Penna Shaft is used to mine Zones 20 North, 20 South, 6 and 7. In 2009, as part of the LaRonde mine extension, the Company completed construction of an 823-metre internal shaft from Level 203 to access the ore below Level 245, approximately 2,858 metres below surface.

*Mining Methods*

Four mining methods have historically been used at the LaRonde mine: open pit for the three surface deposits; sublevel retreat; longitudinal retreat with cemented rock backfill or paste backfill; and transverse open stoping with paste, cemented rock backfill or unconsolidated backfill. The primary source of ore at the LaRonde mine continues to be from underground mining methods. During 2011, two mining methods were used: longitudinal retreat with cemented rock backfill or paste backfill and transverse open stoping with cemented rock backfill, paste or unconsolidated backfill. In the underground mine, sublevels are driven at between 30-metre and 40-metre vertical intervals, depending on the depth. Stopes are undercut in 15-metre wide panels. In the longitudinal method, panels are mined in 15-metre sections and backfilled with 100% cemented rock backfill or paste backfill. The paste backfill plant was completed in 2000 and is located on the surface at the processing facility. In the transverse open stoping method, approximately 50% of the ore is mined in the first pass and filled with cemented rock backfill or paste backfill. On the second pass, the remainder of the ore is mined and filled with unconsolidated waste rock backfill or cemented paste backfill.

*Surface Facilities*

Surface facilities at the LaRonde mine include a processing plant with a daily capacity of 7,200 tonnes of ore, which has been expanded four times since 1987 from the original rate of 1,630 tonnes per day. Beginning in 1999, transition to the LaRonde mine poly-metallic massive sulphide orebody required several modifications to the processing plant which consisted of a new coarse ore handling system, new SAG and ball mill, the addition of a zinc flotation circuit and capacity increases to the existing copper flotation and precious metals circuits. In 2008, the installation of a limited copper/lead separation flotation circuit, following the copper flotation circuit, was completed. Also in 2008, operation of a small cyanidation plant, for the treatment of sulphide concentrate from the Goldex mine, began. A new carbon-in-leach circuit is under construction and will replace the existing LaRonde precious metal Merrill Crowe circuit by year end. The LaRonde mine is also the site for the Lapa mine ore processing plant (1,500 tonnes per day), which the Company commissioned in the second quarter of 2009.

The ore requires a series of grinding, copper/lead flotation and separation, zinc flotation and zinc tails precious metals leaching circuits, followed by a counter-current decantation circuit and Merrill Crowe precipitation. Paste backfill and cyanide destruction plants operate intermittently. The tailings area has a dedicated cyanide destruction and metals precipitation plant that water passes through prior to recirculating to the mill. A biological water treatment plant was commissioned in 2005 to address the build-up of thiocyanate in the tailings ponds at the LaRonde mine. This build-up was the result of the high sulphide content of the LaRonde mine ore and 90% recirculation of the process water. The plant uses bacteria to oxidize and destroy thiocyanate and removes phosphate from the water before it is released to the environment.

The Goldex concentrate circuit consists of pulp received from the Goldex mill via truck and subsequent leaching of the pulp with cyanide. The leached material is sent to the Lapa cyanide leach with carbon circuit ("CIL") for gold recovery with Lapa residual pulp. The Goldex circuit ceased to operate in November 2011 following the suspension of mining operations at Goldex on October 19, 2011. This circuit is currently on standby pending a decision regarding future production from the Goldex operations.

The Lapa process consists of a two-stage grinding circuit to reduce the granularity of the ore. A gravity recovery circuit that is incorporated into the grinding circuit recovers up to 45% of the available gold, depending on feed grades. The residual pulp is leached in a conventional CIL circuit to dissolve the balance of the precious metal. Prior to November 2011, when the Goldex circuit ceased operations, the leached slurry from the Goldex concentrate circuit was mixed with the Lapa pulp for carbon contact. A carbon strip circuit recovers the gold from the carbon which is recycled to the leach circuit.

2012 annual production at the LaRonde mill is expected to consist of approximately 2,100,000 ounces of silver, 4,800 tonnes of copper, up to 570 tonnes of lead and 33,000 tonnes of zinc. Gold recovery at the LaRonde mine is distributed approximately 73% in the copper concentrate, 1.5% in the lead concentrate, 4.25% in the zinc concentrate and 12.4% via leaching.

*Mineral Recoveries*

During 2011, gold and silver recovery averaged 89.6% and 88.3%, respectively. Zinc recovery averaged 86.9% with a concentrate quality of 56% zinc. Copper recovery averaged 77.1% with a concentrate quality of 8.66% copper. Approximately 2.4 million tonnes of ore were processed averaging 7,027 tonnes of ore per day at 93.8% of available time.

The following table sets out the metal recoveries, concentrate grades and contained metals for the 2.4 million tonnes of ore extracted by the Company at the LaRonde mine in 2011.

| | | Copper Concentrate (41,970 tonnes produced) | | Zinc Concentrate (115,717 tonnes produced) | | Lead Concentrate (4,006 tonnes produced) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Head Grades | Grade | Recovery | Grade | Recovery | Grade | Recovery | Overall Metal Recoveries | Payable Production |
| **Gold** | 1.79 g/t | 54.8 g/t | 53.35% | 1.7 g/t | 4.68% | 108.2 g/t | 10.29% | 89.64% | 124,173 oz |
| **Silver** | 54.42 g/t | 1,226 g/t | 39.30% | 175 g/t | 15.40% | 3,319 g/t | 10.39% | 88.28% | 3,196,496 oz |
| **Copper** | 0.20% | 8.66% | 77.12% | – | – | – | – | 77.10% | 3,216 t |
| **Lead** | 0.36% | – | – | – | – | 60.33% | 28.33% | 28.33% | 2,342 t |
| **Zinc** | 3.09% | – | – | 55.9% | 86.87% | – | – | 86.87% | 54,894 t |

*Environmental Matters*

Currently, water is treated at various facilities at the LaRonde mine operations. Water contained in the tailings to be used as underground backfill is treated to degrade cyanide using a sulphur dioxide and air process. The tailings entering the tailings pond are first decanted and the clear water subjected to natural cyanide degradation. This water is then transferred to sedimentation pond #1 to undergo a secondary treatment at a plant located between sedimentation ponds #1 and #2 that uses a peroxy-silicate process to destroy cyanide, lime and coagulant to precipitate metals. The tailings pond occupies an area of about 175 hectares. Waste rock that is not used underground for backfill is brought up to the surface and stored in close proximity to the tailings pond to be used to build coffer dams inside the pond. A waste rock pile containing approximately 500,000 tonnes of waste and occupying about nine hectares is located west of the mill.

Due to the high sulphur content of the LaRonde mine ore, the Company has had to address toxicity issues in the tailings ponds since the 1990s. Since introducing and optimizing a biological treatment plant in 2004, the treatment process is now stable and the effluent has remained non-toxic since 2006. In 2006, the Company commenced an ammonia stripping operation involving an effluent partially treated by the biological treatment plant which allowed an increase in treatment flow rate, while keeping the final effluent toxicity-free. In 2009, to further increase the treatment flow rate of the biological plant, the Company commenced construction of ammonia stripping towers, which became operational in June 2010. In addition, water from mine dewatering and drainage water are treated to remove metals prior to discharge at a lime treatment plant located at the LaRonde mill.

*Capital Expenditures*

In 2006, the Company initiated construction to extend the infrastructure at the LaRonde mine to access the ore below Level 245, referred to as the LaRonde mine extension. Hoisting from the LaRonde mine extension began in the fourth quarter of 2011 and commercial production was achieved in November 2011. The LaRonde mine extension infrastructure includes a 823-metre internal shaft (completed in November 2009) starting from Level 203, which provides a total depth of 2,858 metres. A ramp is used to access the lower part of the orebody up to 3,110 metres in depth. The internal winze system is used to hoist ore from depth to facilities on Level 215, approximately 2,150 metres below surface, where it is transferred to the Penna Shaft hoist.

Capital expenditures at the LaRonde mine during 2011 were approximately $93 million, which included $41 million on sustaining capital expenditures and $52 million comprised primarily of expenditures on the LaRonde mine extension. Budgeted 2012 capital expenditures at the LaRonde mine are $74 million, including $21 million on sustaining capital expenditures and capitalized exploration and $43 million on the LaRonde mine extension. Another $10 million will be added to the carbon-in-pulp ("CIP") / high density sludge ("HDS") project. Total capital expenditures for the LaRonde mine and the LaRonde mine extension are estimated at $366 million from 2012 to 2024 (including the CIP/HDS project).

*Development*

In 2011, a total of 14,116 metres of lateral development was completed. Development was focused on stope preparation of mining blocks for production in 2011 and 2012, especially the preparation of the lower mine production horizon. A total of 4,925 metres of development work was completed for the LaRonde mine extension infrastructure and the ramp to access the LaRonde mine extension.

A total of 14,500 metres of lateral development is planned for 2012. The main focus of development work continues to be stope preparation. The Company plans to develop and prepare the access to Zone 20 South down to Level 245. For the LaRonde mine extension, a total of 6,370 metres of development is planned, mainly to develop the ramp access to the orebody and for future ventilation infrastructure. At the same time, development work will continue to prepare for mining below Level 245.

As the LaRonde mine extension has substantially been completed and will be the primary location of mining going forward, the "extension" designation will be dropped and the entire complex will be referred to as the LaRonde mine.

*Geology, Mineralization and Exploration*

*Geology*

The LaRonde property is located near the southern boundary of the Archean-age (2.7 billion years old) Abitibi Subprovince and the Pontiac Subprovince within the Superior Geological Province of the Canadian Shield. The most important regional structure is the Cadillac-Larder Lake ("CLL") fault zone marking the contact between the Abitibi and Pontiac Subprovinces, located approximately two kilometres to the south of the LaRonde property.

The geology that underlies the LaRonde mine consists of three east-west-trending, steeply south-dipping and generally south-facing regional groups of rock formations. From north to south, they are: (i) 400 metres (approximate true thickness) of the Kewagama Group, which is made up of a thick band of interbedded wacke; (ii) 1,500 metres of the Blake River Group, a volcanic assemblage that hosts all the known economic mineralization on the property; and (iii) 500 metres of the Cadillac Group, made up of a thick band of wacke interbedded with pelitic schist and minor iron formation.

Zones of strong sericite and chlorite alteration that enclose massive to disseminated sulphide mineralization (including the ore that is mined for gold, silver, zinc, copper and lead at the LaRonde mine) follow steeply dipping, east-west-trending, anastomosing shear zone structures within the Blake River Group volcanic units across the property. These shear zones are part of the larger Doyon-Dumagami Structural Zone that hosts several important gold occurrences (including the Doyon gold mine, the Westwood project and the former Bousquet mines) and has been traced for over ten kilometres within the Blake River Group, from the LaRonde mine westward to the Mouska gold mine.

*Mineralization*

The gold-bearing zones at the LaRonde mine are lenses of disseminated stringers through to massive, aggregates of coarse pyrite with zinc, copper and silver content. Ten zones that vary in size from 50,000 to 40,000,000 tonnes have been identified, of which four are (or are believed to be) economic. Gold content is not proportional to the total sulphide content but does increase with copper content. Gold values are also higher in areas where the pyrite lenses are crosscut by tightly spaced north-south fractures.

These historical relationships, which were noted at LaRonde Shaft #1's Main Zone, are maintained at the Penna Shaft zones. The zinc-silver (*i.e.*, Zone 20 North) mineralization with lower gold values, common in the upper mine, grades into gold-copper mineralization within the lower mine. Gold value enhancement associated with crosscutting north-south fractures also occurs within the LaRonde mine. The predominant base metal sulphides within the LaRonde mine are chalcopyrite (copper) and sphalerite (zinc).

The Company believes that Zone 20 North is one of the largest gold-bearing massive sulphide mineralized zones known in the world and one of the largest mineralized zones known in the Abitibi region of Ontario and Quebec. Zone 20 North contains the majority of the mineral reserves and resources at the LaRonde mine, including 33,113,000 tonnes of proven and probable mineral reserves grading 4.51 grams of gold per tonne, representing 94% of the total proven and probable mineral reserves at the LaRonde mine, 5,419,000 tonnes of indicated mineral resources grading 1.61 grams of gold per tonne, representing 75% of the total measured and indicated mineral resources at the LaRonde mine, and 9,297,000 tonnes of inferred mineral resources grading 4.00 grams of gold per tonne, representing 82% of the total inferred mineral resources at LaRonde.

The depth of Zone 20 North extends between 700 metres below surface and 3,500 metres below surface, and possibly lower. With increased access on the lower levels of the mine (*i.e.* from Level 215 to Level 255), the transformation from a "zinc/silver" orebody to a "gold/copper" deposit is expected to continue during 2012.

Zone 20 North can be divided into an upper zinc/silver-enriched gold-poor zone and a lower gold/copper-enriched gold-rich zone. The zinc zone has been traced over a vertical distance of 1,700 metres and a horizontal distance of 570 metres, with thicknesses approaching 40 metres. The gold zone has been traced over a vertical distance of over 2,200 metres and a horizontal distance of 900 metres, with thicknesses varying from three to 40 metres. The zinc zone consists of massive zinc/silver mineralization containing 50% to 90% massive pyrite and 10% to 50% massive light brown sphalerite. The gold zone mineralization consists of 30% to 70% finely disseminated to massive pyrite containing 1% to 10% chalcopyrite veinlets, minor disseminated sphalerite and rare specks of visible gold. Gold grades are generally related to the chalcopyrite or copper content. At depth, the massive sulphide lens becomes richer in gold and copper. During 2011, 2.2 million tonnes of ore grading 1.72 grams of gold per tonne, 57.18 grams of silver per tonne, 3.27% zinc, 0.20% copper and 0.39% lead were mined from Zone 20 North.

*Exploration*

The combined tonnage of proven and probable mineral reserves at the LaRonde mine for year-end 2011 is 33.2 million tonnes which represents a 4% decrease in the amount compared to year-end 2010 (34.7 million tonnes). This mineral reserve includes the replacement of 2.4 million tonnes of ore that were mined in 2011. The reduction in reserves is principally associated with the tonnes mined during 2011.

Diamond drilling is used for exploration on the LaRonde property. In 2011, a total of 181 holes were drilled on the LaRonde property for a total length of 16,190 metres, compared to 212 holes for a total length of 19,188 metres in 2010. Of the drilling in 2011, 165 holes (8,181 metres) were for production stope delineation, 12 holes (2,614 metres) were for definition drilling and 4 holes (5,396 metres) were for exploration. In 2010, 187 holes (5,397 metres) were for production stope delineation, 21 holes (6,016 metres) were for definition drilling and 4 holes (5,403 metres) were for exploration. Expenditures on diamond drilling at the LaRonde mine during 2011 were approximately $2.41 million, including $0.97 million in definition and delineation drilling expenses charged to operating costs at the LaRonde mine. Expenditures on exploration in 2011 were $1.44 million, and are expected to be $1.15 million in 2012.

The main focus of the 2011 exploration program was continuing the investigation of Zone 20 North at depth. This program was conducted from the Level 215 exploration drift, approximately 2,150 metres below the surface. The first hole of the program was completed at the end of 2009 to a final length of 1,852 metres. This hole intersected Zone 20 North at a depth of 3,520 metres below surface, which is approximately 410 metres below the current reserve envelope. The intersection returned 14.3 metres (true width) grading 3.03 grams of gold per tonne. In 2010, a second branch was drilled from this mother hole and returned 4.1 metres grading 1.77 grams of gold per tonne at a depth of 3,595 metres below surface. Another hole was initiated in 2011 and drilling was still in progress at the end of the year. The drilling will continue in 2012. Another important focus of 2011 drilling was to start the deep exploration campaign to the east of the current reserves from the 086 level exploration drift. The purpose of this campaign is to explore stratigraphy to the east at a depth of 2,000 to 2,500 metres below surface which is similar to structures at the LaRonde mine that often contain mineralisation. In 2011, two holes were completed with no significant values and another hole was in progress at year end.

In addition, definition and delineation drilling was undertaken in the 20 North and 20 South Zones to assist in finalizing mining stope designs. Zone 20 North was the main focus of the definition drilling in 2011. Infill drilling from Level 260 to Level 236 confirmed the previous Zone 20 North reserves with a significant gain of 16,000 ounces mainly located in the western edge of the orebody.

### ***Bousquet and Ellison Properties***

The Bousquet property is located immediately west of the LaRonde mine and consists of two mining leases covering 80.0 hectares and 31 claims covering 384.9 hectares. The property, along with various equipment and other mining properties, was acquired from Barrick in September 2003 for $2.9 million in cash, $1.1 million in common shares of the Company and the assumption of specific reclamation and other obligations related to the Bousquet property. The property is subject to a 2% net smelter return royalty interest in favour of Barrick.

From 2004 to 2007, the Company recovered 108,407 tonnes of ore grading 2.33 grams of gold per tonne from Zone 4 in a small open pit. In 2006 and 2007, the Company recovered 99,342 tonnes of ore grading 7.02 grams of gold per tonne from two small ore blocks underground at Bousquet. There has been no mining of this property since 2007.

In 2011, the Company completed a diamond drilling program consisting primarily of twinning and resampling historic holes to evaluate the production potential of an open pit at Bousquet Zone 5. This work led to a new resource estimate for Zone 5 and an internal feasibility study has been conducted for a resumption of production in the Zone 5 open pit. This study led to a positive scenario and a final estimate of new probable reserves of approximately 0.2 million ounces of gold comprised of 3.2 million tonnes of ore grading 1.88 grams per tonne. For the whole Bousquet property, including Zone 5, the December 31, 2011 indicated mineral resource is approximately 9.8 million tonnes grading 2.44 grams of gold per tonne. The inferred mineral resource is 4.6 million tonnes grading 4.04 grams of gold per tonne. Expenditures on exploration in 2011 were $2.40 million, which includes the cost of drilling 18,616 metres in 70 holes. In 2012, the Company expects to spend $1.5 million in exploration including $0.3 million in drilling of 3,000 metres at Bousquet and continue optimisation of the feasibility study.

The Ellison property is located immediately west of the Bousquet property and consists of eight claims covering 101.0 hectares. The property was acquired in August 2002 for $0.32 million in cash and a commitment to spend $0.49 million in exploration over four years. The commitment was fulfilled in 2004 and the property is 100% owned by the Company. The property is subject to a net smelter return royalty interest in favour of Yorbeau Resources Inc. that varies between 1.5% and 2.5% depending on the price of gold. Should commercial production from the Ellison property commence, the Company will be required to pay Yorbeau Resources Inc. an additional C$0.5 million in cash.

From 2009 to 2011, the Company conducted drilling for a total of 12,465 metres on the deep exploration program on the Ellison property, at a cost of $7.4 million in order to better define the mineralization at depth, interpreted to be in the Westwood horizon. The potential exists for a large gold resource with similar geology to the LaRonde mine extension.

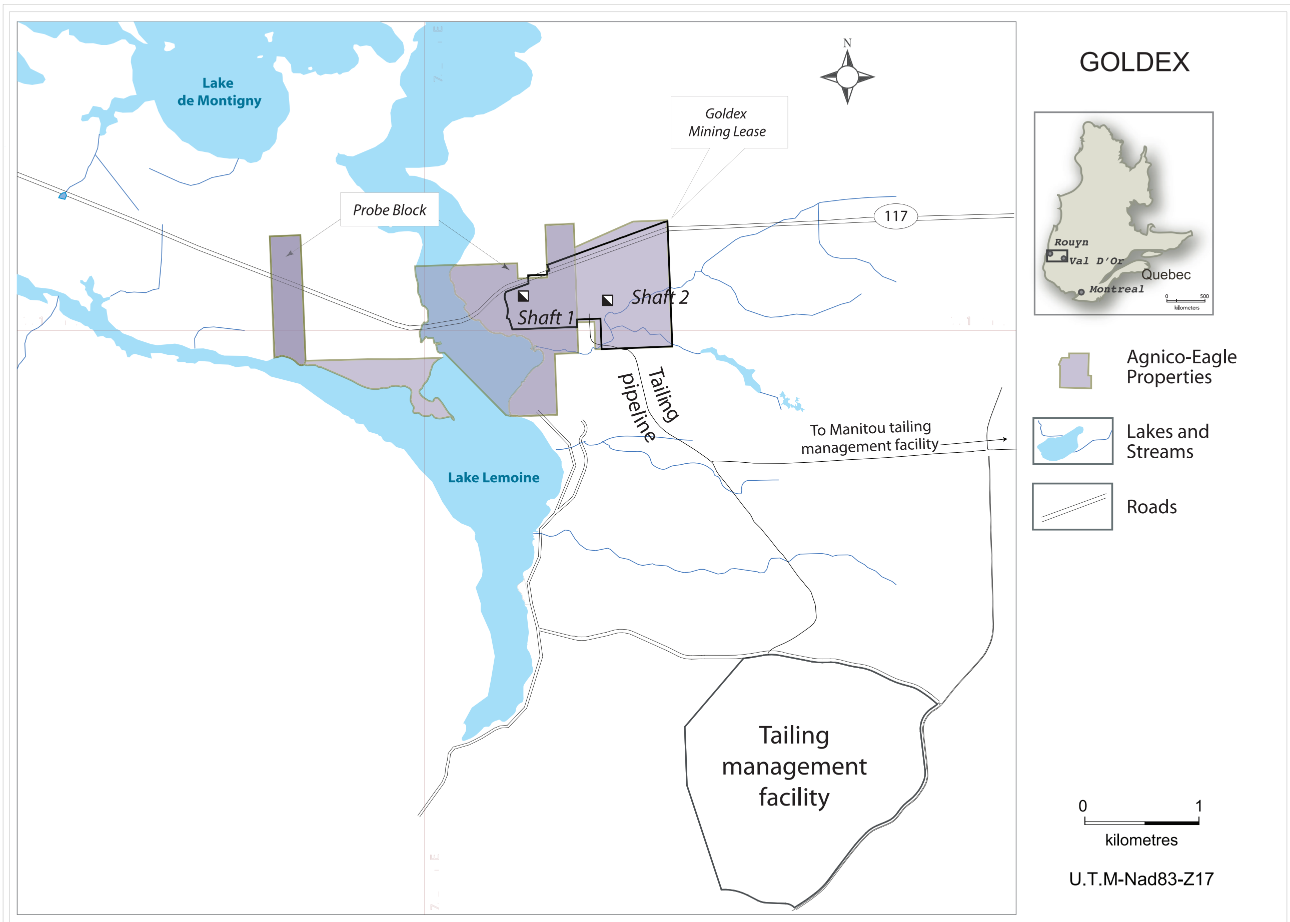
The December 31, 2011 indicated mineral resource at Ellison is approximately 0.4 million tonnes grading 5.68 grams of gold per tonne, and the inferred resource is 0.8 million tonnes grading 5.81 grams of gold per tonne. A follow-up exploration program was approved for Ellison in 2012, including 3,600 metres of drilling at a budget of $1.0 million.

### ***Goldex Mine***

The Goldex mine, which achieved commercial production in August 2008, is located in the City of Val d'Or, Quebec, approximately 60 kilometres east of the LaRonde mine. On October 19, 2011, the Company suspended mining operations and gold production at Goldex, following the receipt of recommendations from independent consultants to halt underground mining operations during the investigation into ground stability issues. As a result, the Company wrote off substantially all of its investment in the Goldex mine (approximately $254 million), took a closure provision of approximately $44 million and reclassified all of the remaining 1.6 million ounces of proven and probable gold reserves (approximately 0.9 million ounces of gold in proven reserves (14.8 million tonnes grading 1.87 grams of gold per tonne) and approximately 0.7 million ounces of gold in probable reserves (13.0 million tonnes grading 1.6 grams of gold per tonne) estimated as of December 31, 2010), other than the ore stockpiled on surface, as mineral resources in the third quarter of 2011. The surface stockpile was processed in the Goldex mill by October 30, 2011. The Goldex property is now considered an advanced exploration project with significant measured, indicated and inferred mineral resources in several zones, but no mineral reserves.

At the present time, development work continues underground on the M-Zone (as defined below) and the exploration ramp into the D-Zone (as defined below), and exploration continues, with diamond drilling from surface and underground.

Location Map of the Goldex Mine




The Goldex property is accessible by provincial highway. The elevation is approximately 302 metres above sea level. All of the Goldex mine's power requirements were supplied by Hydro-Quebec through connections to its main power transmission grid. All of the water that was required at the Goldex mine was sourced directly by aqueduct from the Thompson River immediately adjacent to the minesite or through recirculation of water from the surface pond and the auxiliary tailings pond. For additional information regarding the Abitibi region in which the Goldex mine is located, including information with respect to climate, topography, vegetation and mining personnel, see "– Property, Plant and Equipment – LaRonde Mine".

The Goldex mine operated under a mining lease obtained from the Ministry of Natural Resources and Wildlife (Quebec) and under certificates of approval granted by the Ministry of Sustainable Development, Environment and Parks (Quebec). The Goldex property, in which the Company has a 100% working interest, consists of 22 contiguous mining claims and, since April 2006, one provincial mining lease (98.6 hectares), covering an aggregate of 331.2 hectares. The property is made up of three blocks: the Probe block (130.7 hectares); the Dalton block (10.4 hectares); and the Goldex Extension block (190.1 hectares). The claims are renewable every second year upon payment of a small fee. The mining lease expires in 2028 and is automatically renewable for three further ten-year terms upon payment of a small fee. The Company also has one lease covering 418.5 hectares of surface rights that are used for the auxiliary tailings pond. This lease is renewable annually upon payment of a small fee.

The Goldex mine includes underground operations that can be accessed from two shafts, a processing plant, an ore storage facility and other related facilities. The Goldex Extension Zone ("GEZ"), which was the gold deposit on which the Company was focusing its production efforts before production was suspended indefinitely on October 19, 2011, was discovered in 1989 on the Goldex Extension block (although the Company believes a small portion of the GEZ occurs on the Probe block). Probe Mines Ltd. holds a 5% net smelter return royalty interest on the Probe block. In 2011, exploration and development work continued on the zone located on the Probe block 150 metres above the western end of the GEZ (the "M-Zone").

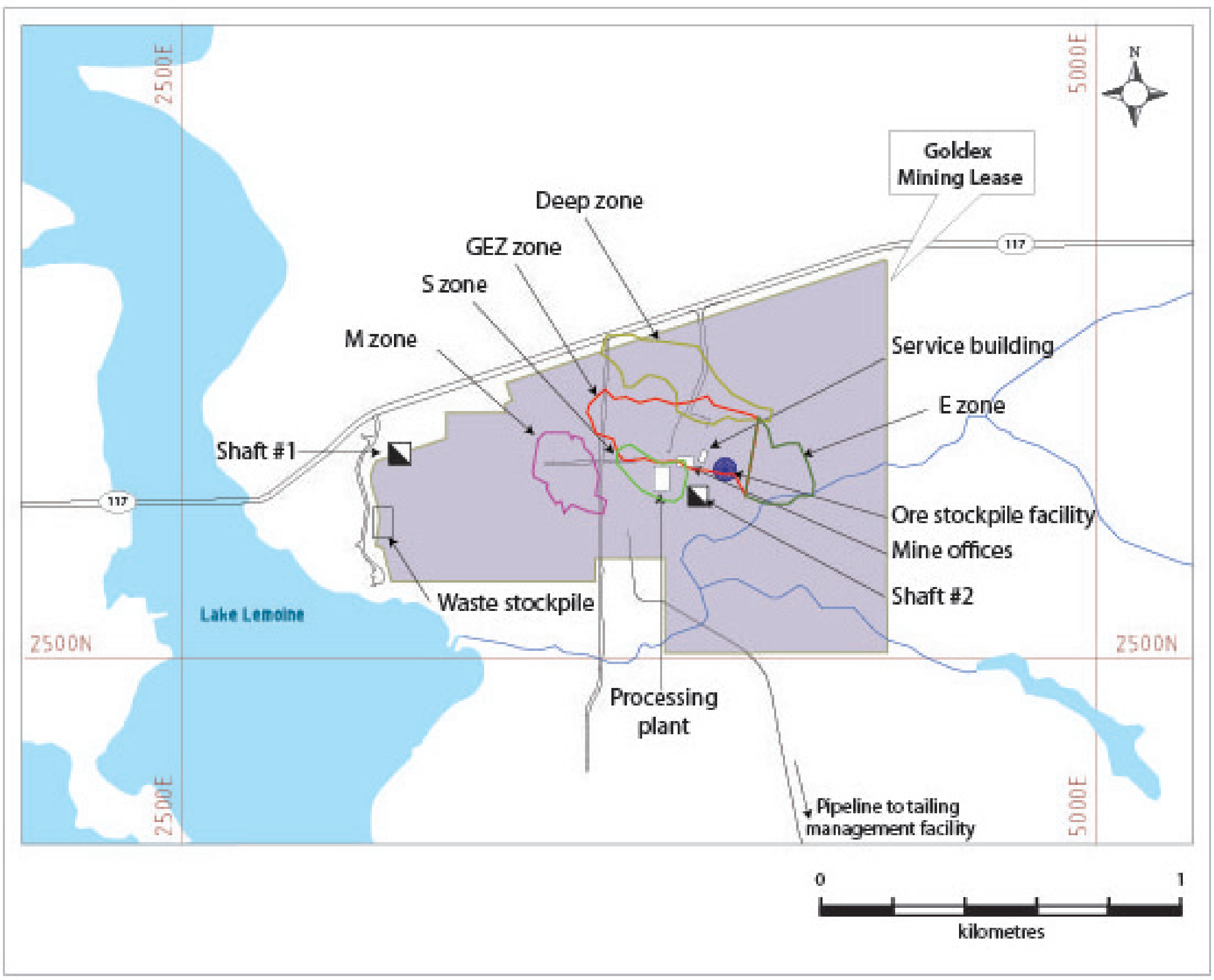
In late 1997, the Company completed a mining study that indicated the deposit was not economically viable to mine at the then-prevailing gold price (approximately $323 per ounce of gold) using the mining approach chosen and drill-hole-indicated grade. The property was placed on care and maintenance and the workings were allowed to flood. In February 2005, a new mineral reserve and resource estimate was completed for the GEZ which, coupled with a feasibility study, led to a probable mineral reserve estimate of 1.6 million ounces of gold contained in 20.1 million tonnes of ore grading 2.54 grams of gold per tonne. The GEZ resource model was revised and, in March 2005, the Company approved a feasibility study and the construction of the Goldex mine. The mine achieved commercial production on August 1, 2008 and consistently operated at or above the designed rate of 6,900 tonnes per day until its operations were suspended in October 2011.

Based on the results of a scoping study completed in July 2009, the Company determined to expand the mine and mill operations at the Goldex mine to 8,000 tonnes per day. This project was completed in 2010. Capital costs in connection with the expansion totalled $10 million. The crusher for the expansion was commissioned at the end of the first quarter of 2010 at a rate of 7,811 tonnes per day.

The Goldex mine produced 135,478 ounces of gold in 2011 at total cash costs of $472 per ounce. The Goldex mine is not expected to produce more gold until the suspected rock stability issues are resolved.

*Mining and Milling Facilities*

Surface Plan of the Goldex Mine




At the time the Company commenced construction of the Goldex mine, the surface facilities included a headframe, a hoistroom, a surface building containing a mechanical shop, a warehouse and an office. In addition, the Goldex property had a 790-metre deep shaft (Shaft #1), which provided access to underground workings. Shaft #1 is predominantly used to hoist waste rock from development activities.

The sinking of a new production shaft was completed in 2007. This shaft (Shaft #2) is a 5.5-metre diameter shaft with a 50-centimetre thick concrete lining and is used for ventilation as well as hoisting services. Shaft #2 is 865 metres deep and includes five stations. A refurbished friction hoist was installed for production and service duties, and an auxiliary hoist was installed for emergency and personnel service. The production hoist is equipped with one cageskip. Each skip has a 21.5-tonne capacity and the shaft can hoist an average of 7,000 to 8,000 tonnes of ore per day.

*Mining Method*

Prior to the suspension of mining operations on October 19, 2011, the Goldex mine used a high volume bulk mining method, which was made possible through the use of large mining stopes. Drilling and blasting of 165-millimetre production holes was used to obtain a muck size large enough to be economically efficient. Using this method required a percentage of the broken ore to be kept in the stope to reduce the backfilling cost and to reduce sloughing on the walls. Little ore and waste development was necessary to mine out the deposit. Following the suspension of mining on October 19, 2011, future mining methods, if any, are under evaluation.

*Surface Facilities*

Plant construction at the Goldex mine commenced in the second quarter of 2006 and was completed in the first quarter of 2008. The plant reached design capacity in the second quarter of 2009. Grinding at the Goldex mill was done through a two-stage circuit comprised of a SAG mill and a ball mill. As part of the expansion project commenced in 2009, a surface crusher was added to reduce the size of ore transferred to the surface from 150 millimetres to 50 millimetres. A lamellar decanter was also added to recover small particles present in the water overflow of the concentrate thickener. The underflow pump of this thickener was upgraded following flotation circuit modification to increase the pull rate of the small particles. Approximately two-thirds of the gold was recovered through a gravity circuit, passed over shaking tables and smelted on site. The remainder of the gold and pyrite was recovered by a flotation process. The concentrate was then thickened and trucked to the mill at the LaRonde mine where it was further treated by cyanidation. Gold recovered was consolidated with precious metals from the LaRonde and Lapa mines. The Company reached an average gold recovery of 93.38% in 2011, prior to the suspension of mining.

In addition, surface facilities at the Goldex property include an electrical sub-station, a compressor building, a service building for administration and changing rooms, a warehouse building, a concrete headframe above Shaft #2, a hazardous waste storage facility and a dome covering the ore stockpile.

*Mineral Recoveries*

Prior to the suspension of mining operations on October 19, 2011, the Goldex mill processed approximately 2.48 million tonnes of ore, averaging approximately 8,173 tonnes of ore treated per day and operating at approximately 95% of available time. The following table sets out the metal recoveries at the Goldex mine in 2011.

| | Head Grades | Gravity Recovery | Flotation-Cyanidation Recovery | Global Recovery | Payable Production |
|---|---|---|---|---|---|
| Gold | 1.82 g/t | 67.76% | 25.63% | 93.38% | 135,478 oz |

*Environmental Matters*

Environmental permits for the construction and operation of an ore extracting infrastructure at the Goldex mine were received from the Ministry of Sustainable Development, Environment and Parks (Quebec) in October 2005. The permits also covered the construction and operation of a sedimentation pond for mine water treatment and sewage facilities, and these facilities have been built at the Goldex mine site. In June 2009, the permits were revised to allow the expansion of the mine and mill operations to 8,500 tonnes per day.

In November 2006, the Company and the Quebec government signed an agreement permitting the Company to dispose of the Goldex tailings at the Manitou minesite, a tailings site formerly used by an unrelated third party and abandoned to the Quebec government. The Manitou tailings site has issues relating to acid drainage and the construction of tailings facilities by the Company and the deposit of tailings from the Goldex plant on the Manitou tailings site was accepted by the Ministry of Sustainable Development, Environment and Parks (Quebec) as a valid rehabilitation plan to address the acid generation problem at Manitou. Under the agreement, the Company managed the construction and operation of the tailings facilities and the Quebec government paid all additional costs above the Company's budget for tailings facilities set out in the Goldex feasibility study. The Quebec government retains responsibility for all environmental contamination at the Manitou tailings site and for final closure of the facilities. In addition, the Company has built a separate tailings deposit area (auxiliary tailings pond) near the Goldex mine. Environmental permits for the construction and operation of the auxiliary tailings pond at the Goldex mine were received in March 2007. In 2011, 237,615 tonnes of Goldex tailings were discharged to the auxiliary pond for a total to date of 764,077 tonnes. At the Manitou site, 2.20 million tonnes of Goldex tailings were discharged for a total to date of 8.095 million tonnes.

A new dyke was built in the summer of 2011 in the auxiliary tailings pond to create a second polishing basin to reduce total suspended solids in the discharged water during spring time. Construction of this dyke was necessary following a notice of infraction received in 2011 from the Quebec Ministry of Environment for exceeding of the permitted total suspended solids.

Following suspension of mining operations at the Goldex property, the mine closure costs were revised to account for the change in conditions at the site. The estimated total for the closure costs of the Goldex mine is approximately $51.4 million, comprised of the following: $1.2 million for demolition, $1 million for engineering, $0.45 million for site preliminary works, $5.4 million for mining site rehabilitation (primarily for backfilling of the zone with high subsidence), $23.2 million for rock grouting and soil improvement, $0.26 million for revegetation of the site, $0.06 million to rehabilitate the sedimentation pond, $0.2 million to rehabilitate the waste rock pile, $1.03 million to rehabilitate the South Tailings basin area, $0.7 million for geotechnical and environmental monitoring; $17.6 million for property purchases and $0.3 million for Baie-Dorée road rehabilitation. In addition, a separate provision of approximately $4.6 million exists for the remaining participation of the Company in the rehabilitation of the Manitou site.

*Capital Expenditures*

Prior to the suspension of mining operations on October 19, 2011, capital expenditures at the Goldex mine in 2011 were approximately $48.4 million, which included $7.8 million on sustaining capital expenditures, $7.1 million on the construction of facilities in the M-Zone and water management, $10.7 million in deferred development expenses, $16.3 million for remediation work at the surface and $5.3 million in exploration expense. For 2012, an interim budget of $69.8 million has been approved to further develop the M-Zone, complete remediation work, perform crown pillar investigations and explore the D-Zone.

*Development*

During 2011, approximately 4,256 metres of lateral and vertical development were completed at a cost of $15.3 million, including development following the suspension of mining operations on October 19, 2011. At the present time, development work continues underground on the M-Zone and the exploration ramp into the D-Zone, and exploration continues with diamond drilling. For 2012, 900 metres of development at a cost of $6.1 million is planned to develop the M-Zone and for exploration of the D-Zone.

*Geology, Mineralization and Exploration*

*Geology*

Geologically, the Goldex property is similar to the LaRonde property and is located near the southern boundary of the Archean-age (2.7 billion years old) Abitibi Subprovince, a typical granite-greenstone terrane located within the Superior Province of the Canadian Shield. The southern contact of the Abitibi Subprovince with the Pontiac Subprovince is marked by the east-southeast trending CLL Fault Zone, the most important regional structural feature. The Goldex deposit is hosted within a quartz diorite sill, the "Goldex Granodiorite", located in a succession of mafic to ultramafic volcanic rocks that are all generally oriented west-northwest.

The GEZ extends from 500 to 800 metres below the surface and is entirely hosted by the Goldex Granodiorite. The limits of the zone are defined by the intensity of the quartz vein stockwork envelope and by gold assays. The zone is almost egg-shaped; it is over 300 metres tall by 450 metres long (in a west-northwest direction) and its thickness increases rapidly from 25 metres along the east-west edges to almost 150 metres in the centre.

In 2011, exploration efforts at Goldex were focused on the satellite M-Zone and D-Zone. These satellite zones are defined by quartz tourmaline veins and gold assays that are similar to the GEZ. The M-Zone has been defined as having a length of 160 metres, a height of 120 metres and a thickness of 115 metres. The D-Zone is approximately 150 metres below the GEZ and close to 1,350 metres below the surface. It appears to have an approximate length of 500 metres.

*Mineralization*

Gold mineralization at Goldex corresponds to the quartz-tourmaline vein deposit type. The Goldex gold-bearing quartz-tourmaline-pyrite veins and veinlets have strong structural control. The most significant structure directly related to mineralization is a discrete shear zone, the Goldex Mylonite, that is up to five metres wide and occurs within the Goldex Granodiorite, just south of the GEZ and most other gold occurrences. The quartz-tourmaline-pyrite vein mineralization is controlled by minor fracture zones that are oriented west-northwest and dip steeply north or south. The fractures are parallel to, but north of, the Goldex Mylonite. Within the GEZ are three vein sets, the most important of which are extensional-shear veins dipping 30 degrees south and usually less than 10 centimetres thick. The vein sets and associated alteration combine to form stacked envelopes up to 30 metres thick.

Strong albite-sericite alteration of the host-rock quartz diorite surrounds the quartz-tourmaline-pyrite veins and covers almost 80% of the mineralized zone; outside of the envelopes, prior chlorite alteration affects the quartz diorite and gives it a darker grey-green colour. Occasionally, enclaves of relatively unaltered medium grey-green-coloured quartz diorite (with no veining or gold) are found within the GEZ; they are included exceptionally as internal waste to allow for a smooth shape, required for mining purposes.

Most of the gold occurs as microscopic particles that are almost always associated with pyrite, generally adjacent to grains and crystals but also 20% included within the pyrite. The gold-bearing pyrite occurs in the quartz-tourmaline veins and in narrow fractures in the sericite-albite-altered quartz diorite (generally immediately adjacent to the veins). Less than 1.5% of the gold occurs as the mineral calaverite, a gold telluride.

*Exploration*

In 2011, $7.8 million was spent on exploration at Goldex. A total of 107 holes were drilled using diamond drilling methods at the Goldex mine for a total length of approximately 47 kilometres, compared to 122 holes for a total length of 44 kilometres in 2010. The expenses include an exploration ramp drifted on a length of 475 metres from Level 86 to explore the D-Zone at depth. Three different zones in the Goldex Granodiorite intrusive were drilled in 2011. The main exploration focus (83%) with 38.8 kilometres of drilling was for the D-Zone, the remaining 7.4 kilometres (16%) were drilled for the top of the M-Zone and 750m (1%) for the sector to the East of the GEZ.

The 2012 exploration program is budgeted to include 8,000 metres of diamond drilling at a cost of $1.2 million. The primary target is the D-Zone.

***Kittila Mine***

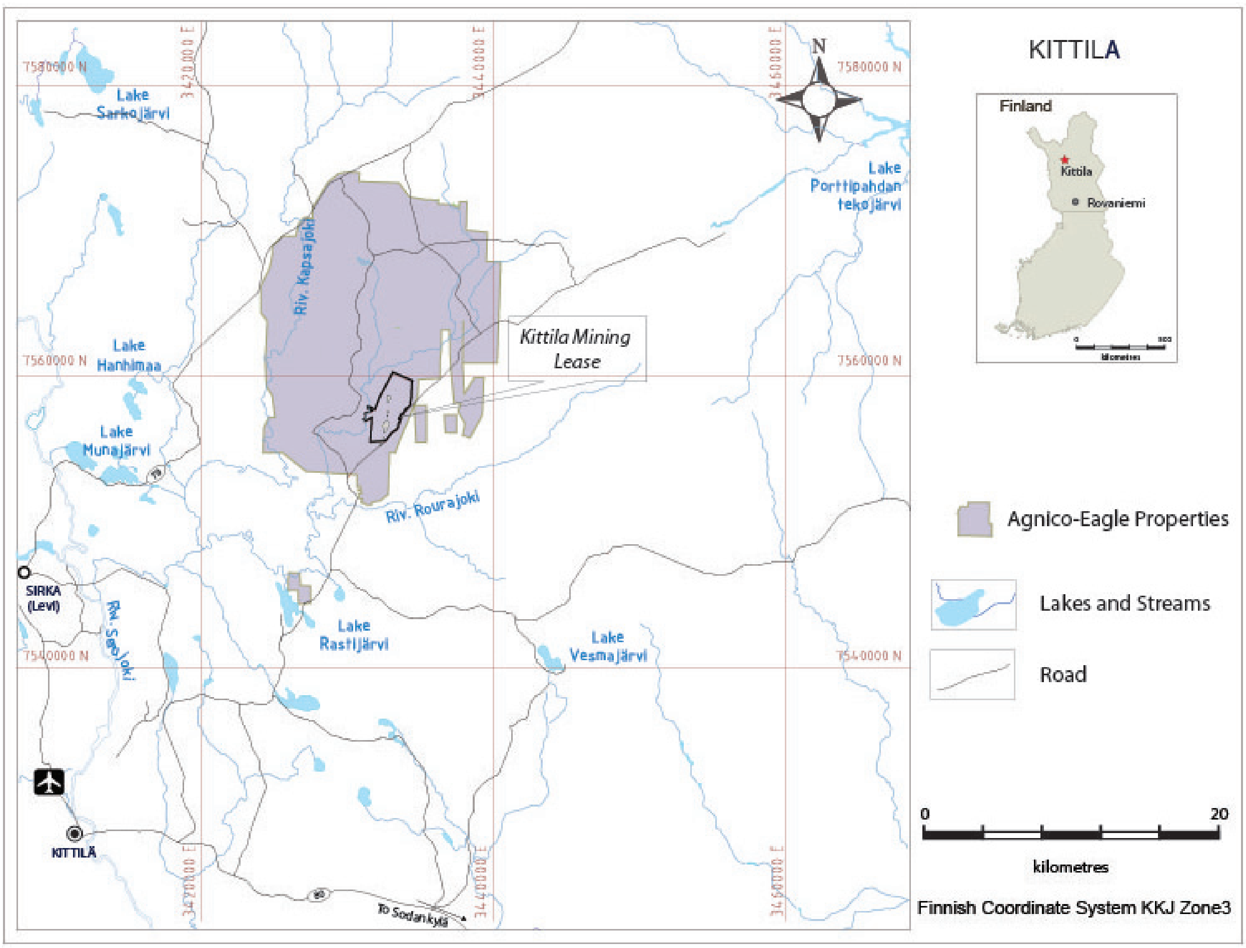
The Kittila mine, which commenced commercial production in May 2009, is located approximately 900 kilometres north of Helsinki and 50 kilometres northeast of the town of Kittila in northern Finland. At December 31, 2011, the Kittila mine was estimated to contain proven and probable mineral reserves of 5.2 million ounces of gold comprised of 34.6 million tonnes of ore grading 4.66 grams per tonne. The Kittila mine is accessible by paved road from the village of Kiistala, which is located on the southern portion of the main claim block. The gold deposit is located near the small village of Rouravaara, approximately ten kilometres north of the village of Kiistala, accessible via a paved road. The property is close to infrastructure, including hydro power, an airport and the town of Kittila. The project also has access to a qualified labour force, including mining and construction contractors.

The total landholdings surrounding and including the Kittila mine comprise one mining licence covering an area of approximately 847 hectares, 120 individual tenements (prospecting permits) covering approximately 10,652 hectares and 168 prospecting permit applications covering approximately 14,910 hectares. The mineral titles form a continuous block around the Kittila mining licence. The block has been divided into the Suurikuusikko area, the Suurikuusikko West area and the Kittila mining licence centred at 25.4110 degrees longitude east and 67.9683 degrees latitude north.

The boundary of the mining licence is determined by ground-surveyed points whereas the boundaries of the other tenements are not required to be surveyed. All of the tenements in the Kittila mine are registered in the name of Agnico-Eagle Finland Oy, an indirect, wholly-owned subsidiary of the Company. According to the Finnish government's land tenure records, all tenements are in good standing. The expiry dates of the tenements vary from May 2012 up to June 2015. Tenements are initially valid for four years, provided exploration work in the area is reported annually and a small annual fee is paid to maintain title; extensions for titles can be granted for 11 additional years on payment of a slightly higher fee and active exploration in the area. Agnico-Eagle Finland Oy also holds the mining licence in respect of the Kittila mine. The mine is subject to a 2.0% net smelter return royalty payable to the Republic of Finland.

The mine is located within the Arctic Circle but the climate is moderated by the Gulf Stream off the coast of Norway such that northern Finland's climate is comparable to that of eastern Canada. Winter temperatures range from −10 to −30 degrees Celsius, whereas summer temperatures range from 10 degrees Celsius to the mid-20s. Exploration and mining work can be carried out year-round. Because of its northern latitude, winter days are extremely short with a brief period of 24-hour darkness around the winter solstice. Conversely, summer days are very long with a brief period of 24-hour daylight in early summer around the summer solstice. Annual precipitation varies between five and 50 centimetres, one-third of which falls as snow. Snow accumulation usually begins in November and remains until March or April.

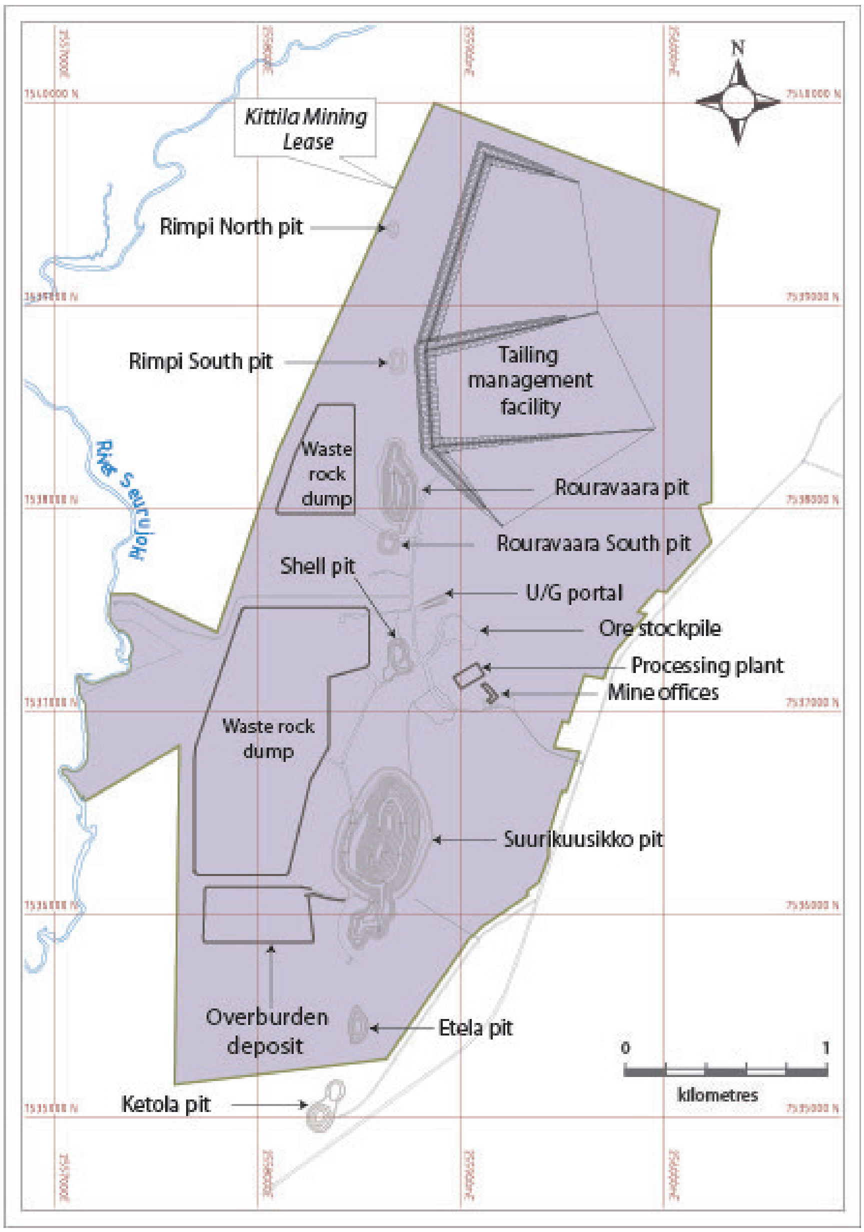
Location Map of the Kittila Mine




The Company acquired its 100%, indirect interest in the Kittila mine through the acquisition of Riddarhyttan completed in November 2005. See "– History and Development of the Company". In June 2006, on the basis of an independently reviewed feasibility study, the Company approved construction of the Kittila mine. The Kittila mine is currently an open pit mining operation with underground mining via ramp access. The current open pits will be mined out by the end of 2012 and from 2013 onward all mining will be from the underground portion of the mine. The initial underground stope was mined in early 2010. Ore is processed in a 3,000-tonne per day surface processing plant that was commissioned in late 2008. Limited gold concentrate production started in September 2008 and gold dore bar production commenced in January 2009. During 2010 throughput at the Kittila mine approached design levels and gold recoveries continued to improve. The Kittila mine is anticipated to produce approximately 155,000 ounces of gold in 2012 at estimated total cash costs per ounce of approximately $650. Over the period of 2012 to 2038, total annual average gold production of approximately 150,000 ounces is anticipated. A scoping study is underway to assess the feasibility of significantly increasing the annual gold production.

*Mining and Milling Facilities*

Surface Plan of the Kittila Mine




The orebodies at Kittila are being mined initially from two open pits, followed by underground operations to mine the deposits at depth. Additional, smaller open pits will be used to mine any remaining mineral reserves close to the surface in the future. Open pit mining started in May 2008 and the extracted ore was stockpiled. As of December 2011, a total of 2.8 million tonnes of ore have been processed, 0.4 million tonnes of ore have been stockpiled and 31.5 million tonnes of waste rock have been excavated. Work on the ramp to access the underground reserves continued throughout 2011 and total underground development to date is approximately 14,521 metres. Underground mining commenced in the fourth quarter of 2010 and, as of December 2011, a total of 0.45 million tonnes of ore have been mined from the underground portions of the mine.

*Mining Methods*

The Kittila mine currently mines the Suurikuusikko orebody with a 160-metre deep open pit. Ore is mined in 7.5-metre benches together with waste rock using buffer blasting techniques and is loaded selectively to minimize dilution and maximize ore recovery. Hydraulic excavators load ore into 100-tonne trucks that haul the ore to the crusher and the waste rock to the waste disposal area. Approximately 3,000 tonnes of ore per day are fed to the concentrator. Surface mining is expected to continue through 2012. Underground development continued throughout the year and ore production from the underground started at a steady rate in the fourth quarter of 2011.

The underground mining method is open stoping with delayed backfill. Stopes are between 25 and 40 metres high and yield approximately 10,000 tonnes of ore per stope. To ensure sufficient ore production is available to supply the mill, approximately 6,000 metres of tunnels will be developed each year. After extraction, stopes will be filled with cemented backfill or paste backfill to enable the safe extraction of ore in adjacent stopes. Ore will be trucked to the surface crusher via the ramp access system.

*Surface Facilities*

Construction of the processing plant and associated equipment was completed in 2008 and facilities on site include an office building, a maintenance facility for the open pit equipment, a warehouse, a maintenance shop, an oxygen plant, a processing plant, a tank farm, a crusher, conveyor housings and an ore bin. In addition, some temporary structures house contractor offices and work areas.

The ore at Kittila is treated by grinding, flotation, pressure oxidation and carbon-in-leach circuits. Gold is recovered from the carbon in a Zadra elution circuit and is recovered from the solution using electrowinning and then poured into dore bars using an electric induction furnace.

*Mineral Recoveries*

In 2011, the Kittila mill processed 1.1 million tonnes of ore with an availability of 84% for an average throughput of 2,824 tonnes per day. Low mill availability was caused by maintenance issues associated with the autoclave and scrubber, mainly related to leaking mechanical seals, brick lining failures in the autoclave and blocked pipelines on the autoclave and the scrubber.

The following table sets out the gold production at the Kittila mine in 2011:

| | Head Grade | Overall Metal Recovery | Payable Production |
|---|---|---|---|
| Gold | 5.11 g/t | 84.6% | 143,560 oz |

Ore processing at Kittila consists of two stages. In the first stage, ore is enriched by flotation and in the second stage the gold is extracted by pressure oxidation and cyanide-in-leach processes. Flotation recoveries were stable during 2011 and flotation recovery averaged 93% during the year. Trials are still in progress with the aim to try to further increase the flotation recovery. An in-house metallurgical laboratory was built in 2011 and will allow further flotation test work to be undertaken to attempt to optimize flotation recoveries.

Recoveries in the second stage of the process were also relatively stable in 2011. Lower recoveries in the second quarter of 2011 were related to mechanical failures and operating difficulties in the autocalve. Modifications inside the autoclave allowed for better oxygen distribution management, which resulted in better sludge flow and oxidation within the autoclave, leading to better recovery availability. Also, further optimizing and improved control of the process enabled continuous improvement in recoveries.

A large amount of test work was done in 2011 and the testing and optimization of the process will continue in 2012. Large-scale test-work is ongoing to find optimized pressure oxidation and results are expected in 2012.

*Environmental Matters*

The Company currently holds a mining licence, an environmental permit and operational permits in respect of the Kittila mine. All permits necessary to begin production were received during 2008.

The construction of the first phase of the tailings dam and waterproof bottom layer was completed in the fall of 2008. This first phase is sufficient to hold tailings from three years of production. Work began on the second phase in 2009 and continues according to plans and permit requirements. Water from dewatering the mine and water used in the mine and mill is collected and treated by sedimentation. Emissions and environmental impact are monitored in accordance with the comprehensive monitoring program that has been approved by the Finnish environmental authorities. To further improve environmental performance, scrubbing of mill-off gas will be enhanced and this work was initiated in the fourth quarter of 2011. There are no material environmental liabilities related to the Kittila mine.

*Capital Expenditures*

Capital expenditures at the Kittila mine during 2011 were approximately $92 million, which included paste backfill plant construction, mill modification costs, underground mine development costs, exploration and conversion drilling costs within the mining licence area and sustaining capital costs. The Company expects capital expenditures at the Kittila mine to be approximately $67 million in 2012, most of which will be used for mill scrubber improvements, mining equipment for underground mining, development and construction of underground mining infrastructure, construction of the paste backfill plant and exploration and conversion drilling.

*Development*

Mining at the Suurikuusikko and Roura open pits progressed throughout 2011 with a total of 650,000 tonnes of ore and 5.7 million tonnes of waste mined from the open pit. The Company expects that 600,000 tonnes of ore and 1.6 million tonnes of waste will be mined from the Suurikuusikko and Roura pits during 2012. Total costs for open pit development in 2011 were $2.8 million.

In 2011, underground development progressed in both the Rouravaara and Suurikuusikko zones with 6,440 metres of ramp and sublevel access development completed during the year. A total of 103,000 tonnes of ore from development and 280,000 tonnes of stope ore were mined in 2011. The Company expects to complete 6,000 metres of lateral development and 400 metres of vertical development during 2012.

*Geology, Mineralization and Exploration*

*Geology*

The Kittila mine is situated within the Kittila Greenstone belt, part of the Lapland Greenstone belt in the Proterozoic-age Svecofennian geologic province. The appearance and geology of the area is similar to that of the Abitibi region of the Canadian Shield. In northern Finland, the bedrock is typically covered by a thin but uniform blanket of unconsolidated glacial till. Bedrock exposures are scarce and irregularly distributed.

The mine area is underlain by mafic volcanic and sedimentary rocks metamorphosed to greenschist assemblages and assigned to the Kittila group. The major rock units trend north to north-northeast and are near-vertical. The volcanics are further sub-divided into iron-rich tholeiitic basalts (Kautoselka Formation) located to the west and magnesium-rich tholeiitic basalt, coarse volcaniclastic units, graphitic schist and minor chemical sedimentary rocks (Vesmajarvi Formation) located to the east. The contact between these two rock units consists of a transitional zone (the Porkonen Formation) varying between 50 and 200 metres in thickness. This zone is strongly sheared, brecciated and characterized by intense hydrothermal alteration and gold mineralization, features consistent with major brittle-ductile deformation zones. It includes the north-northeast-oriented Suurikuusikko Trend.

*Mineralization*

The Porkonen Formation hosts the Kittila gold deposit, which contains multiple mineralized zones stretching over a strike length of more than 25 kilometres. Most of the work has been focused on the 4.5-kilometre stretch that hosts the known gold reserves and resources. From north to south, the zones are Rimminvuoma ("Rimpi-S"), North Rouravaara ("Roura-N"), Central Rouravaara ("Roura-C"), depth extension of Rouravaara and Suurikuusikko ("Suuri/Roura Deep"), Suurikuusikko ("Suuri"), Etela and Ketola. The Suuri and Suuri/Roura Deep zones include several parallel sub-zones that have previously been referred to as Main East, Main Central and Main West. The Suuri zone hosts approximately 34% of the current probable gold reserve estimate on a contained-gold basis, while Suuri Deep has approximately 20%, Roura-C approximately 11%, Roura Deep approximately 25%, Roura-N approximately 2%, Rimpi-S approximately 6%, Ketola approximately 1% and Etela approximately 0.1%.

Gold mineralization in these zones is associated with intense hydrothermal alteration (carbonate-albite-sulphide), and is almost exclusively refractory, locked inside fine-grained sulphide minerals: arsenopyrite (approximately 73%) or pyrite (approximately 23%). The rest is "free gold", which is manifested as extremely small grains of gold in pyrite.

*Exploration*

In 1986, the discovery of coarse visible gold in quartz-carbonate veining along a road cut near the village of Kiistala alerted the Geological Survey of Finland ("GTK") to the gold exploration potential of the area. Following this discovery, GTK initiated regional exploration over the area and deployed a wide range of indirect exploration tools to explore this relatively unexplored area. Over the period from 1987 to 2005, GTK and later Riddarhyttan undertook drilling programs and other testing on the property. After it acquired the property in 1998, Riddarhyttan continued to investigate the metallurgical properties of the refractory gold mineralization with the objective of demonstrating its recoverability and assessing suitable processing scenarios and initiated engineering and environmental studies to assess the feasibility of a mining project.

Diamond drilling is used for exploration on the Kittila property. Most of the work on the mining licence area has focused on the Suuri and Roura zones. Up to the end of December 2011, a total of 2,315 drill holes, totalling 639,774 metres, have been completed on the property. In 2011, between six and eight drill machines worked on the Kittila property: two drills on underground infill drilling; three to six drills on mine exploration; and one to two drills on resource-to-reserve conversion drilling. A total of 445 holes were completed for a length of 82,377 metres. Of these drill holes, 353 drill holes (30,197 metres) were for definition drilling, 44 drill holes (20,535 metres) were for conversion drilling and 48 drill holes (31,645 metres) were related to mine exploration. Total expenditures for diamond drilling in 2011 were $17.5 million, including $3.7 million for definition and delineation drilling.

Exploration during 2011 increased proven and probable gold reserves to 5.2 million ounces (34.6 million tonnes of ore grading 4.66 grams per tonne). Most of the increase came from the Roura Deep zone (239,002 ounces) and the Rimpi zone (119,753 ounces). Indicated mineral resources decreased by 2.4 million tonnes to 13.0 million tonnes of ore grading 2.46 grams per tonne. Inferred mineral resources tonnage decreased by 0.4 million tonnes to 8.0 million tonnes of ore grading 4.55 grams per tonne, but because of higher gold grades the contained gold ounces in this category increased by 74%.

The decrease in indicated mineral resources reflects the successful conversion of resources to reserves, especially in the Roura Deep and Rimpi zones.

The successful deep drilling program in 2011 at the Roura Deep zone, which is located immediately below the Roura zone and north of the Suuri Deep zone, has confirmed that most of the Roura ore lenses are present in the Roura Deep zone and most of the ore lenses in the Suuri Deep zone continue north to the Roura Deep zone. The gold mineralization is open at depth and to the north.

A resource-to-reserve conversion drilling campaign was carried out at Suuri, Roura and Roura-N in 2011. As a result of this work, probable reserves increased by 119,753 ounces from Rimpi, but drilling at Suuri did not increase reserves significantly. Suuri will be the main target for resource-to-reserve conversion drilling in 2012.

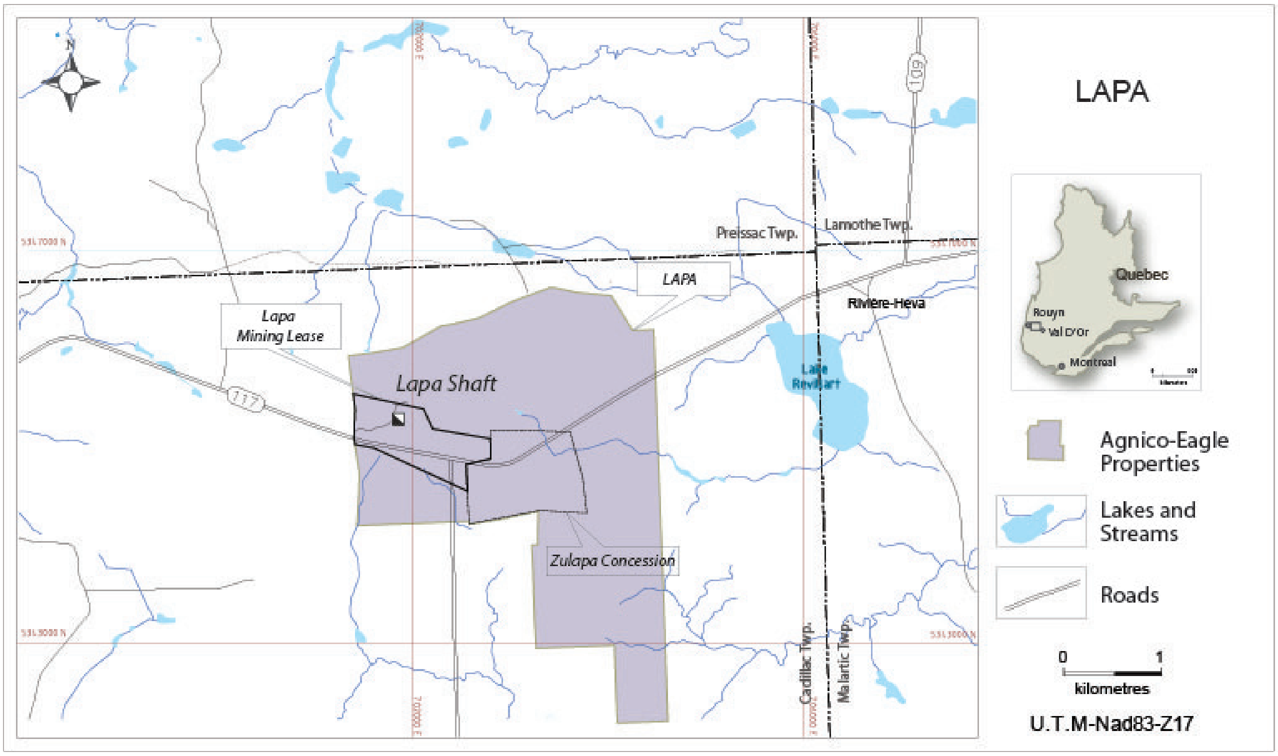
Outside of the Kittila mining licence area, systematic geochemical sampling and diamond drilling continued on targets along the Suurikuusikko Trend, and a number of new targets were tested by diamond drilling. Encouraging results were received from a new gold zone in the Kuotko area located approximately ten kilometres north of the mine construction site. A total of 68 diamond drill holes totalling 19,948 metres were drilled on exploration targets outside of the mining licence area in 2011.

The 2012 exploration budget for the Kittila mine is approximately $13.5 million ($10.3 million for minesite exploration, $1.2 million for resource-to-reserve conversion and $2.0 million for 400 metres of development in an exploration ramp at the 600-metre mine level), and includes over 39,700 metres in diamond drilling (32,200 metres for minesite exploration and 7,500 metres for resource-to-reserve conversion), using up to five drills throughout the year to help further identify the gold reserve and resource potential of the Kittila property. In addition, $2.9 million of exploration expenditures, including an estimated 10,900 metres of diamond drilling, is planned for exploration along the 25-kilometre Suurikuusikko Trend.

## ***Lapa Mine***

The Lapa mine, which achieved commercial production in May 2009, is located approximately 11 kilometres east of the LaRonde mine near Cadillac, Quebec. At December 31, 2011, the Lapa mine was estimated to contain proven and probable mineral reserves of 0.5 million ounces of gold comprised of 2.38 million tonnes of ore grading 6.54 grams per tonne. The Lapa property is made up of the Tonawanda property, which consists of 43 contiguous mining claims and one provincial mining lease covering an aggregate of 702.4 hectares, and the Zulapa property, which consists of one mining concession of 93.5 hectares.

Location Map of the Lapa Mine




The Company's initial interest in the Lapa property was acquired in 2002 through an option agreement with Breakwater Resources Ltd. ("Breakwater"). The Company undertook an aggressive exploration program and discovered a new gold deposit almost 300 metres below the surface. In 2003, the Company purchased the Lapa property from Breakwater for a payment of $8.9 million, a 1% net smelter return royalty on the Tonawanda property and a 0.5% net smelter return royalty on the Zulapa property. In 2008, the Company purchased all royalties from Breakwater for C$6.35 million. In addition, both the Zulapa and Tonawanda properties are subject to a 5% net profit royalty payable to Alfer Inc. and René Amyot. In 2004, an additional claim of 9.4 hectares was added to the Company's holdings at the Lapa mine. In January 2009, a mining lease covering 66.8 hectares was entered into with the Ministry of Natural Resources and Wildlife (Quebec).

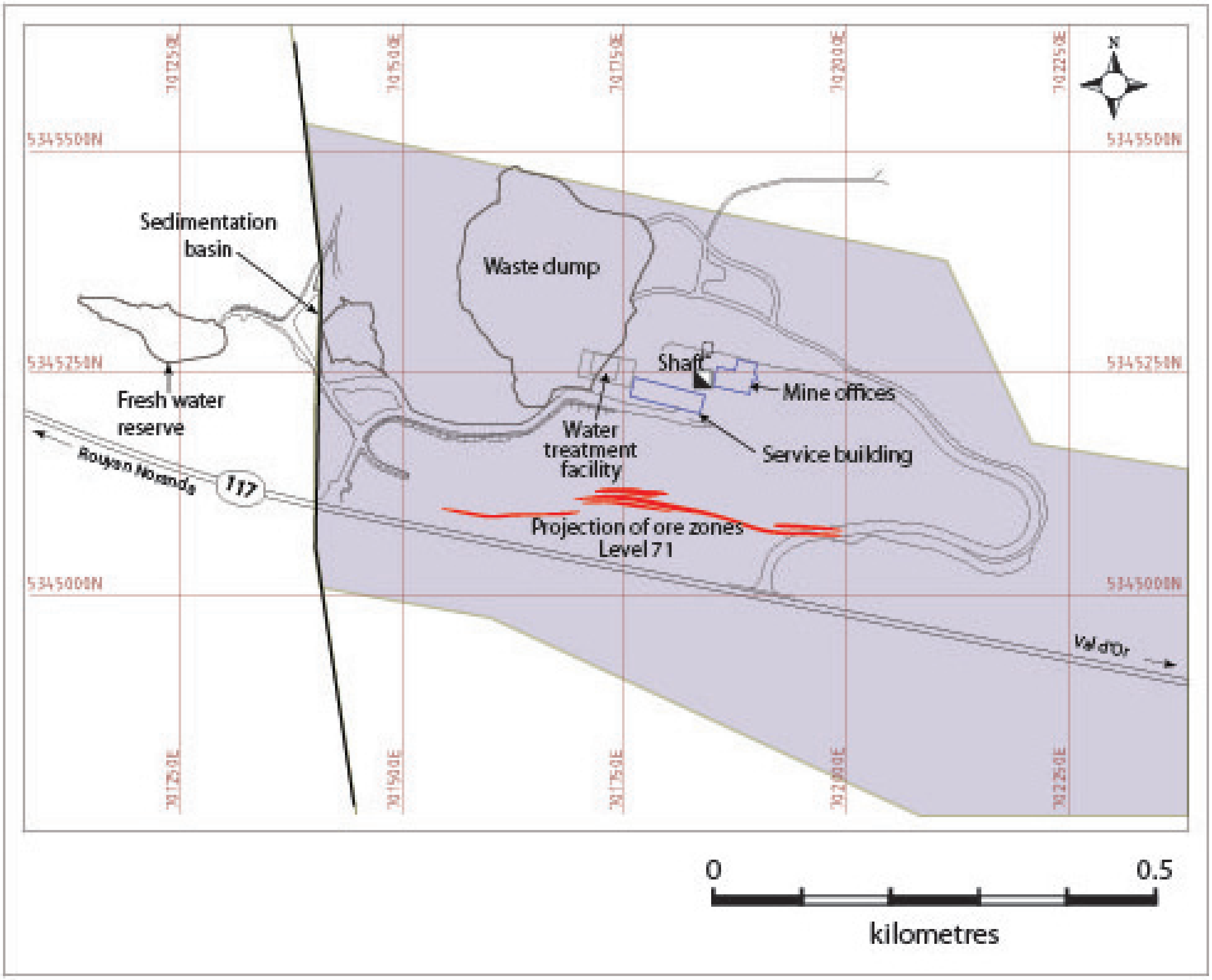
The Lapa mine is accessible by provincial highway. The elevation varies between approximately 320 and 390 metres above sea level. All of the Lapa mine's power requirements are supplied by Hydro-Quebec through connections to its main power transmission grid. All of the water required at the Lapa mine is sourced from the Heva river located 3.5 kilometres to the south of the mine. The water is pumped into an existing open pit nearby the property that has been allowed to flood and from which the mine is supplied. The topography slopes relatively gently from north to south. The property is generally covered by a boreal-type forest consisting mainly of black spruce and white pine with minor amounts of birch and poplar.

For additional information regarding the Abitibi region in which the Lapa mine is located, see "– Property, Plant and Equipment – LaRonde Mine".

Gold production during 2012 at the Lapa mine is expected to be approximately 100,000 ounces at estimated total cash costs per ounce of approximately $750.

*Mining and Milling Facilities*

Surface Plan of the Lapa Mine




The Lapa site hosts an underground mining operation and the ore is trucked to the processing facility at the LaRonde mine, which has been modified to treat the ore, recover the gold and store the residues. Tailings from the Lapa mine are deposited in the tailings pond at the LaRonde mine.

In July 2004, the Company initiated the sinking of an 825-metre deep shaft at the Lapa property. In April 2006, 2,800 tonnes of ore development was extracted at Lapa and was estimated to contain on average 10.65 grams of gold per tonne. These results and results from other sampling methods were incorporated into a feasibility study and in June 2006, the Company accelerated construction of the Lapa mine. This construction included extending the shaft to a depth of 1,369 metres, which was completed in October 2007. Significant additional construction was required in order for the Lapa mine to achieve commercial production in May 2009, including the construction of the mill.

*Mining Methods*

Two underground mining methods are used at the Lapa mine: longitudinal retreat with cemented backfill and locally transverse open stoping with cemented backfill. Sublevels are driven at 30-metre vertical intervals. Stopes are mined in 12-metre sections and backfilled with 100% cemented rock backfill. Excavated ore from the Lapa site is trucked via provincial highway to the processing facility at the LaRonde mine.

*Surface Facilities*

The infrastructure on the Lapa property includes the refurbished former LaRonde Shaft #1 headframe and shafthouse, service buildings, offices, a settling pond for waste water, dry facilities, an ore bin, a diesel reservoir and a water treatment plant. In November 2007, lateral development began on three horizons. A backfill plant was commissioned in December 2008 and the sedimentation pond was extended in 2007 to control suspended solids from underground dewatering discharge.

Ore at the Lapa mine is processed through grinding, gravity and leaching circuits. Dedicated milling facilities have been integrated into the mill at the LaRonde mine. Based on an average ore head grade of 6.63 grams per tonne, gold recovery averaged 81% in 2011. With an average production in excess of 1,700 tonnes per day in 2011, the mine operated consistently above its design rate of 1,500 tonnes per day. The Company is attempting to reduce the mining dilution caused by weaker than expected rock conditions in the south wall, which is mainly composed of talc chlorite schist.

*Mineral Recoveries*

In 2011, the Lapa mine produced 598,464 tonnes of ore grading 6.63 grams of gold per tonne. The Lapa processing facility treated 620,712 tonnes of ore in 2011 (approximately 1,700 tonnes per day) and operated at about 96% of available time.

| | Head Grades | Overall Metal Recoveries | Payable Production |
|---|---|---|---|
| Gold | 6.63 g/t | 81.04% | 107,068 oz |

*Environmental Matters*

Water used underground at the Lapa mine was initially re-circulated from mine dewatering after settling in the sedimentation pond. The re-circulation led to ammonia concentration in the water, and the Company experienced occasional toxicity problems in the water pond in 2008 and 2009. To address the ammonia content in the water, the Company built a 3.5-kilometre pipeline to obtain fresh water from the Heva River. The pipeline was commissioned in November 2009. The Company also commissioned a water treatment plant on site in 2010, which was completed in the fourth quarter of 2010, to reduce the ammonia from mine dewatering. Output is currently within the target range at approximately eight parts per million of ammonia and average efficiency is at approximately 70%. Optimization of the plant is ongoing.

A sedimentation pond is used to remove suspended solids from the dewatering water before either release to the environment or re-use in the underground mining operation. The waste rock pile naturally drains towards the sedimentation pond. A waste rock sampling program implemented during the shaft sinking phase verified the non-acid generating nature of the waste rock. Water effluent from the sedimentation pond is being sampled as required under the Quebec mining effluent guidelines, and is expected to comply with the water quality criteria. The mill residues will be sent to the LaRonde mine tailings area.

There are no known environmental liabilities associated with the Lapa site. The Certificates of Authorization to proceed with mine production and with mill construction were issued by the Ministry of Sustainable Development, Environment and Parks (Quebec) in October and December 2007, respectively. The Certificate of Authorization for mill and tailings production was received in 2008.

*Capital Expenditures*

The Company incurred approximately $18.0 million in capital expenditures at the Lapa mine in 2011 and expects to incur approximately $13.8 million in 2012, of which $8.9 million relates to deferred development, $2.8 million to sustaining capital expenditures (including underground construction and mining equipment) and $3.0 million for exploration.

*Development*

In 2011, a total of 5,685 metres of lateral development was completed. Development focused on permanent drifts (ramps and haulage way), stope preparation of mining blocks set for production in 2011 and 2012, and access to the newly discovered East Zone, which is expected to begin production in early 2012. Since mid-2010, all three main mining horizons are linked via a ramp.

*Geology, Mineralization and Exploration*

*Geology*

The Lapa property is geologically similar to the LaRonde property and is also located near the southern boundary of the Archean-age (2.7 billion years old) Abitibi Subprovince and the Pontiac Subprovince within the Superior Province of the Canadian Shield. The most important regional structure is the CLL fault zone marking the contact between the Abitibi and Pontiac Subprovinces. The fault zone passes through the property from west to east, and is marked by schists and mafic to ultramafic volcanic flows that comprise the Piché group (up to approximately 300 metres thick in the mine area). On the Lapa property, the fault zone displays a "Z" shaped fold to which all of the lithologic groups in the region conform. Feldspathic dykes cut the Piché group, especially near the fold. North of the Piché group lies the Cadillac sedimentary group, which consists of 500 metres or more of well-banded wacke, conglomerate and siltstone with intercalations of iron formation. The Pontiac group sedimentary rocks (up to approximately 300 metres thick) that occur to the south of the Piché group are similar to the Cadillac group but do not contain conglomerate nor iron formation.

*Mineralization*

All of the known gold mineralization along the CLL fault zone is epigenetic (late) vein type, controlled by the structure. The mineralization is associated with the fault zone and occurs within or immediately adjacent to the Piché group rocks.

The Lapa deposit is comprised of the Contact zone and five satellite zones. The Contact zone accounts for approximately 82% of the mineral reserves.

The ore zones are made up of multiple quartz veins and veinlets, often smoky and anastomosing, within a sheared and altered envelope containing minor sulphides and visible gold. The Contact zone is generally located at the contact between the Piché group and the Cadillac group. The satellite zones are located within the Piché group at a distance varying from ten to 50 metres from the contact with the Cadillac group, except for the Contact North zone, which is located approximately ten metres north of the Contact zone within the Cadillac group. The sheared envelope consists of millimetre-thick foliation bands of biotite or sericite with silica and, in places, cuts across rock units. Quartz veins and millimetre-sized veinlets parallel to the foliation account for 5% to 25% of the mineralization. Visible gold is common in the veins and veinlets but can also be found in the altered host rock. Sulphides account for 1% to 3% of the mineralization; the most common sulphides, in order of decreasing importance, are arsenopyrite, pyrite, pyrrhotite and stibnite. Graphite is also rarely observed as inclusions in smoky quartz veins.

The Contact and satellite zones are tabular mineralized envelopes oriented east-west and dipping very steeply to the north, turning south at depth. The economic portion of the zone has been traced from depths of approximately 450 metres to more than 1,300 metres below surface. The Contact zone has an average strike length of 300 metres, varies in thickness from 2.8 to 5.0 metres and is open at depth. Locally some thicker intervals have been intersected but their continuity has not been demonstrated. The satellite zones have thicknesses similar to the Contact zone.

*Exploration*

Two exploration diamond drilling programs occurred at the Lapa mine during 2011. The first program concentrated on confirming and expanding the known orebodies (Contact zone and the other satellite zones) in the immediate vicinity of the ore zones. The drilling tested the eastern area of the Contact zone reserve at roughly 1,000 metres depth below the surface and 300 metres east of the Contact zone reserve limit. Good results, including visible gold, were returned and additional resources were identified. This area was added in the mine plan in March 2011. The 2012 program will focus on expanding mineral resources in this area. Additional drilling was done below Level 128 (the deepest producing level). Technical services will evaluate the economics of this area during 2012. The second program was executed from the newly excavated exploration track drift on Level 101 (one kilometre deep) toward the east. This program will continue through 2013.

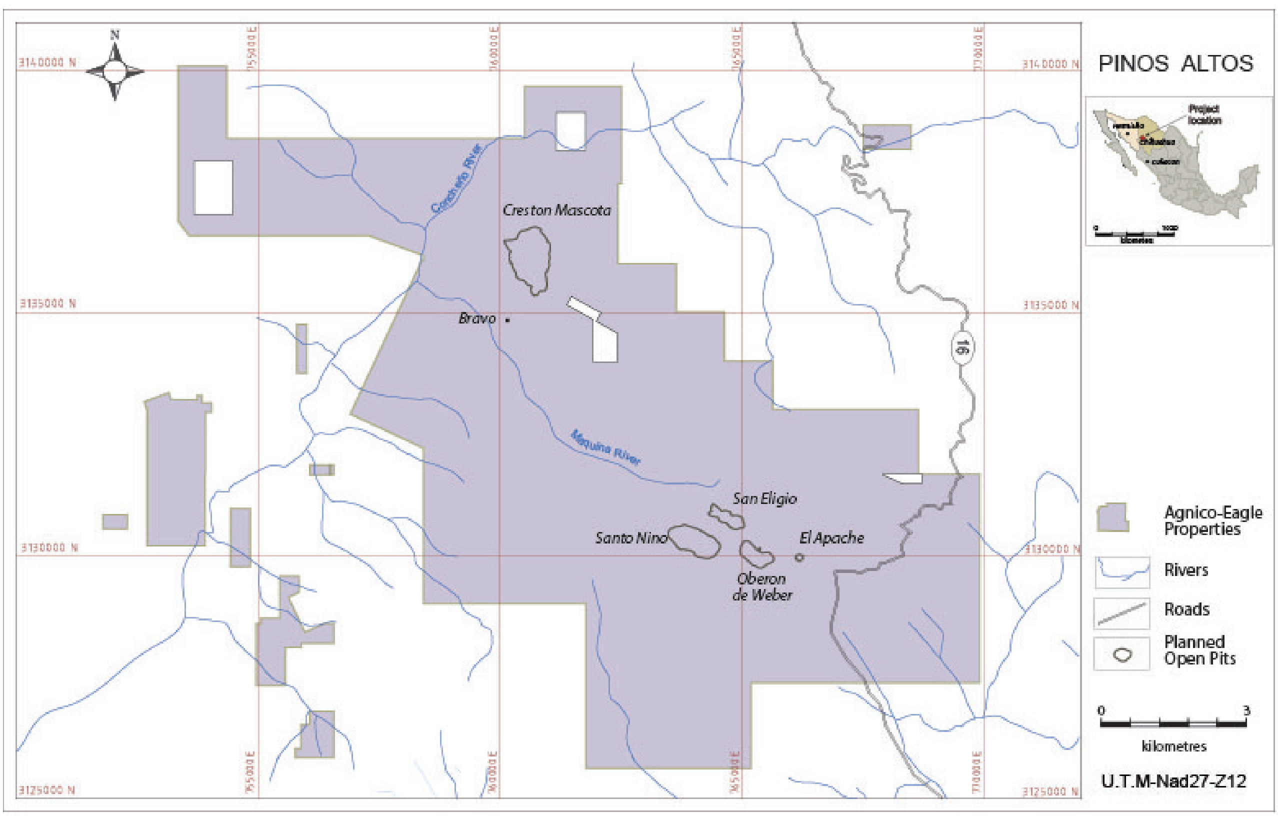
Overall, there was a reduction of approximately 175,000 ounces of gold in reserves at Lapa from 2010 to 2011 after mining 129,000 ounces of gold. The net reduction of 46,000 ounces in reserves was a result of a lower-than-expected grade from 2011 delineation diamond drilling. Mineral underground resources at the Lapa mine remained mostly unchanged. Approximately 0.5 million tonnes of inferred resources were added on surface following surface drilling in 2010 and 2011. Drilling and evaluation will continue in 2012. In 2011, a total of 231 holes were drilled on the Lapa property for a total length of 28,386 metres, compared to 264 holes for a total length of 25,660 metres in 2010. Of the drilling in 2011, 165 holes (9,257 metres) were for production stope delineation and 66 holes (19,129 metres) were for exploration. In 2010, 207 holes (13,263 metres) were for production stope delineation, 8 holes (1,477 metres) were for definition drilling and 49 holes (10,920 metres) were for exploration. Expenditure on diamond drilling at the Lapa mine during 2011 was approximately $2.39 million, including $0.76 million in definition and delineation drilling expenses charged to operating costs.

In 2012, the Company expects to spend $3.0 million on exploration, including $0.76 million on the excavation of a track drift toward the east. In 2012, 18% of the exploration drilling budget will be used for exploration in close vicinity of the mine infrastructure and 82% will be used for drilling from the exploration drift.

***Pinos Altos Mine***

The Pinos Altos mine achieved commercial production in November 2009. It is located on an 11,000-hectare property in the Sierra Madre gold belt, 285 kilometres west of the City of Chihuahua in the State of Chihuahua in northern Mexico. At December 31, 2011, the Pinos Altos mine was estimated to contain proven and probable mineral reserves of 3.1 million ounces of gold and 88.5 million ounces of silver comprised of 46.8 million tonnes of ore grading 2.06 grams of gold per tonne and 58.85 grams of silver per tonne. The Pinos Altos property is made up of two blocks: the Agnico Eagle Mexico Concessions (22 concessions, 26,810.2 hectares), and the Minerales El-Madroño Concessions (18 concessions, 5,053.1 hectares).

Location Map of the Pinos Altos Mine




The Madrono Concessions (which cover approximately 74% of the current mineral resources) are subject to a net smelter royalty of 3.5% payable to Minerales El Madrono S.A. de C.V. ("Madrono"). The Pinos Altos Concession (which covers approximately 26% of the current mineral resources) is subject to a 2.5% net smelter return royalty payable to the Consejo de Recursos Minerales, a Mexican Federal Government agency. After 2029, this portion of the property will also be subject to a 3.5% net smelter return royalty payable to Madrono. The assets at Pinos Altos acquired by the Company in 2006 included an assignment of rights under contracts to explore and exploit the Madrono Concessions and the Pinos Altos Concession, the right to use up to 400 hectares of land owned by Madrono for mining installations for a period of 20 years after formal mining operations have been initiated and sole ownership of the Parrena Concessions. During 2008, the Company and Madrono entered an agreement under which the Company acquired further surface rights for open pit mining operations and additional facilities. Infrastructure payments, surface rights payments and advance royalty payments totalling $35.5 million were made to Madrono in 2009 in respect of this agreement.

In 2006, the Company concluded negotiations with communal land owners (ejidos) and others for the purchase of 5,745 hectares of land contained within the Parrena and Pinos Altos Concessions. In addition, a temporary occupation agreement with a 30-year term expiring in 2036 was negotiated with ejido Jesus del Monte for 1,470 hectares of land covered by these same concession blocks. The acquisition of these surface rights for the geologically prospective lands within the district surrounding Pinos Altos will facilitate future exploration and mining development in these areas.

The Pinos Altos mine is directly accessible by a paved interstate highway that links the cities of Chihuahua and Hermosillo and is within ten kilometres of an extension of the state power grid. Existing and planned underground mine workings will intercept water resources sufficient to sustain the requirements for future operation. The land position is sufficient for construction of all planned surface, infrastructure and mining facilities at the Pinos Altos mine, including its tailings impoundment area. The Company further believes that a sufficient local and trained workforce is available in northern Mexico to support the operation of the mine.

The Pinos Altos property is characterized by moderate to rough terrain with mixed forest (pine and oak) and altitudes that vary from 1,770 metres to 2,490 metres above sea level. The climate is sub-humid, with about one metre of annual precipitation. The average annual temperature is 18.3 degrees Celsius. Exploration and mining work can be carried out year-round.

In August 2007, on the basis of an independently reviewed feasibility study, the Company approved construction of a mine at Pinos Altos. The mine achieved commercial production in November 2009.

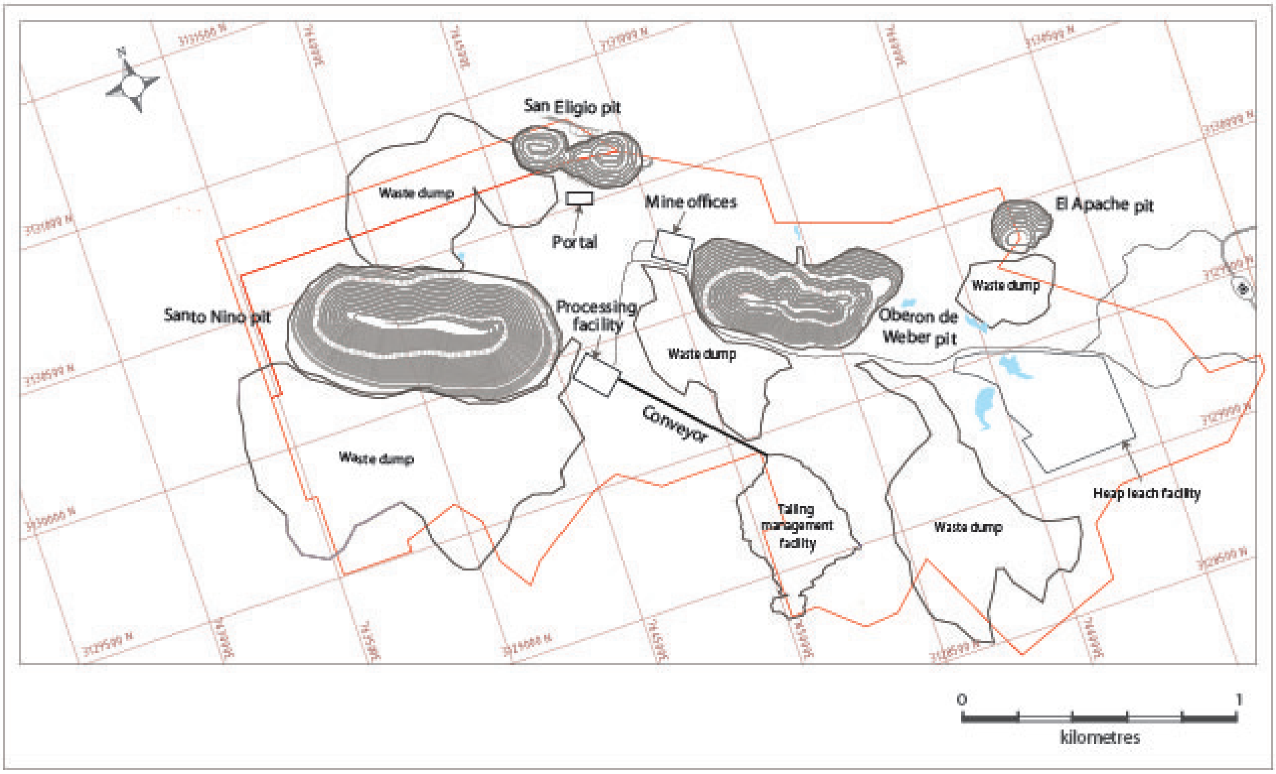
Combined production from the Pinos Altos mine and the Creston Mascota deposit at Pinos Altos was 204,380 ounces of gold and 1.85 million ounces of silver in 2011 at total cash costs per ounce of gold of $299. In 2012, combined gold production from the Pinos Altos mine and the Creston Mascota deposit at Pinos Altos is expected to be approximately 205,000 ounces and silver production is expected to be approximately 2.0 million ounces. Total cash costs per ounce of gold are forecast at approximately $415. From 2012 to 2026, combined gold production from the Pinos Altos mine, including the Creston Mascota deposit at Pinos Altos, is expected to average approximately 170,000 ounces of gold per year.

Based on a feasibility study prepared in 2009, the Company determined to build a stand-alone heap leach operation at the satellite open pit Creston Mascota deposit at Pinos Altos. Creston Mascota is expected to produce approximately 50,000 ounces of gold per year during its five-year mine life. Capital costs in connection with the project were approximately $65 million, of which approximately $12 million was incurred in 2011. The first gold pour from the Creston Mascota deposit at Pinos Altos occurred on December 28, 2010 and commercial production from the Creston Mascota deposit at Pinos Altos was achieved in the first quarter of 2011.

The Company has engaged the local communities in the project area with hiring, local contracts, education support and medical support programs to ensure that the project provides long-term benefits to the residents living and working in the region. Approximately two-thirds of the operating workforce at Pinos Altos are locally hired and more than 99% of the permanent workforce are Mexican nationals.

*Mining and Milling Facilities*

Surface Plan of the Pinos Altos Mine




In 2011, the Creston Mascota deposit at Pinos Altos achieved commercial production and the optimization of the Pinos Altos mine continued. Milling operations at Pinos Altos averaged 4,770 tonnes processed per day as compared to the design expectation of 4,000 tonnes per day. In its first full year of operation, the underground mine at Pinos Altos produced an average 2,983 tonnes of ore per day as compared to the design expectation of 3,000 tonnes per day. The open pit mines at Pinos Altos and the Creston Mascota deposit at Pinos Altos produced 28.5 million tonnes of ore, overburden and waste in 2011, which met the expectation of the mine plan for the year.

*Mining Methods*

The surface operations at the Pinos Altos mine use traditional open pit mining techniques with bench heights of seven metres and double benches on the footwall and single benching on the hanging wall. Mining is accomplished with front end loaders, trucks, track drills and various support equipment. Based upon geotechnical evaluations, the final pit slopes will vary between 45 degrees and 50 degrees. Performance at the open pit mining operation at Pinos Altos during 2011 continues to indicate that the equipment, mining methods and personnel selected for the project are satisfactory for future production phases. Approximately 28.5 million tonnes of ore, overburden and waste were mined during 2011, meeting the expected production for the year. During the first ten years of the project's life, it is expected that approximately half of the ore volume processed will be derived from open pit operations, principally at Santo Niño, Oberon de Weber and the Creston Mascota at Pinos Altos. Underground mine production will produce the balance of the ore for the processing plant.

The underground mine, which commenced operations in the second quarter of 2010, uses the long hole sublevel stoping method to extract the ore. The Company has considerable expertise with this mining method, having used the same method at the LaRonde mine in Quebec. This method has also been used at various other Mexican mining operations. The stope height is planned at 30 metres and the stope width at 15 metres. Ore is hauled to the surface utilizing underground trucks via a ramp system. The paste backfill system and ventilation system were commissioned in the fourth quarter of 2010 and are now fully operational. During 2011, approximately 1,090,000 tonnes of ore were produced from the underground portion of the mine, averaging 2,984 tonnes per day. At full capacity, the underground mine is expected to produce an average of 3,000 tonnes of ore per day. Performance of the underground mine continues to indicate that the equipment, mining methods, ground control and personnel selected are satisfactory for future production phases. A scoping study is expected to be completed in the second quarter of 2012 to evaluate the potential benefit of building a shaft installation to improve the capacity and increase the efficiency of the underground mine. Total lateral development completed as of December 31, 2011 was approximately 22.6 kilometres.

*Surface Facilities*

The principal mineral processing facilities at the Pinos Altos mine are designed to process 4,000 tonnes of ore per day in a conventional process plant circuit which includes single stage crushing, grinding in a SAG and ball mill in closed loop, gravity separation followed by agitated leaching, counter current decantation and metals recovery in the Merrill Crowe process. Tailings are detoxified and filtered and then used for paste backfill in the underground mine or deposited as dry tailings in an engineered tailings impoundment area. The Pinos Altos mill processed an average of 4,770 tonnes of ore per day during 2011. Low grade ore at Pinos Altos is processed in a heap leach system designed to accommodate approximately five million tonnes of mineralized material over the life of the project. The production from heap leach operations is expected to be relatively minor, contributing about 5% of total metal production planned for the life of the mine.

A separate heap leach operation and ancillary support facilities were built at the Creston Mascota deposit at Pinos Altos, which is designed to process approximately 4,000 tonnes of ore per day in a three stage crushing, agglomeration and heap leach circuit with carbon adsorption. This project began commissioning in the latter part of 2010, with commercial production achieved in the first quarter of 2011. During 2011, a total of 1,452,708 tonnes of ore were produced at the Creston Mascota deposit at Pinos Altos, averaging 3,980 tonnes per day. Based on early performance of the mine and process facilities at the Creston Mascota deposit at Pinos Altos, the equipment, mining methods and personnel are satisfactory for completion of the planned production phases. The Creston Mascota deposit at Pinos Altos is expected to produce approximately 50,000 ounces of gold per year during a five-year remaining mine life.

Surface facilities at the Pinos Altos mine include a heap leach pad, pond, liner and pumping system; administrative support offices and change room facilities; camp facilities; a laboratory; a process plant shop; a maintenance shop; a generated power station; surface power transmission lines and substations; the engineered tailings management system; and a warehouse.

Over the life of the mine, recoveries of gold and silver in the milling circuit at Pinos Altos (other than from the Creston Mascota deposit at Pinos Altos operation) are expected to average approximately 93% and 49%, respectively. Precious metals recovery from low grade ore processed in the Pinos Altos heap leach facility will average about 68% for gold and 12% for silver. Heap leach recoveries for Creston Mascota ore are expected to average 71% for gold and 16% for silver.

*Mineral Recoveries*

During 2011, the Pinos Altos mill processed 1.74 million tonnes of ore, averaging approximately 4,770 tonnes of ore treated per day and operating at approximately 93.3% of available time. The following table sets out the metal recoveries at the Pinos Altos mill in 2011.

| | Head Grade | Overall Metal Recovery | Payable Production |
|---|---|---|---|
| Gold | 2.86 g/t | 93.7% | 149,867 oz |
| Silver | 65.73 g/t | 43.1% | 1,545,773 oz |

An additional 992,992 tonnes of ore were processed and placed on the heap leach pad at Pinos Altos, with an average grade of 0.65 grams of gold per tonne and 17.45 grams of silver per tonne. Cumulative metals recovery on the heap leach pad at Pinos Altos are 57.5% gold and 11.7% silver. Heap leach recovery is following the expected cumulative recovery curve and it is anticipated that the ultimate recovery of 68% for gold and 12% for silver will be achieved when leaching is completed.

An additional 1,452,708 tonnes of ore were processed and placed on the heap leach pad at the Creston Mascota deposit at Pinos Altos, with an average grade of 1.52 grams of gold per tonne and 7.5 grams of silver per tonne. Cumulative metals recovery on the heap leach pad at the Creston Mascota deposit at Pinos Altos are 48.0% gold and 4.8% silver. Heap leach recovery is following the expected cumulative recovery curve and it is anticipated that the ultimate recovery of 71% for gold and 16% for silver will be achieved when leaching is completed.

Total metal production (from mill and heap leach) at Pinos Altos, including the Creston Mascota deposit, during 2011 was 204,380 ounces of gold and approximately 1.85 million ounces of silver.

*Environmental Matters*

The Pinos Altos mine has received the necessary permit authorizations for construction and operation of a mine, including a Change of Land Use permit and an Environmental Impact Study approval from the Mexican environmental agency ("SEMARNAT"). As of December 31, 2011, all permits necessary for the operation of the Pinos Altos mine, including the operations at the Creston Mascota deposit at Pinos Altos, had been received and requests for modifications to allow for future expansion of facilities, including at the Creston Mascota deposit at Pinos Altos, had been approved or were under review by SEMARNAT. Pinos Altos uses the dry stack tailings technology to minimize the geotechnical and environmental risk that can be associated with the rainfall intensities and topographic relief in the Sierra Madre region of Mexico. All of the Mexican environmental regulatory requirements are expected to be met or exceeded by the Pinos Altos mine (including operations at the Creston Mascota deposit at Pinos Altos). Operations at Pinos Altos and the Creston Mascota deposit at Pinos Altos were deemed to qualify for the "Industria Limpia" (clean industry) designation by SEMARNAT in 2011.

*Capital Expenditures*

Capital expenditures at the Pinos Altos mine during 2011 were approximately $24 million. Capital expenditures relating to operations at the Creston Mascota deposit at Pinos Altos during 2011 were approximately $12 million.

The Company expects sustaining and deferred capital expenditures at Pinos Altos to be approximately $31 million in 2012 with average sustaining and deferred capital of approximately $15.7 million per year for a projected mine life of approximately 17 years. Approximately $0.5 million in development capital is forecast at the Creston Mascota deposit at Pinos Altos in 2012 with sustaining capital expenditures of $10 million during its anticipated five-year mine life.

*Development*

At December 31, 2011 more than 71.7 million tonnes of overburden and waste had been removed from the open pit mine at Pinos Altos and more than 22.6 kilometres of lateral development had been completed in the underground mine. At the Creston Mascota deposit at Pinos Altos, approximately 10.6 million tonnes of ore and overburden had been removed from the open pit mine as of December 31, 2011.

*Geology, Mineralization and Exploration*

*Geology*

The Pinos Altos mine is in the northern part of the Sierra Madre geologic province, on the northeast margin of the Ocampo Caldera, which hosts many epithermal gold and silver occurrences including the nearby Ocampo mining operation and Moris mine.

The property is underlain by Tertiary-age (less than 45 million years old) volcanic and intrusive rocks that have been disturbed by faulting. The volcanic rocks belong to the lower volcanic complex and the discordantly-overlying upper volcanic supergroup. The lower volcanic complex is represented on the property by the Navosaigame conglomerates (including thinly-bedded sandstone and siltstone) and the El Madrono volcanics (felsic tuffs and lavas intercalated with rhyolitic tuffs, sandy volcanoclastics and sediments). The upper volcanic group is made up of the Victoria ignimbrites (explosive felsic volcanics), the Frijolar andesites (massive to flow-banded, porphyritic flows) and the Buenavista ignimbrites (dacitic to rhyolitic pyroclastics).

Intermediate and felsic dykes as well as rhyolitic domes intrude all of these units. The Santo Nino andesite is a dyke that intrudes along the Santo Nino fault zone.

Structure on the property is dominated by a 10-kilometre by 3-kilometre horst, a fault-uplifted block structure oriented west-northwest, that is bounded on the south by the south-dipping Santo Nino fault and on the north by the north-dipping Reyna de Plata fault. Quartz-gold vein deposits are emplaced along these faults and along transfer faults that splay from the Santo Nino fault.

*Mineralization*

Gold and silver mineralization at the Pinos Altos mine consists of low sulphidation epithermal type hydrothermal veins and breccias. The Santo Nino structure outcrops over a distance of roughly six kilometres. It strikes at 060 degrees azimuth on its eastern portion and turns to strike roughly 090 degrees azimuth on its western fringe. The structure dips at 70 degrees towards the south. The four mineralized sectors hosted by the Santo Nino structure consist of discontinuous quartz rich lenses named from east to west: El Apache, Oberon de Weber, Santo Nino and Cerro Colorado.

The El Apache lens is the most weakly mineralized. The area hosts a weakly developed white quartz dominated breccia. Gold values are low and erratic over its roughly 750 metre strike length. Past drilling suggests that this zone is of limited extent at depth.

The Oberon de Weber lens has been followed on surface and by diamond drilling over an extent of roughly 500 metres. Shallow holes drilled by the Company show good continuity both in grade and thickness over roughly 550 metres. From previous drilling done by Penoles, continuity at depth appears to be erratic with a weakly defined western rake.

The Santo Nino lens is the most vertically extensive of these lenses. It has been traced to a depth of approximately 750 metres below surface. The vein is followed on surface over a distance of 550 metres and discontinuously up to 650 metres. Beyond its western and eastern extents, the Santo Nino andesite is massive and only weakly altered. Gold grades found are systematically associated with green quartz brecciated andesite.

The Cerro Colorado lens is structurally more complex than the three described above. Near the surface, it is marked by a complex superposition of brittle faults with mineralized zones which are difficult to correlate from hole to hole. Its relation to the Santo Nino fault zone is not clearly defined. Two deeper holes drilled by the Company suggest better grade continuity is possible at depth.

The San Eligio zone is located approximately 250 metres north of Santo Nino. The host rock is brecciated Victoria Ignimbrite, occasionally with stockworks. There is no andesite in this sector. Unlike the other lenses, the San Eligio lens dips towards the north. The lateral extent seems to be continuous for 950 metres. Its average width is five metres and never exceeds 15 metres. Surface mapping and prospecting has suggested good potential for additional mineralization on strike and at depths below 150 metres. Visible gold has been seen in the drill core.

Several other promising zones are associated with the horst feature in the northwest part of the property. The Creston Mascota deposit at Pinos Altos is 7 kilometres northwest of the Santo Nino deposit, and is similar, but dips shallowly to the west. The Creston Mascota deposit at Pinos Altos is about 1,000 metres long and 4 to 40 metres wide, and extends from surface to more than 200 metres depth. Ore production from the Creston Mascota deposit at Pinos Altos began in July 2010, with the first gold poured in December 2010 and commercial productions commencing in February 2011.

*Exploration*

In 2011, minesite exploration activities were primarily focused on definition and delineation of the resources at Santo Nino, Oberon de Weber, San Eligio and Creston Mascota. A total of 15 kilometres of minesite exploration drilling, 10.1 kilometres of definition drilling and 4.4 kilometres of delineation drilling were completed during the year. Regional exploration in 2011 focused on the El Cubiro prospect. Diamond drilling consisted of 30.6 kilometres in 84 drill holes. More than 6,000 core samples and 1,250 rock samples were sent to a certified laboratory and assayed mainly for gold and silver.

The recently discovered Cubiro mineralization is two kilometres west of the Creston Mascota deposit at Pinos Altos. Cubiro is a surface deposit that strikes northwest, has a steep dip and has been followed along strike for approximately 850 metres. Drilling has intersected significant gold and silver mineralization up to 30 metres wide. The Cubiro deposit is split by a fault that caused 200 metres of displacement to the west, which has been traced by drilling. The zone is still open to the southeast and possibly at depth.

The Sinter zone is 1,500 metres north northeast of the Santo Nino zone and is part of the Reyna de Plata gold structure. The steeply dipping mineralization is four to 35 metres wide and almost 900 metres long, with over 350 metres of vertical depth. Sinter is being evaluated for its open pit mining and heap leach potential.

Other identified mineral resources in the Pinos Altos region include the Bravo and Carola zones adjacent to the Creston Mascota deposit at Pinos Altos and the Reyna de la Plata prospect further to the east. Exploration efforts will be allocated to these zones as the development continues at Pinos Altos and the Creston Mascota deposit at Pinos Altos.

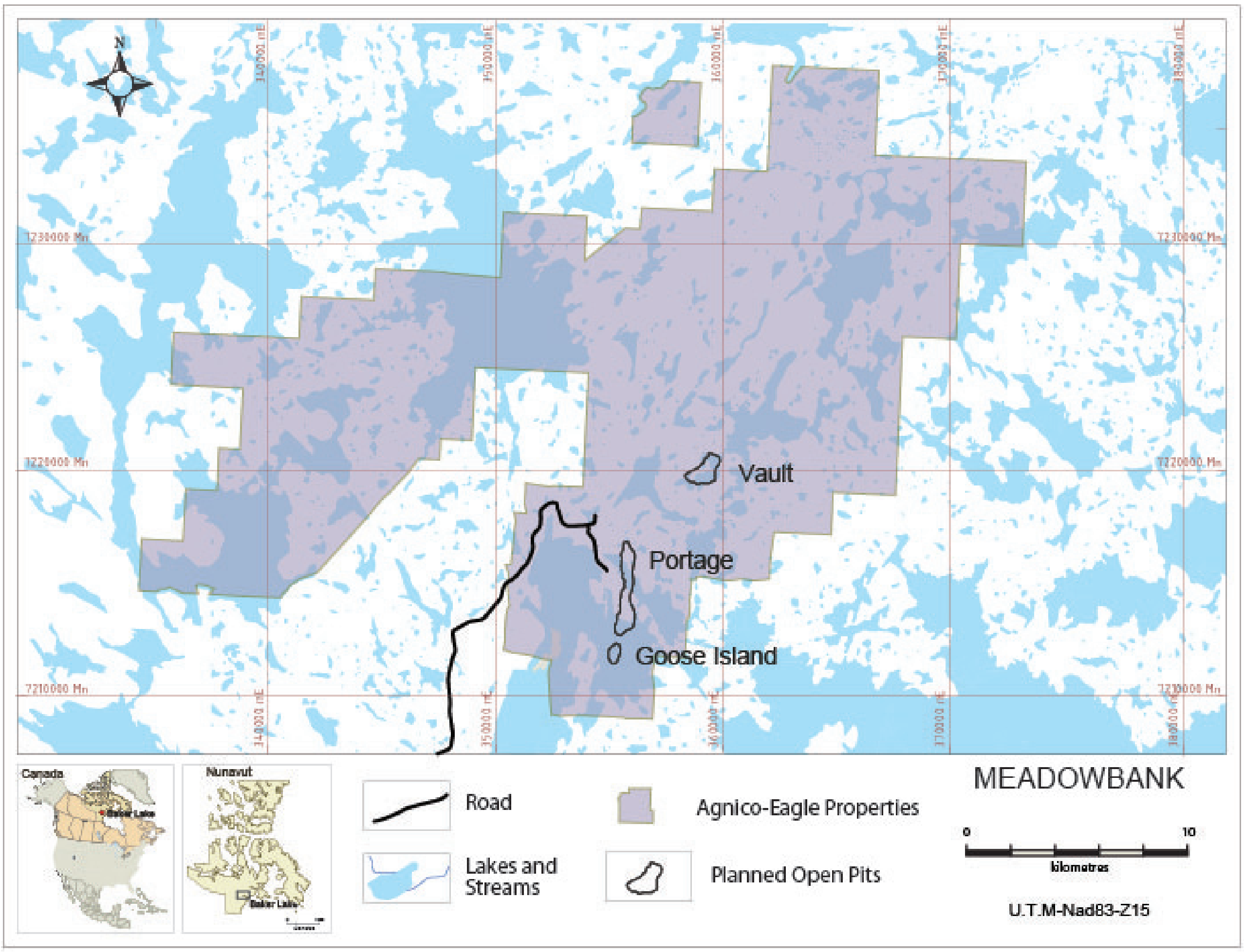
In 2012 the Company expects to spend $4.7 million on exploration at the Pinos Altos mine, including $3.2 million on 11,800 metres of conversion drilling and $1.5 million on 5,000 metres of exploration drilling. In addition, $1.1 million is expected to be spent on regional exploration on the Pinos Altos property, including 3,000 metres of drilling at the Cubiro, Escalon and Penasco deposits.

### ***Meadowbank Mine***

The Meadowbank mine, which achieved commercial production in March 2010, is located in the Third Portage Lake area in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. At December 31, 2011, the Meadowbank mine was estimated to contain proven and probable mineral reserves of 2.2 million ounces of gold comprised of 24.5 million tonnes of ore grading 2.79 grams of gold per tonne. The Company acquired its 100% interest in the Meadowbank mine in 2007 as the result of the acquisition of Cumberland (see "– History and Development of the Company").

The fresh water required for domestic camp use, mining and milling is obtained from the intake barge at Third Portage Lake. Power is supplied by a 29-megawatt diesel electric power generation plant with heat recovery.

Location Map of the Meadowbank Mine




The Meadowbank mine is held under ten Crown mining leases, three exploration concessions and 40 Crown mineral claims. The Crown mining leases, which cover the Portage, Goose Island and Goose South deposits, are administered under federal legislation. The mining leases, which have renewable ten-year terms, have no annual work commitments but are subject to annual rent fees that vary according to their renewal date. The mining leases cover approximately 7,400 hectares and expire in either 2016 or 2019. The production lease with the KIA is a surface lease covering 1,354 hectares and requires payment of C$124,530 annually. Production from subsurface lease areas is subject to a royalty of up to 14% of the adjusted net profits, as defined in the Territorial Mining Regulations. In order to conduct exploration on the Inuit-owned lands at Meadowbank, the Company must receive approval for an annual work proposal from the KIA, the body that holds the surface rights in the Kivalliq District and administers land use in the region through various boards. The Nunavut Water Board, one such board, provided the recommendation to the Ministry of Indian Affairs and Northern Development (Canada) to grant the Meadowbank mine's construction and operating licences in July 2008. The Company has obtained all of the approvals and licences required to build and operate the Meadowbank mine.

The three Meadowbank exploration concessions comprise approximately 23,100 hectares and are granted by Nunavut Tunngavik, the corporation responsible for administering subsurface mineral rights on Inuit-owned lands in Nunavut. Exploration concessions cover the Vault deposit at Meadowbank and in 2012 will require annual rental fees of approximately C$92,504 and exploration expenditures of approximately C$693,780. During the exploration phase, the concessions can be held for up to 20 years and the concessions can be converted into production leases with annual fees of C$1 per hectare, but no annual work commitments. Production from the concessions is subject to a 12% net profits interest royalty from which annual deductions are limited to 85% of the gross revenue.

The 40 Crown mineral claims cover approximately 36,433 hectares at Meadowbank and are subject to land fees and work commitments. Land fees are payable only when work is filed. The most recent filing was in 2011, when approximately C$8,998 in land fees were paid and approximately C$2,266,670 in assessment work was submitted.

The Kivalliq region in which the Meadowbank mine is located has an arid arctic climate. The Meadowbank property is situated in an area characterized by low, rolling hills that are covered predominantly in heath tundra with numerous lakes and ponds. Elevation ranges from approximately 130 metres at lakeshores up to 200 metres on ridge crests. Operations at the Meadowbank mine are expected to be year-round with only minor weather-related interruptions to mining operations; however, these interruptions are not expected to affect ore availability for milling operations or other operating activities.

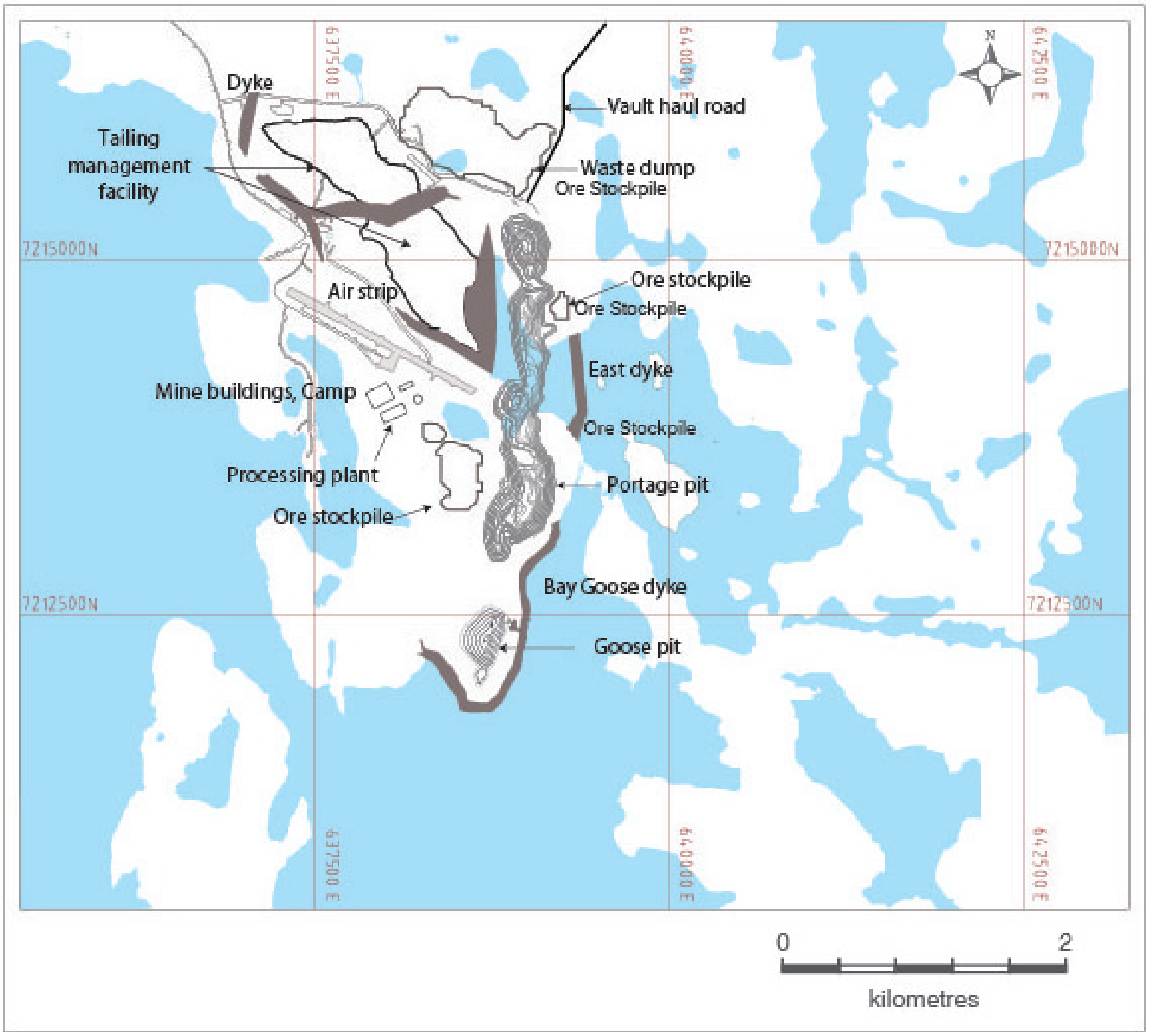
The Meadowbank mine is accessible from Baker Lake, located 70 kilometres to the south, over a 110-kilometre all-weather road completed in March 2008. Baker Lake provides 2.5 months of summer shipping access via Hudson Bay and year-round airport facilities. The Meadowbank mine also has a 1,100-metre long gravel airstrip, permitting access by air. The Company uses ocean transportation for fuel, equipment, bulk materials and supplies from Montreal, Quebec, (or Hudson Bay port facilities) via barges and ships into Baker Lake during the summer port access period that starts at the end of July in each year. Fuel and supplies are transported year-round to the site from Baker Lake by conventional tractor trailer units using an all-weather private access road. Transportation for personnel and air cargo are provided on scheduled or chartered flights. The permanent bases for employees from which to service the Meadowbank mine are Val D'Or and Montreal in Quebec and the Kivalliq communities. Since February 2009, all chartered flights have landed directly at Meadowbank.

The Meadowbank mine achieved commercial production in March 2010 and produced 270,801 ounces of gold in 2011 at total cash costs per ounce of $1,000. In 2012, total cash costs at Meadowbank are expected to be approximately $1,040 per ounce.

In 2012, payable gold production at Meadowbank is expected to be approximately 295,000 ounces, reflecting a slower than expected ramp-up to design rates as a result of a number of issues during startup over the past two years. While the mill throughput is now exceeding the original design rate, the grades to the mill continue to be lower than expected. This, combined with the unexpected rise in minesite costs has resulted in a new mine plan which forecasts lower gold production over a shorter mine life. The mine life now extends to 2017 rather than 2020.

*Mining and Milling Facilities*

Surface Plan of the Meadowbank Mine




Meadowbank has three major deposits that have sufficient drilling definition to sustain reserves; Portage, Goose and Vault. By the end of 2009, all of the camp infrastructure (dormitories and kitchen), a mill, a service building shop and generator buildings were built. All required aggregates used in the mining process are produced from waste material taken from the north end of the Portage pit. In 2008, a dewatering dyke was constructed in order to access the north half of the Portage pit in preparation for production in 2010. Construction of the Bay-Goose dyke, a major dewatering dike required to access the southern portion of the Portage and the Goose Island pits, commenced in the summer of 2009 and was completed in the spring of 2011. Three tailings impoundment dykes, Saddle Dam 1, Saddle Dam 2 and Stormwater Dykes, were built in 2009 and 2010. Also, the first phase of the main tailings impoundment dyke, Central Dyke, was started in 2011 and will be in construction for the duration of the mine life. The eight-kilometer long access road to the Vault pit was started in 2011 and will be completed in 2012.

*Mining Methods*

Mining at the Meadowbank mine is done by open pit with trucks and excavators. The ore is extracted conventionally using drilling and blasting, then hauled by trucks to a primary gyratory crusher adjacent to the mill. The marginal-grade material (material grading under the cut-off grade at a gold price of $1,255 per ounce but which has the potential to increase the reserves at the end of the mine life if the metal prices justify its processing) is stockpiled separately. Also, a sub-grade material stockpile (material for which extraction has already been paid but currently is lower than the mill feed grade) has been created for potential processing at the end of the mine life. Waste rock is hauled to one of two waste storages on the property, used for dyke construction or construction material or backfilled into the mined out area.

Mining first commenced in the Portage pit in 2010 and was the only mine in production in 2011. Mining is scheduled to commence in March 2012 in the Goose pit and in 2014 in the Vault pit.

*Surface Facilities*

The accommodations complex at the Meadowbank mine consists of a permanent camp and a temporary camp to accommodate extra workers. The camp is supported with a sewage treatment, solid waste disposal and potable water plant. In 2008, the exploration group was relocated eight kilometres south of the minesite location to a separate camp with an 80-person capacity.

Plant site facilities include a mill building, a maintenance mechanical shop building, a generator building, an assay lab and a heavy vehicle maintenance shop. A structure comprised of two separate crushers flank the main process complex. Power is supplied by an 29-megawatt diesel electric power generation plant with heat recovery and an onsite fuel storage (5.6 million litres) and distribution system. The mill-service-power complex is connected to the accommodations complex by enclosed corridors. In addition, the Company will build peripheral infrastructure including tailings and waste impoundment areas.

Facilities constructed at Baker Lake include a barge landing site located three kilometres east of the community and a storage compound. A fuel storage and distribution complex with a 60-million litre capacity has been built next to the barge landing facility.

The process design is based on a conventional gold plant flowsheet consisting of two-stage crushing, grinding, gravity concentration, cyanide leaching and gold recovery in a CIP circuit. The mill is designed for year-round operations with a design capacity of 9,800 tonnes per day. The overall gold recovery is projected to be approximately 92.9%, based on projections from metallurgical test work, with approximately 15% typically recovered in the gravity circuit.

The run-of-mine ore is transported to the crusher using an off-road truck. The ore is dumped into the gyratory crusher or into designated ore-type stockpiles. The product from the primary crusher is conveyed to the cone crusher in closed circuit with a vibrating screen. The crushed ore is delivered to the coarse ore stockpile and ore from the stockpile is conveyed to the mill. The grinding circuit is comprised of a primary SAG mill operated in open circuit and a secondary ball mill operated in closed circuit with cyclones. A portion of the cyclone underflow stream is sent to the concentrator, which separates the heavy minerals from the ore. The grinding circuit incorporates a gravity process to recover free gold and the free gold concentrate is leached in an intensive cyanide leach-direct electrowinning recovery process.

The cyclone overflow is sent to the grinding thickener. The clarified overflow is recycled to the grinding circuit and thickened underflow is pumped to a pre-aeration and leach circuit. The cyanide circuit consists of seven tanks providing approximately 42 hours retention time. The leached slurry flows to a train of six CIP tanks. Gold in the solution flowing from the leaching circuit is adsorbed into the activated carbon. Gold is recovered from the carbon in a Zadra elution circuit and is recovered from the solution using an electrowinning recovery process. The gold sludge is then poured into dore bars using an electric induction furnace.

The CIP tailings are treated for the destruction of cyanide using the standard sulphur-dioxide-air process. The detoxified tailings are then pumped to the permanent tailings facility. The tailings storage is designed for zero discharge, with all process water being reclaimed for re-use in the mill to minimize water requirements.

*Mineral Recoveries*

Gold recoveries are expected to average 92.9% for all deposits. The different ore zones have slightly different grind sensitivities to gold recovery and, as such, different particle size distributions are recommended as target grinds in the process. The use of a slightly coarser grind for the Vault ores will allow all three of the ore zones to be processed at a consistent process throughput.

During 2011, gold recovery averaged 93.8%. Approximately 2,977,723 tonnes of ore were processed, averaging 8,158 tonnes of ore per day with the mill operating 87.19% of available time. The following table sets out the metal recoveries contained for the 2,977,723 tonnes of ore extracted at the Meadowbank mine in 2011.

| | Head Grade | Overall Metal Recovery | Payable Production |
|---|---|---|---|
| Gold | 3.01 g/t | 93.82% | 270,801 oz |

*Environmental Matters (including Inuit Impact and Benefit Agreement)*

The development of the Meadowbank mine was subject to an extensive environmental review process under the Nunavut Land Claims Agreement administered by the Nunavut Impact Review Board (the "NIRB"). On December 30, 2006, a predecessor to the Company received the Project Certificate from the NIRB, which includes the terms and conditions to ensure the integrity of the development process. The Nunavut Water Board provided the recommendation to the Ministry of Aboriginal Affairs and Northern Development Canada to grant the Meadowbank mine's construction and operation under a water licence in July 2008.

In February 2007, a predecessor to the Company and the Nunavut government signed a Development Partnership Agreement (the "DPA") with respect to the Meadowbank mine. The DPA provides a framework for stakeholders including the federal and municipal governments and the KIA, to maximize the long-term socio-economic benefits of the Meadowbank mine to Nunavut.

An Inuit Impact Benefit Agreement for the Meadowbank mine (the "IIBA") was signed with the KIA in March 2006. This agreement was renegotiated and a revised IIBA was signed October 18, 2011. The IIBA ensures that local employment, training and business opportunities arising from all phases of the project are accessible to the Kivalliq Inuit. The IIBA also outlines the special considerations and compensation that Cumberland agreed to provide to the Inuit regarding traditional, social and cultural matters.

The Company currently holds a renewable exploration lease from the KIA that expires December 31, 2015. In July 2008, the Company signed a production lease for the construction and the operation of the mine, the mill and all related activities. In April 2008, the Company and KIA signed a water compensation agreement for the Meadowbank mine addressing Inuit rights under the Land Claims Agreement respecting compensation for water use and water impacts associated with the project.

The Meadowbank mine consists of several gold-bearing deposits: Portage, Goose and Vault. A series of six dykes have been built to isolate the mining activities at the Portage and Goose deposits from neighbouring lakes. An additional dyke will be built in 2013 to isolate the mining activities at the Vault deposit. Waste rock from the Portage, Goose Island and Vault pits will primarily be stored in the Portage and Vault rock storage facility, and a portion of the waste will be stored in the Portage Pit. The control strategy to minimize the onset of oxidation and the subsequent generation of acid mine drainage includes freeze control of the waste rock through permafrost encapsulation and capping with an insulating convective layer of neutralizing rock (ultramafic and non-acid generating volcanic rocks). Because the site is underlain by about 450 metres of permafrost, the waste rock below the capping layer is expected to freeze, resulting in low rates of acid rock drainage generation in the long term.

Tailings are stored in the Second Portage arm. Initially the tailings will be deposited in a subaqueous environment, but the majority of tailings will be deposited on tailings beaches. A reclamation pond will be operated within the tailings storage facility. The control strategy to minimize water infiltration into the tailings storage facility and the migration of constituents out of the facility includes freeze control of the tailings through permafrost encapsulation. A four-metre-thick dry cover of acid neutralizing ultramafic rock backfill will be placed over the tailings as an insulating convective layer to confine the permafrost active layer within relatively inert materials.

The water management objective for the project is to minimize the potential impact on the quality of surface water and groundwater resources at the site. Diversion ditches will be constructed in 2012 to avoid the contact of clean runoff water with areas affected by the mine or mining activities. Contact water originating from affected areas is intercepted, collected, conveyed to the tailings storage facility for re-use in process or decanted to treatment (if needed) prior to release to receiving lakes.

*Capital Expenditures/Development*

A total of $86.1 million has been budgeted to be spent at the Meadowbank mine (excluding exploration) in 2012, including $55 million on dyke construction, $29.1 million on sustaining capital and equipment and $4 million on construction projects carried over from 2011. As well, $1.6 million has been budgeted for 5,000 metres of diamond drilling to convert resources to reserves in the Vault deposit area. Regional exploration in the Meadowbank area has been budgeted at $5.1 million and will include 13,000 metres of exploration diamond drilling.

The Meadowbank mine started production in 2010. Total capital costs of construction incurred since the date of acquisition by the Company amounted to $838 million. The mine life is expected to be six years.

*Geology, Mineralization and Exploration*

*Geology*

The Meadowbank mine comprises a number of Archean-age gold deposits hosted within polydeformed volcanic and sedimentary rocks of the Woodburn Lake Group, part of the Western Churchill supergroup in northern Canada.

Three minable gold deposits – Goose, Portage and Vault – have been discovered along the 25-kilometre long Meadowbank gold trend, and the PDF deposit (a fourth deposit) has been outlined on the northeast gold trend. These known gold resources are within 225 metres of the surface, making the project amenable to open pit mining.

*Mineralization*

The predominant gold mineralization found in the Portage and Goose deposits is associated with iron sulfides, mainly pyrite and pyrrhotite, which occur as a replacement of magnetite in the oxide facies iron formation host rock. To a lesser extent, pyrite and chalcopyrite may be found and, on rare occasions, arsenopyrite may be associated with the other sulphides. Gold is mainly observed in native form (electrum), occurring in isolated specs or as plating around sulfide grains. The ore zones are typically 6-7 metres wide, following the contacts between the iron formation units and the surrounding host rock. Zones extend up to several hundred metres along strike and at depth. The sulphides primarily occur as replacement of the primary magnetite layers, as well as narrow stringers or bands of disseminated sulphides that almost always crosscut the main foliation and/or bedding which would imply an epigenetic mode of emplacement. The percentage of sulphides is quite variable and may range from trace to semi-massive amounts over several centimetres to several metres in length. The higher gold grades and the occasional occurrence of visible gold are almost always associated with greater than 20% sulphide content.

The main mineralized banded iron formation unit is bounded by an ultramafic unit to the west which locally occurs interlayered with the banded iron formation and to the east by an intermediate to felsic metavolcaniclastic unit.

In the Vault deposit, pyrite is the principal ore bearing sulphide. The disseminated sulphides occur along sheared horizons that have been sericitized and silicified. These zones are several metres wide and may continue for hundreds of metres along strike and down dip.

Three of the four known gold deposits are currently planned to be mined. The Goose Island and Portage deposits are hosted within highly deformed, magnetite-rich iron formation rocks, while intermediate volcanic rock assemblages host the majority of the mineralization at the more northerly Vault deposit. The fourth deposit, PDF, shows the same characteristics as Vault, though it is not currently anticipated to be a mineable deposit.

Defined over a 1.85-kilometre strike length and across lateral extents ranging from 100 to 230 metres, the geometry of the Portage deposit consists of general north-northwest-striking ore zones that are highly folded. The mineralization in the lower limb of the fold is typically six to eight metres in true thickness, reaching up to 20 metres in the hinge area.

The Goose Island deposit is located just south of the Portage deposit and is also associated with iron formation but exhibits different geometry, with a north-south trend and a steep westerly dip. Mineralized zones typically occur as a single unit near surface, splaying into several limbs at depth. The deposit is currently defined over a 750-metre strike length and down to 500 metres at depth (mainly in the southern end), with true thicknesses of three to 12 metres (reaching up to 20 metres locally). The Goose underground resource (100 to 500 metres at depth) extends 700 metres to the south of the Goose pit. The ore zones show the same characteristics as the Goose pit, which is two to five main zones sub-parallel and undulating. The average thickness rarely exceeds three to five metres.

The Vault deposit is located seven kilometres northeast of the Portage and Goose deposits. It is planar and shallow-dipping with a defined strike of 1,100 metres. The deposit has been disturbed by two sets of normal faults striking east-west and north-south and dipping moderately to the southeast and steeply to the east, respectively. The main lens has an average true thickness of eight to 12 metres, reaching as high as 18 metres locally. The hanging wall lenses are typically three to five metres, and up to seven metres, in true thickness.

*Exploration*

Grass roots exploration in the project area began as early as 1980. As some interesting targets arose, several companies conducted various types of work between 1980 and 2007. Throughout these years, six deposits were the main focus of exploration: Portage, Cannu, Bay Zone, Goose, Vault and PDF. Over time, the Cannu, Bay Zone and Portage deposits were combined into one mineable deposit referred to as Portage. Exploration has extended the Goose Island deposit southward, adding the Goose South and Gosling zones.

In 2009, the mine exploration group took over the pit and adjacent areas. Three goals were targeted: exploration drilling, resource conversion and waste pad condemnation.

In 2010, 102 holes totalling 37,928 metres were drilled. The focus of the exploration campaign was testing the underground potential of the Goose deposit, resource conversions at the Vault deposit and on the south continuity of the Portage and Goose deposits. On the Goose underground deposit, a total of 23 holes for 11,145 metres were drilled from 200 to 750 metres in depth. These holes contributed to increase the continuity and understanding of the mineralization. The drilling was predominantly to expand the Goose deposit at depth and towards the south, as well as to conduct infill drilling in areas where large gaps occurred between auriferous intersections. The program was successful in expanding the Goose deposit at depth and towards the south.

On the Vault deposit, a total of 39 holes for 5,943 metres were drilled from 25 to 200 metres in depth. These holes were aimed at converting resources close to the pit shell and also to extending resources to the south-west continuity towards the Tern Lake porphyry.

On the southern portion of the Portage deposit, a total of 18 holes for 8,070 metres were drilled from 50 to 250 metres in depth with the aim of converting resources directly south of the Portage pit and other inferred occurrences within a close proximity to the pit.

On the Goose south trend, a total of 13 holes for 7,320 metres were drilled from 150 to 250 metres in depth. These holes were aimed at following the south trend of the Portage-Goose iron formation.

In 2011, 284 diamond drill holes totalling 24,229 metres were drilled. The exploration program had four goals: exploring the southern trend of the Goose deposit at depth; following-up on the regional results of testing on the Farwest Iron Formation and the geophysics of the Tern Lake porphyry completed in 2010; continuing resource conversion work initiated on the Vault deposit in 2010 and extending resources on the south west part of deposit; and a resources conversion with a definition program in Portage pit.

The definition program on the Portage pit was conducted in phases from May to December 2011 and represented 165 holes totalling 11,431 metres of diamond drilling. In addition, a new method was tried in the Portage pit for definition drilling, a reverse circulation drill was used to drill over 42 holes totalling 1,074 metres. This method will reduce the cost of drilling.

On the Goose South trend, 6 holes totalling 2,382 metres were drilled. On the Farwest Iron Formation, 7 holes for a total of 2,721 metres were drilled along the trend and verified the potential of the west contact with the granitic mass. On the Tern Lake porphyry, 19 holes totalling 931 metres were drilled.

At the Vault pit, 19 holes were drilled for a total of 1,250 metres, 43 holes totalling 3,545 metres were drilled in Vault South and 25 holes totalling 1,969 metres were drilled in Vault East.

Drilling carried out during the period of 2009 to 2011 returned significant results on the Goose underground and Vault deposits. At the Goose underground deposit, the increase in indicated mineral resources comes from a confirmation of continuity towards the south and at depth. At the Vault deposit, the increase in mineral reserves is the result of converting resources to reserves along the east pit wall. Positive drill results show continuity of mineralization toward the southwest, indicating that the pit can be expanded in that direction.

***Meliadine Project***

The Meliadine project is an advanced exploration property located near the western shore of Hudson Bay in the Kivalliq region of Nunavut, about 25 kilometres north of the hamlet of Rankin Inlet and 290 kilometres southeast of the Meadowbank mine. The closest major city is Winnipeg, Manitoba, about 1,500 kilometres to the south.

Agnico-Eagle acquired its 100% interest in the Meliadine project through its acquisition of Comaplex in July 2010 (see "– History and Development of the Company").

The mineral reserves and resources of the Meliadine project are estimated at December 31, 2011, to contain proven and probable mineral reserves of 2.9 million ounces of gold in 12.5 million tonnes of ore grading 7.18 grams per tonne. In addition, the project has 12.6 million tonnes of indicated mineral resources grading 4.09 grams of gold per tonne, and 12.7 million tonnes of inferred mineral resources grading 5.98 grams of gold per tonne.

The Meliadine property is a large, almost entirely contiguous land package that is nearly 80 kilometres long. It consists of 55,603 hectares of mineral rights, of which 52,173 hectares are held under the Canada Mining Regulations and administered by the Department of Indian Affairs and Northern Development and referred to as Crown Land. The Crown Land is made up of mining claims covering 887 hectares and mineral leases covering 51,285 hectares. There are also 3,430 hectares of subsurface Nunavut Tunngavik Inc. concessions administered by a division of the Nunavut Territorial government.

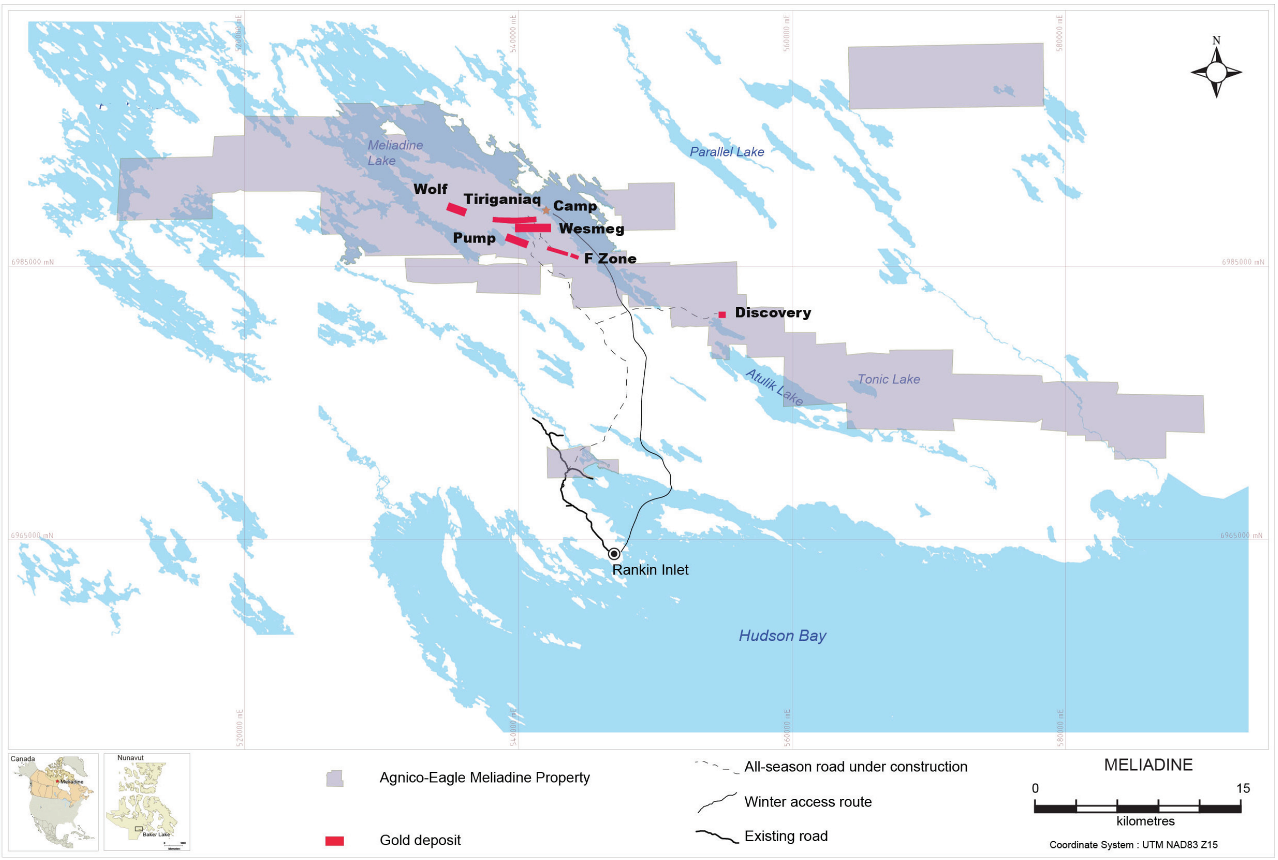
The Kivalliq region has an arid arctic climate. The Meliadine property is mainly covered by glacial overburden with the presence of deep-seated permafrost. The property is about 60 metres above sea level in low-lying topography with numerous lakes. Surface waters are usually frozen by early October and remain frozen until early June. Surface geological work can be carried out from mid-May to mid-October, while exploration drilling can take place throughout the year, though is reduced in January and February due to cold and darkness.

Equipment, fuel and dry goods are transported on the annual warm-weather sealift by barge to Rankin Inlet via Hudson Bay. Ocean-going barges from Churchill, Manitoba or eastern Canadian ports can access the community from late June to early October. Churchill, which is approximately 470 kilometres south of Rankin Inlet, has a deep-water port facility and a year-round rail link to locations to the south.

Personnel, perishables and lighter goods arrive at the Rankin Inlet regional airport by commercial or charter airline, from which they can be flown to the property by chartered helicopter. An all-weather gravel road extends from Rankin Inlet to within two kilometres of the Meliadine River, which is approximately 15 kilometres away from the property, but there is winter-road access for tracked vehicles from Rankin Inlet directly to the Meliadine project exploration camp from January to mid-May. The Company has proposed the building of a 23.8-kilometre long all-weather gravel road linking Rankin Inlet with the project site to support ongoing exploration activities at the Meliadine project property. An application to construct this road was submitted to the NIRB and other regulatory agencies in 2011. A positive decision from the NIRB on the application was received in February, 2012 and approvals from other regulatory agencies are pending. A positive decision will allow construction to begin in 2012, in which case the road is expected to be completed by the summer of 2013.

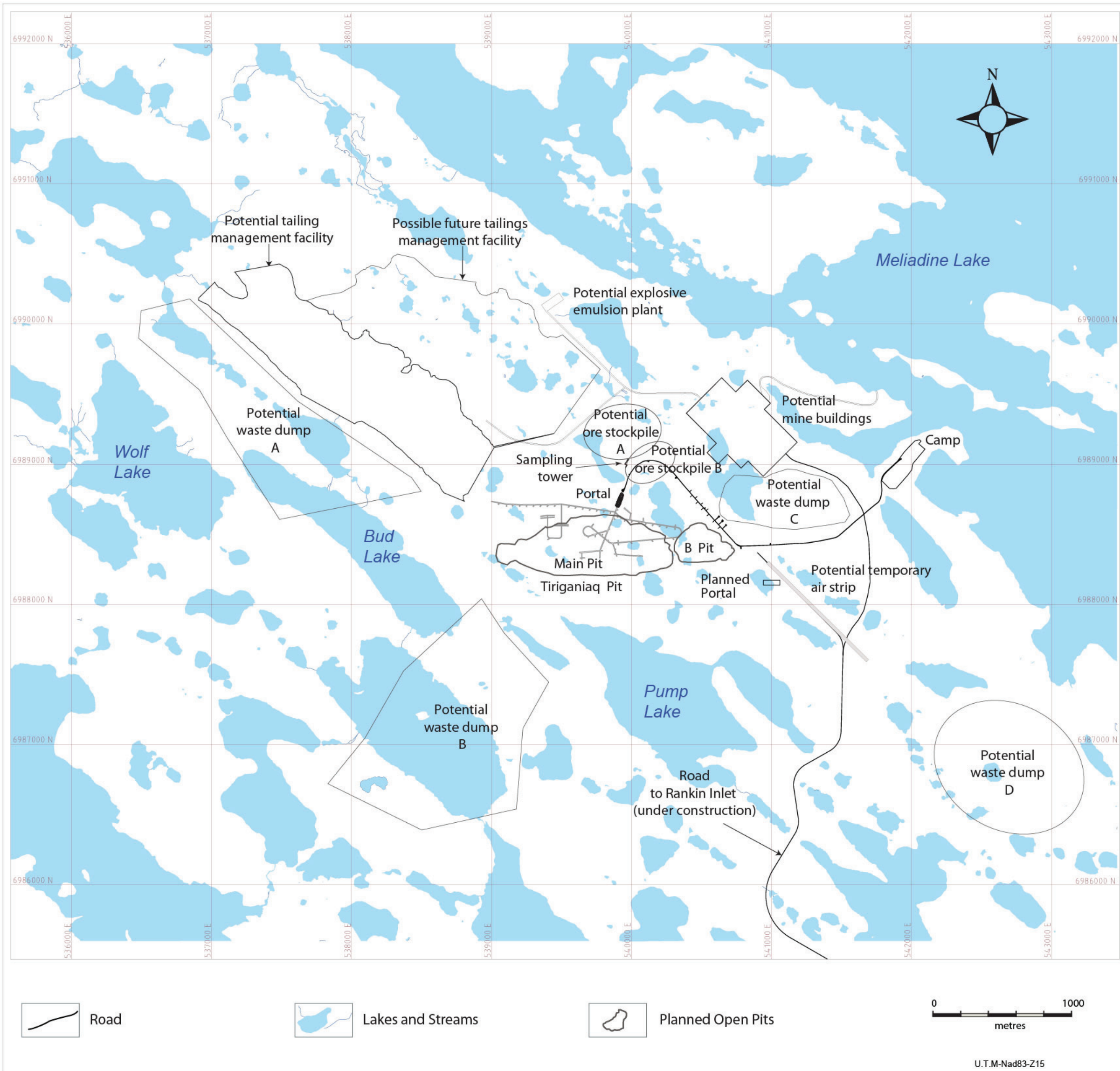
Exploration personnel for the Meliadine project are mainly sourced from other parts of Canada on a fly-in/fly-out rotation from Val d'Or, Quebec, and Winnipeg, Manitoba, approximately 1,500 kilometres south of the Meliadine project property, respectively, although there is preferential employment of qualified people from the Kivalliq region. The hamlet of Rankin Inlet has developed a strong taskforce of entrepreneurs that provide a wide variety of services, such as freight expediting, equipment supply and outfitting.

## Location Map of the Meliadine Project



*Facilities*

Surface Plan of the Meliadine Project




Current facilities at the Meliadine project include the Meliadine project exploration camp located on the shore of Meliadine Lake, approximately 2.3 kilometres north of the Tiriganiaq deposit. The camp is constructed of Weatherhaven tents and can accommodate up to 150 personnel. Covered wooden walkways connect all tents to the washrooms and kitchen facilities. A 100-person, self-contained trailer camp, complete with two diesel generators, was installed adjacent to the existing exploration camp in early 2011. A second 100-person, self-contained trailer camp is expected to be installed in the first half of 2012.

Power is currently generated using diesel generators for the Meliadine exploration camp on an as-required basis. Potable water for the Meliadine project camp is pumped from Meliadine Lake and water for the previous underground operations and surface drill programmes is pumped from Pump Lake. The current water licence allows for a maximum daily water use of 290 cubic metres (Meliadine West), while a request for an amendment to the water licence was filed in October 2010 with the Nunavut Water Board (Meliadine East) to increase water use to 299 cubic metres per day.

The Meliadine project exploration camp has an incinerator on site to burn all flammable materials, such as camp and food wastes. Plastics and metal objects, along with incinerator ash, are set aside for transport to be disposed of in the Rankin Inlet landfill. All hazardous and liquid wastes are held at the Meliadine project site for transport to a waste management company in southern Canada.

Sewage has been treated through a Biodisk treatment system since the summer of 2010. Run-off water is contained in the primary water containment area and released only when sampling results meet acceptable water quality standards. Routine water sampling has been conducted since the mid-1990s and reported on a monthly basis to the authorities.

The Meliadine East camp on Atulik Lake was decommissioned during the summer of 2010, with completion in the winter of 2010 and 2011. The core shack and storage building remain at the former camp site.

An underground portal allowing access to an exploration decline was built at the Tiriganiaq deposit in 2007 and 2008 in order to extract a bulk sample for study purposes. A waste rock and ore storage pad was generated during excavation of the decline and a sampling tower was installed for processing the bulk sample. There is a two-kilometre road between the Meliadine project exploration camp and the portal site. Another bulk sample was taken from underground via this portal in 2011 and results are expected to be available in early 2012.

*Environmental Matters (including Inuit Impact Benefit Agreement)*

Land and environmental management in the region of the Meliadine project is generally governed by the provisions of the Nunavut Land Claims Agreement ("NLCA"). Pursuant to the NLCA, land use leases must be obtained from the KIA. The Meliadine project has been granted a commercial lease for exploration and underground development activity, a prospecting and land use lease for exploration and development activities, an exploration land use lease for exploration and drilling on the Inuit-owned lands of Meliadine East and a parcel drilling permit for drilling activity on Inuit-owned lands. A number of right-of-way leases covering road access to the Meliadine project property and esker quarrying on the Inuit-owned lands were also granted by the KIA.

Pursuant to the NLCA, an exploration water licence and a bulk sample water licence were granted by the Nunavut Water Board (the "NWB"). An application was made to the NIRB and the NWB for the construction of an access road to the Meliadine project camp to be able to carry out the exploration program year-round.

A Project Certificate from the NIRB is the next approval required by the Meliadine project. Other operating permits and licences can only be issued after such Project Certificate is received. An Inuit Impact Benefit Agreement and an Inuit Water Compensation Agreement will also need to be negotiated with the KIA.

*Geology, Mineralization and Exploration*

*Geology and Mineralization*

Archean volcanic and sedimentary rocks of the Meliadine greenstone belt underlie the property, which is mainly covered by glacial overburden with deep-seated permafrost and is part of the Western Churchill supergroup in northern Canada. The rock layers have been folded, sheared and metamorphosed, and have been truncated by the Pyke Fault, a regional structure that extends the entire 80-kilometre length of the large property.

The Pyke Fault appears to control gold mineralization on the Meliadine project property. At the southern edge of the fault is a series of oxide iron formations that host all six Meliadine project deposits currently known. The deposits consist of multiple lodes of mesothermal quartz-vein stockworks, laminated veins and sulphidized iron formation mineralization with strike lengths of up to three kilometres. The Upper Oxide iron formation hosts the Tiriganiaq and Wolf North zones. The two Lower Lean iron formations contain the F Zone, Pump, Wolf Main and Wesmeg deposits, which are all within five kilometres of Tiriganiaq. The Discovery deposit is 17 kilometres east southeast of Tiriganiaq and is hosted by the Upper Oxide iron formation. Each of these deposits has mineralization within 120 metres of surface, making them potentially mineable by open pit methods. They also have deeper ore that could potentially be mined with underground methods.

*Exploration*

The Meliadine property has been explored for gold from 1987 through 2010 at a cost of C$166.8 million by former owners Asamera Inc., Rio Algom Limited, Comaplex, Cumberland and Western Mining International, as well as the Company and numerous reputable consultants. For many years the property was divided into two halves – Meliadine East and Meliadine West – which were consolidated into the Meliadine property in December 2009. A detailed history of exploration on the property is given in a technical report by the Company posted on SEDAR on March 8, 2011.

Lack of outcropping bedrock in the area resulted in the use of high-density magnetic surveying followed by diamond drilling as the most common and successful exploration strategy on the property. This has included 193,318 metres of drilling in 682 holes from 1993 through 2010, as well as geophysical surveying, prospecting and sampling. In 2007 and 2008, there was an underground exploration and bulk sample program on the Tiriganiaq deposit. This was followed by a

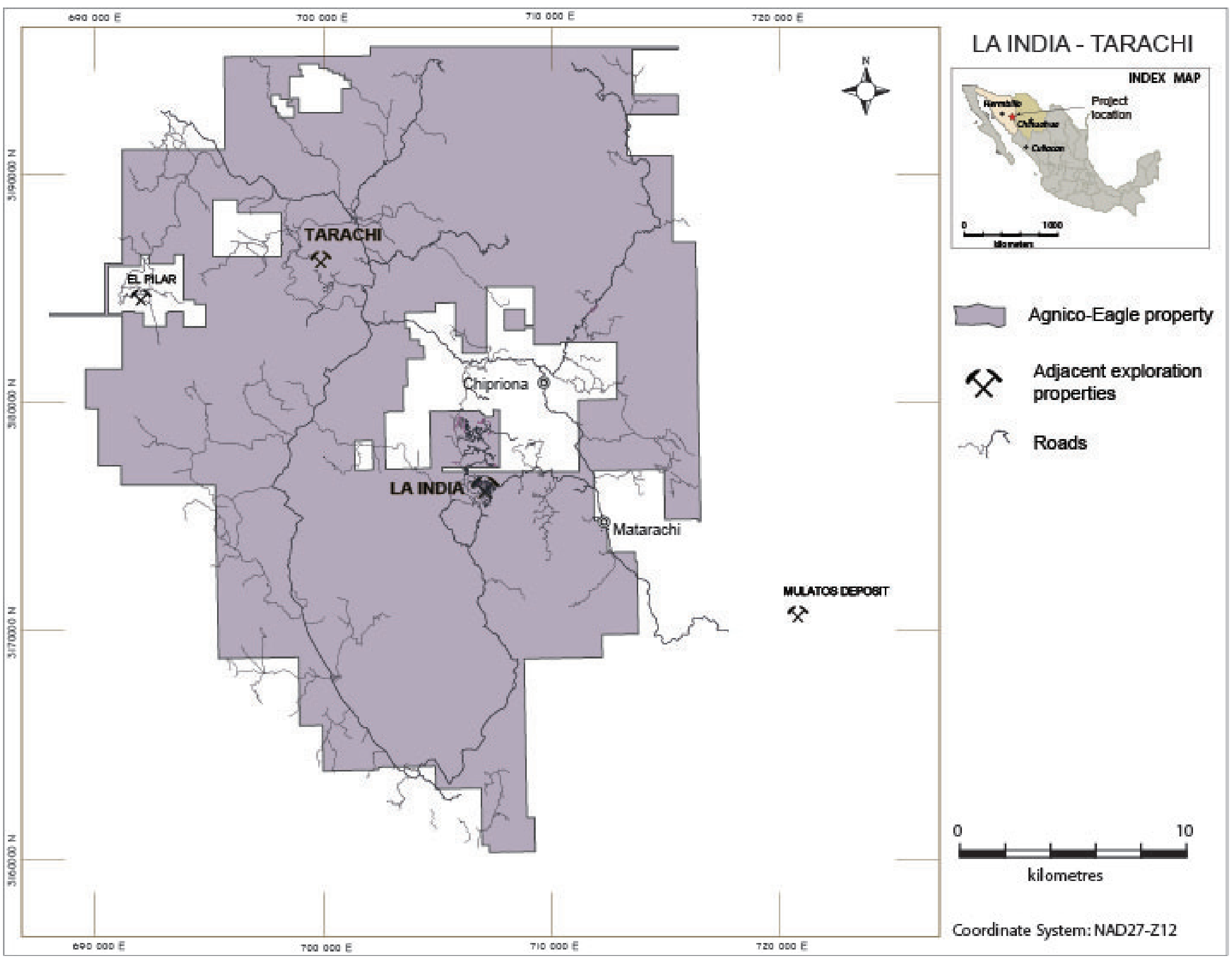
Preliminary Assessment for the property in 2009, which indicated the potential of the project to support a mining operation.

In 2010, there were 128 exploration drill holes (32,000 metres) at the Meliadine project, of which 53% were drilled by the Company after acquiring the property in July 2010. Agnico-Eagle spent $10 million on exploration from July through December 2010.

The Company initiated a $129.6 million exploration program in the summer of 2010. Approximately 200,000 metres of drilling is planned through early 2013, mainly to convert mineral resources to reserves at Tiriganiaq. At the end of 2011, the Company spent $74.7 million, principally in diamond drilling (105,000 metres), bulk sample, updated feasibility study, permitting, all-weather road and camp expansion. Another $54.9 million has been budgeted through early 2013 to complete the exploration program (diamond drilling, feasibility study, permitting and the construction of an all-weather road linking the project to Rankin Inlet). The Company spent an additional $12 million in 2011 for the ramp project and has budgeted $16.1 million for this purpose in 2012.

***La India Project***

Location Map of the La India Project




The La India project is located in the Mulatos Gold Belt in the municipality of Sahuaripa, southeast Sonora State in northern Mexico. The Mulatos Gold Belt is part of the Sierra Madre gold and silver belt that also hosts the operating Mulatos gold mine immediately southeast of the La India project property and the Pinos Altos mine and Creston Mascota at Pinos Altos deposit 70 kilometres to the southeast.

The La India project includes the La India feasibility-stage heap leach gold project as well as the recently discovered Tarachi gold zone and several other prospective targets in the belt. The property consists of 43 mining concessions totalling approximately 56,000 hectares, making the Company the largest mineral title holder by area in the Mulatos Gold

Belt. The climate is semi-arid with seasonal temperatures ranging from 35 degrees Celsius to –2 degrees Celsius, and torrential rainfall from July to September. Exploration activities may be conducted year-round.

The project is located between the small rural towns of Tarachi and Matarachi, which offer basic infrastructure in the form of roads, rural telephone service, small grocery stores and unpaved air strips. More services are available in the town of Sahuaripa located 60 kilometres by gravel road (about 2.5 hours) northwest of the La India project. The population of the district is estimated to be a few thousand, with most of the inhabitants involved in cattle ranching, farming, forestry and mining and exploration. An adequate supply of labour for mining operations can be drawn from the region. Trained exploration personnel for the La India project are mainly sourced from northern Mexico including Hermosillo, Sonora.

The closest major city with an international airport is Hermosillo, the capital of Sonora, located 210 kilometres west-northwest of the La India project. Road travel from Hermosillo to the site takes approximately seven hours. Alternatively, the project can be accessed by small aircraft. The federally owned and operated electric transmission grid extends to within approximately 60 kilometres of the project.

Grayd began to actively explore the project in 2004, and began preliminary metallurgical test work in 2006. Grayd produced NI-43-101 compliant technical reports as of 2004, 2006, 2008, 2009 and May 2010. A Preliminary Economic Assessment ("PEA") was completed on behalf of Grayd on December 6, 2010 by independent consultants, based on only the oxide portion of the La India project resources (as reported in May 2010). The PEA envisioned an open pit mine with gold recovery of 80% by heap leach with an overall average annual production of 92,000 ounces over its nine-year life. According to the PEA, annual production could range from a low of 66,000 ounces in year six to a high of 108,000 ounces in year seven.

As of December 31, 2011, the La India project consisting of the La India feasibility-stage heap leach gold project and Tarachi gold zone had a measured resource of 3.7 million tonnes of ore grading 1.06 grams of gold per tonne, and an indicated resource of 44.5 million tonnes of ore grading 0.72 grams of gold per tonne and inferred resources of 32.1 million tonnes grading 0.69 grams of gold per tonne, using a cut-off of 0.40 grams of gold per tonne. These resources are in the North and Main zones of the La India project and the Tarachi gold zone.

The defined mineral resources and all lands required for infrastructure as proposed by the PEA for the La India project are wholly contained within three privately held properties.

At the Tarachi gold zone, the surface rights in the project area are owned by the Matarachi Ejido (agrarian community) and private parties. All measured, indicated and inferred project resources lie within privately owned or ejido possessed land. Surface access lease agreements have been executed with the property owners or possessors for all identified target areas. The existing agreements permit exploration activities only; if mining activity is contemplated in this exploration area the Company will require further negotiations to acquire the surface rights needed for project development.

### *Mining and Milling Facilities*

#### *Surface Facilities*

Current facilities at the La India project include an exploration camp, which consists of former ranch house buildings that have been modified for housing requirements. The power for the exploration camp is supplied by diesel generators, water is supplied by a local spring and septic discharges are managed in a leach field. Non-organic waste from the camp is disposed in the Matarachi Ejido landfill. The camp will be modified and expanded as the Company develops the La India project in 2012.

#### *Environmental Matters*

Baseline environmental information has been collected at the La India project since late 2008. This information includes surface water sampling, archeological assessment and soil, fauna and flora assessments.

The La India project is not located in an area with a special Federal environmental protection designation. Therefore, basic exploration activities are regulated under Norma Oficial Mexicana NOM-120-ECOL-1997, which allows for most exploration activities including mapping, geochemical sampling, geophysical surveys, mechanized trenching, road building and drilling. Mine construction and operation activities generally require the preparation of a Manifesto de Impacto Ambiental (MIA, an environmental impact statement), and a Cambio de Uso de Suelo (CUS, a land use change) permit.

No factors have been identified that would be expected to hinder authorization of Federal and State environmental permits required for construction and operation of a mine at the La India project. Some historic mining has been observed in the area but the remaining waste dumps and tailings are small and are not considered to present significant environmental issues. No obstacles to obtaining the permits are anticipated providing Agnico-Eagle obtains the necessary surface rights and meets the design and mitigation criteria required by the Mexican permitting authorities. The Company has considerable permitting experience in Mexico and is familiar with the regulatory requirements as a result of its ongoing operations at the Pinos Altos mine and the Creston Mascota deposit at Pinos Altos.

*Agreements & Licences*

The mining concessions for the La India project and Tarachi are controlled by the Company by means of direct ownership and by 11 separate agreements whereby Agnico-Eagle can earn a 100% interest in certain concessions by making cash and share payments. For the La India project, should the Company elect to acquire all currently optioned concessions, an additional $2.3 million in payments would be required. Payment has been made in full for the claims that host most of the measured, indicated and inferred resources. Some concessions are subject to underlying net smelter royalties varying between 1% and 3%, some of which may be purchased by the Company which would result in net smelter royalties between 0% and 0.5%.

For the Tarachi gold zone, payments totalling $3.3 million and shares with value equivalent to $967,500 over an eight year period are required for the Company to earn a 100% interest in the relevant concessions. To date $1 million has been paid toward these concessions. Should the Company elect to acquire all currently optioned concessions, an additional $2.3 million in payments would be required. Some concessions are subject to underlying net smelter royalties varying between 1% and 3%, some of which may be purchased by the Company, which would result in net smelter royalties between 0% and 0.5%.

The defined mineral reserve and resource and all lands required for infrastructure as proposed by the PEA are wholly contained within three privately-held properties. Agnico-Eagle has acquired the surface rights for the Bronces y Bajios and la Armagosa ranches and negotiations are underway with the owner of the el Duraznito ranch. The current land agreements are sufficient to permit exploration activities that are conducted under environmental regulation NOM-120. Construction and mine development could begin on the Bronces y Bajios and la Armagosa ranches subject to receipt of necessary permits, and the development of mining activity on the el Duraznito ranch is pending a final surface agreement.

At the Tarachi gold zone, the surface rights in the project area are owned by the Matarachi Ejido and private parties. All measured, indicated and inferred project resources lie within privately owned or ejido possessed land. Surface access lease agreements have been executed with the property owners or possessors for all identified target areas. The existing agreements permit exploration activities only, further negotiation would be required for any future mine development at the Tarachi gold zone.

*Geology, Mineralization and Exploration*

*Geology and Mineralization*

The La India project lies within the Sierra Madre Occidental ("SMO") province, an extensive Eocene to Miocene volcanic field from the United States-Mexico border to central Mexico. The La India project lies within the western limits of the SMO in an area dominated by outcrops of andesite and dacitic tuffs, overlain by rhyolites and rhyolitic tuffs that were affected by large-scale north-northwest-striking normal faults and intruded by granodiorite and diorite stocks. Incised fluvial canyons cut the uppermost strata and expose the Lower Series volcanic strata.

The project area is predominantly underlain by a volcanic sequence comprised of andesitic and felsic extrusive volcanic strata with interbedded epiclastic volcaniclastic strata of similar composition. The mineral occurrences present in the project area, and the deposit type being sought, are volcanic-hosted epithermal, high-sulphidation gold-silver deposits. Such deposits may be present as veins and/or disseminated deposits. The La India project deposit area is one of several high-sulphidation epithermal mineralization centres recognized in the region.

Epithermal high-sulphidation mineralization at the La India project developed as a cluster of gold zones (Main and North) aligned north-south within a genetically related zone of hydrothermal alteration in excess of 20 square kilometres in area. Gold mineralization is confined to the Late Eocene rocks within zones of intermediate and advanced argillitic alteration originally containing sulphides, and subsequently oxidized by supergene processes. The North and Main zones are within two kilometres of each other.

Surface outcrop mapping and drill-hole data so far indicate that the gold system at the Tarachi gold zone is likely best classified as a gold porphyry deposit.

*Exploration*

Gold was discovered at the Mulatos deposit by the Spanish colonials in 1806, but indigenous peoples likely exploited the native-gold-bearing oxidized zone of the deposit prior to this. Small underground mines and prospects are present throughout the La Cruz and La Viruela areas, where modern exploration was conducted by New Golden Sceptre Minerals Ltd. and New Goliath Minerals Ltd. (late 1980s), Noranda Inc. (early 1990s) and San Fernando Mining Co. Ltd. (from 1993).

Grayd began to actively explore the project in 2004, including geologic mapping, geochemical rock chip sampling, airborne and ground geophysical surveys, photogrammetric topographic mapping, diamond drilling, reverse circulation drilling, baseline environmental studies and metallurgical testing. Newmont Mining Corp. funded the work between July 2005 and July 2006 and then declined to continue, retaining no interest in the property. The Tarachi gold zone, located approximately 10 kilometres north of the La India project on the same property, was discovered in 2010.

From 2004 through February 7, 2011, Grayd completed 129 diamond drill holes (13,834 metres) and 560 reverse circulation drill holes (49,552 metres) at the La India project. In 2011, 13 diamond drill holes (1,119 metres) and 30 reverse circulation drill holes (2,728 metres) were drilled at the La India project and 25 diamond drill holes (5,400 metres) and 67 reverse circulation drill holes (16,144 metres) were drilled at the Tarachi gold zone.

The La India feasibility-stage heap leach gold project deposit and the Tarachi gold zone will continue to be actively explored by Agnico-Eagle. The Company has initiated an $18.6 million exploration and development program at the La India feasibility-stage heap leach gold project deposit for 2012 that will include infill drilling, technical studies, land acquisition, water acquisition, infrastructure and permitting efforts. At the Tarachi gold zone, the Company has planned a $5 million exploration program with approximately 9,850 metres of diamond drilling and 10,000 metres of reverse circulation drilling planned in 2012.

### ***Regional Exploration Activities***

During 2011, the Company continued to actively explore in Quebec, Ontario, Nunavut, Nevada, Finland, Sweden, Mexico and Argentina. The Canadian exploration activities were focused on the Ellison/Bousquet and Maritime/Lapa properties in Quebec, as well as on the Meadowbank property in Nunavut where activities were conducted both within and outside the mining lease and the Meliadine project, also in Nunavut. In the United States, exploration activities during 2011 were concentrated on the West Pequop project located in northeast Nevada and the Rattlesnake project located in Wyoming. At the LaRonde, Goldex, Lapa, Pinos Altos and Kittila mines, the Company continued exploration programs around the mines. Most of the exploration budget was spent on drilling programs near the mine infrastructure, along previously recognized gold trends.

At the end of 2011, the Company's land holdings in Canada consisted of 77 projects comprised of 2,879 mineral titles covering an aggregate of 270,513 hectares. Land holdings in the United States consisted of 6 properties comprised of 3,486 mineral titles covering an aggregate of 30,552 hectares. Land holdings in Finland consisted of three groups of properties comprised of 133 mineral titles covering an aggregate of 11,757 hectares. Land holdings in Sweden consisted of one project comprised of four mineral titles covering an aggregate of 2,830 hectares. Land holdings in Mexico consisted of six projects comprised of 111 mining concession titles covering an aggregate of 125,820 hectares. Land holdings in Argentina consisted of one project with two mineral titles covering an aggregate of 2,691 hectares.

The total amount spent on regional exploration in 2011 was $76.1 million, which included drilling 775 holes for an aggregate of approximately 216 kilometres. The budget for regional exploration expenditures in 2012 is approximately $67.4 million, including approximately 212 kilometres of drilling.

### ***Mineral Reserves and Mineral Resources***

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

This section uses the terms "measured mineral resources" and "indicated mineral resources". Investors are advised that while these terms are recognized and required by Canadian regulations, 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 section 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 great uncertainty 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**.

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 Lapa, Kittila, Pinos Altos and Meadowbank mines and the Meliadine and Bousquet projects has been supervised by the Company's Vice-President, Project Development, Marc Legault, P.Eng, a "qualified person" as that term is defined in NI 43-101. The Company's mineral reserves estimate was derived from internally generated data or geology reports.

The criteria set forth in NI 43-101 for reserve definitions and guidelines for classification of mineral reserve are similar to those used by Guide 7. However, the definitions in NI 43-101 differ in certain respects from those under Guide 7. Under Guide 7, among other things, a mineral reserve estimate must have a "final" or "bankable" feasibility study. Guide 7 also requires the use of commodity prices that reflect current economic conditions at the time of reserve determination which Staff of the SEC has interpreted to mean historic three-year average prices. In addition to the differences noted above, Guide 7 does not recognize mineral resources.

The assumptions used for the 2011 mineral reserves and resources estimate reported by the Company in this Form 20-F were based on three-year average prices for the period ending December 31, 2011 of $1,255 per ounce gold, $23.00 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. The assumptions used for the 2010 mineral reserves and resources estimate reported by the Company in this Form 20-F were based on three-year average prices for the period ending December 31, 2010 of $1,024 per ounce gold, $16.62 per ounce silver, $0.86 per pound zinc, $2.97 per pound copper, $0.90 per pound lead and exchange rates of C$1.08 per $1.00, 12.43 Mexican pesos per $1.00 and $1.40 per €1.00. The assumptions used for the 2009 mineral reserves and resources estimate used by the Company in this Form 20-F were based on three-year average prices for the period ending December 31, 2009 of $848 per ounce gold, $14.35 per ounce silver, $1.03 per pound zinc, $3.15 per pound copper, $0.97 per pound lead and exchange rates of C$1.09 per $1.00, 11.00 Mexican pesos per $1.00 and $1.37 per €1.00. Other assumptions used for estimating 2010 and 2009 mineral reserve and resource information may be found in the Company's annual filings in respect of the years ended December 31, 2010 and December 31, 2009, respectively.

Set out below are the reserve estimates as of December 31, 2011, as calculated in accordance with NI 43-101 and Guide 7, respectively (tonnages and contained gold quantities are rounded to the nearest thousand):

| | National Instrument 43-101 | | | Industry Guide No. 7 | | |
|---|---|---|---|---|---|---|
| **Property** | **Tonnes** | **Gold Grade (g/t)** | **Contained Gold (oz)** | **Tonnes** | **Gold Grade (g/t)** | **Contained Gold (oz)** |
| *Proven Reserves* | | | | | | |
| LaRonde mine (underground) | 5,331,000 | 2.60 | 445,000 | 5,331,000 | 2.60 | 445,000 |
| Kittila mine (open pit) | 319,000 | 3.86 | 40,000 | 319,000 | 3.86 | 40,000 |
| Kittila mine (underground) | 383,000 | 6.11 | 75,000 | 383,000 | 6.11 | 75,000 |
| Kittila mine total proven | 702,000 | 5.09 | 115,000 | 702,000 | 5.09 | 115,000 |
| Lapa mine (underground) | 1,044,000 | 6.45 | 217,000 | 1,044,000 | 6.45 | 217,000 |
| Meliadine project (open pit) | 34,000 | 7.31 | 8,000 | 34,000 | 7.31 | 8,000 |
| Pinos Altos mine (open pit) | 848,000 | 0.80 | 22,000 | 848,000 | 0.80 | 22,000 |
| Pinos Altos mine (underground) | 1,139,000 | 2.59 | 95,000 | 1,139,000 | 2.59 | 95,000 |
| Pinos Altos mine total proven | 1,987,000 | 1.83 | 117,000 | 1,987,000 | 1.83 | 117,000 |
| Meadowbank mine (open pit) | 1,931,000 | 1.49 | 92,000 | 1,931,000 | 1.49 | 92,000 |
| **Total Proven Reserves** | **11,029,000** | **2.80** | **994,000** | **11,029,000** | **2.80** | **994,000** |
| *Probable Reserves* | | | | | | |
| LaRonde mine (underground) | 27,901,000 | 4.74 | 4,255,000 | 27,901,000 | 4.74 | 4,255,000 |
| Bousquet (open pit) | 3,165,000 | 1.88 | 191,000 | 3,165,000 | 1.88 | 191,000 |
| Kittila mine (open pit) | 802,000 | 5.66 | 146,000 | 802,000 | 5.66 | 146,000 |
| Kittila mine (underground) | 33,060,000 | 4.63 | 4,916,000 | 33,060,000 | 4.63 | 4,916,000 |
| Kittila mine total probable | 33,862,000 | 4.65 | 5,062,000 | 33,862,000 | 4.65 | 5,062,000 |
| Lapa mine (underground) | 1,340,000 | 6.61 | 285,000 | 1,340,000 | 6.61 | 285,000 |
| Meliadine project (open pit) | 5,292,000 | 5.80 | 987,000 | 5,292,000 | 5.80 | 987,000 |
| Meliadine project (underground) | 7,142,000 | 8.20 | 1,882,000 | 7,142,000 | 8.20 | 1,882,000 |
| Meliadine project total probable | 12,434,000 | 7.18 | 2,869,000 | 12,434,000 | 7.18 | 2,869,000 |
| Pinos Altos mine (open pit) | 19,599,000 | 1.68 | 1,059,000 | 19,599,000 | 1.68 | 1,059,000 |
| Pinos Altos mine (underground) | 25,193,000 | 2.38 | 1,927,000 | 25,193,000 | 2.38 | 1,927,000 |
| Pinos Altos mine total probable | 44,792,000 | 2.07 | 2,986,000 | 44,792,000 | 2.07 | 2,986,000 |
| Meadowbank mine (open pit) | 22,563,000 | 2.91 | 2,109,000 | 22,563,000 | 2.91 | 2,109,000 |
| **Total Probable Reserves** | **146,057,000** | **3.78** | **17,757,000** | **146,057,000** | **3.78** | **17,757,000** |
| **Total Proven and Probable Reserves** | **157,086,000** | **3.71** | **18,750,000** | **157,086,000** | **3.71** | **18,750,000** |

In the following tables setting out mineral reserve information about the Company's mineral projects, tonnage information is rounded to the nearest thousand tonnes, the total contained gold ounces stated do not include equivalent gold ounces for byproduct metals contained in the mineral reserve, and the reported metal grades in the estimates represent in-place grades and do not reflect losses in the recovery process, that is, the metallurgical losses associated with processing the extracted ore. The mineral reserve and mineral resource figures presented in this Form 20-F are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized.

### ***LaRonde Mine Mineral Reserves and Mineral Resources***

| | As at December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **Gold-Rich Orebody** | | | |
| Proven mineral reserves – tonnes | 4,100,000 | 3,200,000 | 2,700,000 |
| Average grade – gold grams per tonne | 3.10 | 3.07 | 3.37 |
| Probable mineral reserves – tonnes | 26,700,000 | 27,900,000 | 26,500,000 |
| Average grade – gold grams per tonne | 4.91 | 4.90 | 5.16 |
| **Gold-Poor Orebody** | | | |
| Proven mineral reserves – tonnes | 1,200,000 | 1,600,000 | 2,100,000 |
| Average grade – gold grams per tonne | 0.97 | 0.95 | 1.03 |
| Probable mineral reserves – tonnes | 1,200,000 | 2,000,000 | 3,100,000 |
| Average grade – gold grams per tonne | 1.22 | 1.01 | 0.99 |
| **Total proven and probable mineral reserves – tonnes** | **33,200,000** | **34,700,000** | **34,400,000** |
| **Average grade – gold grams per tonne** | **4.40** | **4.32** | **4.39** |
| **Total contained gold ounces** | **4,700,000** | **4,818,000** | **4,849,000** |

Notes:

(1) The 2011 proven and probable mineral reserves set forth in the table above are based on a net smelter return cut-off value of the ore that varies between C$82.00 per tonne and C$103.00 per tonne depending on the deposit. The Company's historical metallurgical recovery rates at the LaRonde mine from January 1, 2004 to December 31, 2011 averaged 90.8% for gold, 87.0% for silver, 86.3% for zinc and 81.8% for copper. The historical metallurgical recovery rate for lead from January 1, 2008 to December 31, 2011 was 14.8%. The Company estimates that a 10% change in the gold price would result in an approximate 0.9% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the LaRonde mine contained indicated mineral resources of 7,225,000 tonnes grading 1.79 grams of gold per tonne and inferred mineral resources of 11,400,000 tonnes grading 3.68 grams of gold per tonne.

(3) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the LaRonde mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves and mineral reserves added from exploration activities during 2011.

| | Proven | Probable | Total |
|---|---|---|---|
| December 31, 2010 | 4,838 | 29,892 | 34,729 |
| Mined in 2011 | 2,406 | 0 | 2,406 |
| Revision | 2,899 | (1,991) | 909 |
| **December 31, 2011** | **5,331** | **27,901** | **33,232** |

(4) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the LaRonde mine may be found in the Technical Report on the 2005 LaRonde Mineral Resource & Mineral Reserve Estimate filed with Canadian securities regulatory authorities on SEDAR on March 23, 2005.

(5) At December 31, 2011, the Bousquet project contained probable mineral reserves of 3,165,000 tonnes grading 1.88 grams of gold per tonne. In addition, the Bousquet project contained indicated mineral resources of 9,805,000 tonnes grading 2.44 grams of gold per tonne and inferred mineral resources of 4,567,000 tonnes grading 4.04 grams of gold per tonne.

***Goldex Mine Mineral Reserves and Mineral Resources***

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold** | | | |
| Proven mineral reserves – tonnes | – | 14,804,000 | 5,217,000 |
| Average grade – gold grams per tonne | – | 1.87 | 2.02 |
| Probable mineral reserves – tonnes | – | 12,990,000 | 19,524,000 |
| Average grade – gold grams per tonne | – | 1.62 | 2.06 |
| **Total proven and probable mineral reserves – tonnes** | – | **27,794,000** | **24,741,000** |
| **Average grade – gold grams per tonne** | – | **1.75** | **2.05** |
| **Total contained gold ounces** | – | **1,566,000** | **1,630,000** |

Notes:

(1) The suspension of mining operations at the Goldex mine on October 19, 2011 resulted in a restatement, as of that date, of all Goldex proven or probable reserves (as stated on December 31, 2010), that had not already been mined, as indicated resources, except stockpiled ore on surface that was reclassified as measured resources.

(2) As at December 31, 2011, the Goldex mine contained measured mineral resources of 12,360,000 tonnes grading 1.86 grams of gold per tonne, indicated mineral resources of 24,448,000 tonnes grading 1.72 grams of gold per tonne and inferred mineral resources of 31,081,000 tonnes grading 1.59 grams of gold per tonne.

(3) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the Goldex mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves and the restatement of mineral reserves to another category.

| | **Proven** | **Probable** | **Total** |
|---|---|---|---|
| December 31, 2010 | 14,804 | 12,990 | 27,794 |
| Mined in 2011 | 2,477 | 0 | 2,477 |
| Revision | (12,327) | (12,990) | (25,317) |
| **December 31, 2011** | – | – | – |

(4) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Goldex mine may be found in the Technical Report on Restatement of the Mineral Resources at Goldex Mine, Quebec, Canada as at October 19, 2011 filed with the Canadian securities regulatory authorities on SEDAR on December 5, 2011.

## *Kittila Mine Mineral Reserves and Mineral Resources*

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold** | | | |
| Proven mineral reserves – tonnes | 702,000 | 403,000 | 257,000 |
| Average grade – gold grams per tonne | 5.09 | 4.23 | 3.71 |
| Probable mineral reserves – tonnes | 33,862,000 | 32,329,000 | 25,704,000 |
| Average grade – gold grams per tonne | 4.65 | 4.64 | 4.83 |
| **Total proven and probable mineral reserves – tonnes** | **34,564,000** | **32,732,000** | **25,961,000** |
| **Average grade – gold grams per tonne** | **4.66** | **4.64** | **4.82** |
| **Total contained gold ounces** | **5,177,000** | **4,880,000** | **4,025,000** |

Notes:

(1) The 2011 proven and probable mineral reserve and mineral resource estimates were calculated using a metallurgical gold recovery of 89%. Gold cut-off grades used were 1.90 grams per tonne, undiluted (1.69 grams per tonne, diluted) for open pit reserves and between 2.97 grams per tonne and 3.24 grams per tonne, undiluted (between 2.52 grams per tonne and 2.80 grams per tonne, diluted), depending on the deposit, for underground reserves. The open pit operating cost was estimated to be €43.28 per tonne in 2011, while the underground cost averaged €68.30 per tonne. The Company estimates that a 10% change in the gold price would result in an approximate 6% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the Kittila mine contained indicated mineral resources of 12,978,000 tonnes grading 2.46 grams of gold per tonne and inferred mineral resources of 7,953,000 tonnes grading 4.55 grams of gold per tonne.

(3) The breakdown of proven and probable mineral reserves between planned open pit operations and underground operations at the Kittila mine (with tonnage and contained ounces rounded to the nearest thousand) at December 31, 2011 is:

| Category | Mining Method | Tonnes | Gold Grade (g/t) | Contained Gold (oz) |
|---|---|---|---|---|
| Proven mineral reserves | Open pit | 319,000 | 3.86 | 40,000 |
| Proven mineral reserves | Underground | 383,000 | 6.11 | 75,000 |
| **Total proven mineral reserves** | | **702,000** | **5.09** | **115,000** |
| Probable mineral reserves | Open pit | 802,000 | 5.66 | 146,000 |
| Probable mineral reserves | Underground | 33,060,000 | 4.63 | 4,916,000 |
| **Total probable mineral reserves** | | **33,862,000** | **4.65** | **5,062,000** |

(4) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the Kittila mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves and mineral reserves added from exploration activities during 2011.

| | Proven | Probable | Total |
|---|---|---|---|
| December 31, 2010 | 403 | 32,329 | 32,732 |
| Mined in 2011 | 1,031 | 0 | 1,031 |
| Revision | 1,330 | 1,533 | 2,863 |
| **December 31, 2011** | **702** | **33,862** | **34,564** |

(5) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Kittila mine may be found in the Technical Report on the December 31, 2009, Mineral Resource and Mineral Reserve Estimate and the Suuri Extension Project, Kittila Mine, Finland, filed with the Canadian securities regulatory authorities on SEDAR on March 4, 2010.

## ***Lapa Mine Mineral Reserves and Mineral Resources***

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold** | | | |
| Proven mineral reserves – tonnes | 1,044,000 | 1,122,000 | 897,000 |
| Average grade – gold grams per tonne | 6.45 | 7.24 | 8.33 |
| Probable mineral reserves – tonnes | 1,340,000 | 1,709,000 | 2,319,000 |
| Average grade – gold grams per tonne | 6.61 | 7.56 | 8.09 |
| **Total proven and probable mineral reserves – tonnes** | **2,384,000** | **2,831,000** | **3,216,000** |
| **Average grade – gold grams per tonne** | **6.54** | **7.43** | **8.16** |
| **Total contained gold ounces** | **501,000** | **677,000** | **843,000** |

Notes:

(1) The 2011 mineral reserve and mineral resource estimates were calculated using an assumed metallurgical gold recovery of 74.7% and a cut-off grade of 3.80 grams of gold per tonne. The operating cost per tonne estimate for the Lapa mine in 2011 was C$119.41. The Company estimates that a 10% change in the gold price would result in an approximate 4% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the Lapa mine contained indicated mineral resources of 1,964,000 tonnes grading 4.08 grams of gold per tonne and inferred mineral resources of 719,000 tonnes grading 4.74 grams of gold per tonne.

(3) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the Lapa mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves and mineral reserves added from exploration activities during 2011.

| | **Proven** | **Probable** | **Total** |
|---|---|---|---|
| December 31, 2010 | 1,122 | 1,709 | 2,831 |
| Mined in 2011 | 621 | 0 | 621 |
| Revision | 543 | (369) | 174 |
| **December 31, 2011** | **1,044** | **1,340** | **2,384** |

(4) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Lapa mine may be found in the Technical Report on the Lapa Gold Project, Cadillac Township, Quebec, Canada filed with Canadian securities regulatory authorities on SEDAR on June 8, 2006.

## *Pinos Altos Mine Mineral Reserves and Mineral Resources*

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold and Silver** | | | |
| Proven mineral reserves – tonnes | 1,987,000 | 2,864,000 | 880,000 |
| Average gold grade – grams per tonne | 1.83 | 1.90 | 1.51 |
| Average silver grade – grams per tonne | 51.59 | 54.06 | 26.53 |
| Probable mineral reserves – tonnes | 44,792,000 | 41,298,000 | 41,080,000 |
| Average gold grade – grams per tonne | 2.07 | 2.33 | 2.54 |
| Average silver grade – grams per tonne | 59.17 | 65.53 | 70.31 |
| **Total proven and probable mineral reserves – tonnes** | **46,779,000** | **44,162,000** | **41,960,000** |
| **Average gold grade – grams per tonne** | **2.06** | **2.30** | **2.52** |
| **Average silver grade – grams per tonne** | **58.85** | **64.78** | **69.39** |
| **Total contained gold ounces** | **3,103,000** | **3,271,000** | **3,396,000** |
| **Total contained silver ounces** | **88,508,000** | **91,982,000** | **93,613,000** |

Notes:

(1) The 2011 proven and probable mineral reserve estimates are based on a net smelter return cut-off value of the open pit ore between $7.96 per tonne and $26.39 per tonne, depending on the deposit, and a net smelter return cut-off value of the underground ore of $52.93 per tonne. The operating cost per tonne estimate for the Pinos Altos mine in 2011 was $32.03 without deferred stripping ($27.00 with deferred stripping). The metallurgical gold recovery used in the reserve estimates varied between 59% and 96.5%, depending on the deposit. The metallurgical silver recovery used in the reserve estimates varied between 10% and 47.4%, depending on the deposit. The Company estimates that a 10% change in the gold price would result in an approximate 2% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the Pinos Altos mine contained indicated mineral resources of 20,576,000 tonnes grading 1.27 grams of gold per tonne and 28.13 grams of silver per tonne and inferred mineral resources of 23,113,000 tonnes grading 1.05 grams of gold per tonne and 22.65 grams of silver per tonne.

(3) The proven and probable mineral reserves of the Pinos Altos mine set forth in the table above include proven mineral reserves from the Creston Mascota deposit of 278,000 tonnes grading 0.84 grams of gold per tonne and 1.95 grams of silver per tonne and probable mineral reserves from the Creston Mascota deposit of 12,039,000 tonnes grading 1.12 grams of gold per tonne and 12.00 grams of silver per tonne. The indicated mineral resource at the Pinos Altos mine also includes indicated mineral resources from the Creston Mascota deposit of 1,947,000 tonnes grading 0.57 grams of gold per tonne and 3.58 grams of silver per tonne. The inferred mineral resource at the Pinos Altos mine also includes inferred mineral resources from the Creston Mascota deposit of 1,687,000 tonnes grading 0.88 grams of gold per tonne and 7.18 grams of silver per tonne.

(4) The breakdown of mineral reserves between planned open pit operations and underground operations at the Pinos Altos mine (with tonnage and contained ounces rounded to the nearest thousand) at December 31, 2011 is:

| Category | Mining Method | Tonnes | Gold Grade (g/t) | Silver Grade (g/t) | Contained Gold (oz) | Contained Silver (oz) |
|---|---|---|---|---|---|---|
| Proven mineral reserves | Open pit stock pile | 848,000 | 0.80 | 13.82 | 22,000 | 377,000 |
| Proven mineral reserves | Underground | 1,139,000 | 2.59 | 79.73 | 95,000 | 2,919,000 |
| **Total proven mineral reserves** | | **1,987,000** | **1.83** | **51.59** | **117,000** | **3,296,000** |
| Probable mineral reserves | Open pit | 19,599,000 | 1.68 | 37.51 | 1,059,000 | 23,634,000 |
| Probable mineral reserves | Underground | 25,193,000 | 2.38 | 76.02 | 1,927,000 | 61,578,000 |
| **Total probable mineral reserves** | | **44,792,000** | **2.07** | **59.17** | **2,986,000** | **85,212,000** |

(5) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the Pinos Altos mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves and mineral reserves added from exploration activities during 2011.

| | Proven | Probable | Total |
|---|---|---|---|
| December 31, 2010 | 2,864 | 41,298 | 44,162 |
| Mined in 2011 | 4,509 | 0 | 4,509 |
| Revision | 3,632 | 3,494 | 7,126 |
| **December 31, 2011** | **1,987** | **44,792** | **46,779** |

(6) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Pinos Altos mine may be found in the Pinos Altos Gold-Silver Mining Project, Chihuahua State, Mexico, Technical Report on the Mineral Resources and Reserves as of December 31, 2008 filed with the Canadian securities regulatory authorities on SEDAR on March 25, 2009.

## *Meadowbank Mine Mineral Reserves and Mineral Resources*

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold** | | | |
| Proven mineral reserves – tonnes | 1,931,000 | 839,000 | 600,000 |
| Average grade – gold grams per tonne | 1.49 | 3.13 | 4.57 |
| Probable mineral reserves – tonnes | 22,563,000 | 33,259,000 | 31,600,000 |
| Average grade – gold grams per tonne | 2.91 | 3.18 | 3.51 |
| **Total proven and probable mineral reserves – tonnes** | **24,494,000** | **34,098,000** | **32,200,000** |
| **Average grade – gold grams per tonne** | **2.79** | **3.18** | **3.53** |
| **Total contained gold ounces** | **2,201,000** | **3,486,000** | **3,655,000** |

Notes:

(1) The 2011 mineral reserve and mineral resource estimates were calculated using a metallurgical gold recovery of 91.0% or 94.0% depending on the deposit. The economic cut-off grade used to determine the open pit reserves varied from 1.40 grams of gold per tonne to 1.47 grams of gold per tonne, depending on the deposit, and is 1.02 grams of gold per tonne as a marginal cut-off grade. The estimated ore-based operating costs used for the 2011 mineral reserve estimate varied between C$52.84 per tonne and C$53.63 per tonne, depending on the deposit, with an additional haulage cost of C$4.95 for Vault deposit reserves. The Company estimates that a 10% change in the gold price would result in an approximate 2% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the Meadowbank mine contained indicated mineral resources of 17,213,000 tonnes grading 2.38 grams of gold per tonne and inferred mineral resources of 3,745,000 tonnes of ore grading 3.81 grams of gold per tonne.

(3) The following table shows the reconciliation of mineral reserves (in nearest thousand tonnes) at the Meadowbank mine by category at December 31, 2011 with those at December 31, 2010. Revision means additional mineral reserves converted from mineral resources or other categories of mineral reserves, an update to mineral reserves based on changed mine plans, and mineral reserves added from exploration activities during 2011.

| | Proven | Probable | Total |
|---|---|---|---|
| December 31, 2010 | 839 | 33,259 | 34,098 |
| Mined in 2011 | 2,978 | 0 | 2,978 |
| Revision | 4,070 | (10,696) | (6,626) |
| **December 31, 2011** | **1,931** | **22,563** | **24,494** |

(4) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Meadowbank mine may be found in the Technical Report on the Mineral Resources and Mineral Reserves dated February 15, 2012, Meadowbank Gold Project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR on March 23, 2012.

## *Meliadine Project Mineral Reserves and Mineral Resources*

| | As at December 31, | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| **Gold** | | | |
| Proven mineral reserves – tonnes | 34,000 | 0 | – |
| Average grade – gold grams per tonne | 7.31 | – | – |
| Probable mineral reserves – tonnes | 12,434,000 | 9,467,000 | – |
| Average grade – gold grams per tonne | 7.18 | 8.54 | – |
| **Total proven and probable mineral reserves – tonnes** | **12,468,000** | **9,467,000** | **–** |
| **Average grade – gold grams per tonne** | **7.18** | **8.54** | **–** |
| **Total contained gold ounces** | **2,877,000** | **2,600,000** | **–** |

Notes:

(1) The 2011 mineral reserve and mineral resource estimates were calculated using metallurgical gold recovery curves for Tiriganiaq and F-Zone. The curves give a maximum recovery of 96% for Tiriganiaq and 93% for F-Zone. The 2011 mineral resource estimates for all others were calculated using a metallurgical gold recovery of 92%. The cut-off grade used to determine the open pit reserves was 2.19 grams of gold per tonne, undiluted (1.91 grams of gold per tonne, diluted), and the cut-off grade used to determine the underground reserves was 5.29 grams of gold per tonne, undiluted (4.10 grams of gold per tonne, diluted). The estimated operating cost used for the 2011 mineral reserve estimate was C$74.71 per tonne for open pit and C$165.65 per tonne for underground. The Company estimates that a 10% change in the gold price would result in an approximate 3.4% change in mineral reserves.

(2) In addition to the mineral reserves set out above, at December 31, 2011, the Meliadine project contained indicated mineral resources of 12,621,000 tonnes grading 4.09 grams of gold per tonne and inferred mineral resources of 12,687,000 tonnes of ore grading 5.98 grams of gold per tonne.

(3) The breakdown of mineral reserves between planned open pit operations and underground operations at the Meliadine project (with tonnage and contained ounces rounded to the nearest thousand) at December 31, 2011 is:

| Category | Mining Method | Tonnes | Gold Grade (g/t) | Contained Gold (oz) |
|---|---|---|---|---|
| Proven mineral reserves | Open pit stockpile | 34,000 | 7.31 | 8,000 |
| Probable mineral reserves | Open pit | 5,292,000 | 5.80 | 987,000 |
| Probable mineral reserves | Underground | 7,142,000 | 8.20 | 1,882,000 |
| **Total proven and probable mineral reserves** | | **12,468,000** | **7.18** | **2,877,000** |

(4) Complete information on the verification procedures, the quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this Form 20-F relating to the Meliadine project may be found in the Technical Report on the December 31, 2010 Mineral Resource and Mineral Reserve Estimate, Meliadine Gold Project, Nunavut, Canada, dated February 16, 2011, filed with the Canadian securities regulatory authorities on SEDAR on March 8, 2011.

## *La India Project Mineral Reserves and Mineral Resources*

At December 31, 2011, the La India project, consisting of the La India feasibility-stage heap leach gold project and the Tarachi gold zone, contained no proven or probable mineral reserves, but contained measured mineral resources of 3,730,000 tonnes grading 1.06 grams of gold per tonne, indicated mineral resources of 44,496,000 tonnes grading 0.72 grams of gold per tonne and inferred mineral resources of 32,125,000 tonnes grading 0.69 grams of gold per tonne.

## *Risk Mitigation*

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 been recognized for excellence in this regard with various safety and development awards. 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 the Company's 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".

***Glossary of Selected Mining Terms***

**"alteration"** Any physical or chemical change in a rock or mineral subsequent to formation. Milder and more localized than metamorphism.

**"anastomosing"** A network of branching and rejoining fault or vein surfaces or surface traces.

**"andesite"** A dark-coloured igneous, calc-alkaline volcanic rock, of intermediate composition (containing between 52-63% silica).

**"assay"** An analysis to determine the presence, absence or concentration of one or more chemical components.

**"bedrock"** The solid rock underlying surface deposits.

**"breccia"** Said of rock formations consisting mostly of angular fragments hosted by a fine-grained matrix.

**"brittle"** Of minerals, proneness to fracture under low stress. A quality affecting behaviour during comminution of ore, whereby one species fractures more readily than others in the material being crushed.

**"bulk mining"** A mining method in which large quantities of low-grade ore are mined without an attempt to segregate the high-grade portions.

**"byproduct metal"** A secondary or additional metal recovered from the processing of rock.

**"carbon-in-leach process"** A process step in which granular activated carbon particles much larger than the ground ore particles are introduced into the ore pulp. Cyanide leaching and precious metal adsorption onto the activated carbon occur simultaneously. The loaded activated carbon is mechanically screened to separate it from the barren ore pulp and processed to remove the precious metals and prepare it for reuse.

**"carbon-in-pulp (CIP) circuit"** A process by which soluble gold within a finely ground slurry is recovered by adsorption onto coarser activated carbon. A CIP circuit comprises a series of tanks through which leached slurry flows. Gold is captured onto captive activated carbon that will periodically be moved counter-currently from tank to tank. Head tank carbon is extracted periodically to further recover adsorbed gold before being returned to the circuit tails tank.

**"clast"** A fragment of mineral, rock or organic structure that has been moved individually from its place of origin.

**"concentrate"** The clean product recovered in froth flotation.

**"conglomerate"** A sedimentary rock consisting of rounded, water-worn pebbles or boulders cemented into a solid mass.

**"counter-current decantation"** Clarifying wash water and concentrating tailings by use of several thickeners in series. The water flows in the opposite direction from the solids. The final products are slurry that is removed as fluid mud and clear water that is reused in the circuit.

**"crosscut"** A horizontal opening driven from a shaft at or near right angles to the strike of a vein or other orebody.

**"cut-off grade"** (A) In respect of mineral resources, the lowest grade below which the mineralized rock currently cannot reasonably be expected to be economically extracted.

(B) In respect of mineral reserves, the lowest grade below which the mineralized rock currently cannot be economically extracted as demonstrated by either a preliminary feasibility study or a feasibility study.

Cut-off grades vary between deposits depending upon the amenability of ore to gold extraction and upon costs of production and metal prices.

| | |
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| **"deposit"** | A mineralized body that has been physically delineated by sufficient drilling, trenching and/or underground work and found to be of sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable orebody or as containing mineral reserves, until final legal, technical and economic factors have been resolved. |
| **"development"** | The preparation of a mining property or area so that an orebody can be analyzed and its tonnage and quality estimated. Development is an intermediate stage between exploration and mining. |
| **"diamond drill hole"** | A borehole drilled using a bit inset with diamonds as the rock-cutting tool. The bit cuts a circular channel around a core of rock that can be recovered to provide a more-or-less continuous and complete columnar sample of the rock penetrated. |
| **"dilution"** | The effect of waste rock or low-grade ore being included in mined ore, increasing tonnage mined and lowering the overall ore grade. |
| **"dip"** | The angle at which a surface is inclined from the horizontal. |
| **"discordant"** | Said of a contact between an igneous intrusion and the country rock that is not parallel to the foliation or the bedding planes of the latter. |
| **"disseminated"** | Said of a mineral deposit (especially of metals) in which the desired minerals occur as scattered particles in the rock, but in sufficient quantity to make the deposit an ore. Some disseminated deposits are very large. |
| **"drift"** | A horizontal underground opening that follows along the length of a vein or rock formation, as opposed to a crosscut that crosses the rock formation. |
| **"ductile"** | Of rock, able to sustain, under a given set of conditions, 5% to 10% deformation before fracturing or faulting. |
| **"dyke"** | An earthen embankment, as around a drill sump or tank, or to impound a body of water or mill tailings. Also, a tabular body of igneous rock that cuts across the structure of adjacent rocks. |
| **"electrowinning"** | An electrochemical process in which a metal dissolved within an electrolyte is plated onto an electrode. Used to recover metals such as copper and gold from solution in the leaching of concentrates, etc. |
| **"envelope"** | 1. The outer or covering part of a fold, especially of a folded structure that includes some sort of structural break.<br>2. A metamorphic rock surrounding an igneous intrusion.<br>3. In a mineral, an outer part different in origin from an inner part. |
| **"epigenetic"** | An orebody formed by hydrothermal fluids and gases that were introduced into the host rocks from elsewhere, filling cavities in the host rock. |
| **"epithermal"** | A hydrothermal mineral deposit formed within one kilometre of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins. Also, said of that depositional environment. |
| **"extensional-shear vein"** | A vein put in place in an extension fracture caused by the deformation of a rock. |
| **"fault"** | A fracture or a fracture zone in crustal rocks along which there has been displacement of the two sides relative to one another parallel to the fracture. The displacement may be a few inches or many kilometres long. |

**“feasibility study”**
A comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution about whether to finance the development of the deposit for mineral production.

A “**preliminary feasibility study**” or “**pre-feasibility study**” is a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method (in the case of underground mining) or the pit configuration (in the case of an open pit) has been established, and an effective method of mineral processing has been determined. It includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social and environmental factors and the evaluation of other relevant factors that are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.

**“flotation”**
A process for concentrating minerals based on the selective adhesion of certain minerals to air bubbles in a mixture of water and ground ore. When the right chemicals are added to a frothy water bath of ore that has been ground to the consistency of talcum powder, the minerals will float to the surface. The metal-rich flotation concentrate is then skimmed off the surface.

**“foliation”**
A general term for a planar arrangement of textural or structural features in any type of rock, especially the planar structure that results from flattening of the constituent grains of a metamorphic rock.

**“fracture”**
A general term for any break in a rock, whether or not it causes displacement, due to mechanical failure by stress. Fractures include cracks, joints and faults.

**“free gold”**
Gold not combined with other substances.

**“glacial till”**
Dominantly unsorted and unstratified drift, generally unconsolidated, deposited directly by and underneath a glacier without subsequent reworking by meltwater, and consisting of a heterogeneous mixture of clay, silt, sand, gravel and boulders ranging widely in size and shape. Also referred to as “till” and ice-laid drift.

**“grade”**
The relative quality of the percentage of metal content in a mineralized body, i.e., grams of gold per tonne of rock.

**“head grade”**
The average grade of ore fed into a mill.

**“hectare”**
A metric measurement of area. 1 hectare = 10,000 square metres = 2.47 acres.

**“horst”**
An up-faulted block of rock.

**“hydrothermal alteration”**
Alteration of rocks or minerals by reaction with hydrothermal fluids.

**“indicated mineral resource”**
The part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters and to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

While this term is recognized and required by Canadian regulations, the SEC does not recognize it. **Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into mineral reserves.**

**"inferred mineral resource"** The part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

While this term is recognized and required by Canadian regulations, the SEC does not recognize it. **Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into mineral reserves. Investors are cautioned not to assume that part of or all of an inferred mineral resource exists, or is economically or legally mineable.**

**"infill drilling"** Drilling within a defined mineralized area to improve the definition of known mineralization.

**"intrusive"** A body of igneous rock formed by the consolidation of magma intruded below surface into other rocks, in contrast to lavas, which are extruded upon the Earth's surface.

**"iron formation"** A chemical sedimentary rock, typically thin-bedded or finely laminated, containing at least 15% iron of sedimentary origin and commonly containing layers of chert.

**"kilometre"** A metric measurement of distance. 1.0 kilometre = 0.62 miles.

**"lens"** Generally used to describe a body of ore that is thick in the middle and tapers towards the ends, resembling a convex lens.

**"lithologic groups"** Geological groups.

**"lode"** A mineral deposit consisting of a zone of veins, veinlets or disseminations.

**"longitudinal retreat"** An underground mining method where the ore is excavated in horizontal slices along the orebody and the stoping starts below and advances upwards. The ore is recovered underneath in the stope.

**"massive"** Said of a mineral deposit, especially of sulphides, characterized by a great concentration of ore in one place, as opposed to a disseminated or vein-like deposit. Said of any rock that has a homogeneous texture or fabric over a large area, with an absence of layering or any similar directional structure.

**"matrix"** The non-valuable minerals in an ore, i.e., gangue.

**"measured mineral resource"** The part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters and to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

While this term is recognized and required by Canadian regulations, the SEC does not recognize it. **Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into mineral reserves.**

**"Merrill-Crowe process"** A separation technique for removing gold from a cyanide solution. The solution is separated from the ore by methods such as filtration and counter-current decantation, and then the gold is precipitated onto zinc dust. Silver and copper may also precipitate. The precipitate is filtered to capture the gold slimes, which are further refined, e.g., by smelting, to remove the zinc and by treating with nitric acid to dissolve the silver.

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| **“mesothermal deposit”** | A mineral deposit formed at moderate temperature and pressure by deposition from hydrothermal fluids along a fissure or other opening in rock at an intermediate depth. |
| **“metallurgical properties”** | Properties characterizing metals and minerals behaviour under various processing techniques. |
| **“metamorphism”** | The process by which the form or structure of sedimentary or igneous rocks is changed by heat and pressure. |
| **“mill”** | A mineral treatment plant in which crushing, wet grinding and further treatment of ore is conducted. |
| **“mineral reserve”** | The economically mineable part of a mineral resource. The economics of the mineral reserve should be demonstrated by a feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. |
| **“mineral resource”** | A concentration or occurrence of natural solid inorganic material or natural solid fossilized organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Investors are cautioned not to assume that any or all of a mineral resource will ever be converted into a mineral reserve. |
| **“muck”** | Finely blasted rock (ore or waste) underground. |
| **“net smelter return royalty”** | A phrase used to describe a royalty payment made by a producer of metals based on gross metal production from the property, less deduction of certain limited costs including smelting, refining, transportation and insurance costs. |
| **“ounce”** | A measurement of mass. 1 troy ounce = 31.1035 grams. |
| **“outcrop”** | An exposure of bedrock at the surface. |
| **“oxidation”** | A chemical reaction caused by exposure to oxygen, which results in a change in the chemical composition of a mineral. |
| **“oxidative”** | Descriptive of an oxidation reaction. |
| **“phenocryst”** | A term for large crystals or mineral grains occurring in the matrix or groundmass of a porphyry. |
| **“plunge”** | The inclination of a fold axis or other linear structure from a horizontal plane, measured in the vertical plane. |
| **“polydeformed”** | A rock that has been subjected to more than one instance of folding, faulting, shearing, compression or extension as a result of various tectonic forces. |
| **“porphyritic”** | Rock texture in which one or more minerals has a larger grain size than the accompanying minerals. |
| **“porphyry”** | Any igneous rock in which relatively large crystals, called phenocrysts, are set in a fine-grained groundmass. |
| **“pressure oxidation process”** | A process by which sulphide minerals are oxidized in order to expose gold that is encapsulated in the mineral lattice. The main component of a pressure oxidation circuit consists of one or more pressurized vessels (autoclaves). Oxygen level, process temperature and acidity are the primary control parameters of such units. |
| **“probable mineral reserve”** | The economically mineable part of an indicated mineral resource demonstrated by a feasibility study. |

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| **"proven mineral reserve"** | The economically mineable part of a measured mineral resource demonstrated by a feasibility study. |
| **"pyroclastic"** | Produced by explosive or aerial ejection of ash, fragments and glassy material from a volcanic vent. Term applicable to the rocks and rock layers as well as to the textures so formed. |
| **"recovery"** | A term used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore before processing. |
| **"reverse circulation drilling"** | A type of drilling into rock using a solid bit to produce a hole and deliver rock chips (rather than core) to surface for analysis. Less expensive and faster than diamond drilling but not as accurate. |
| **"run-of-mine ore"** | The mined ore as it is delivered, prior to sorting, stockpiling or treatment. |
| **"schist"** | A strongly foliated crystalline rock that can be readily split into think flakes or slabs due to the well developed parallelism of more than 50% of the minerals present in it. |
| **"scrubber"** | A device for separating particulate material from a waste gas stream. |
| **"semi-autogenous grinding" or "SAG"** | A method of grinding rock whereby larger chunks of the rock itself and steel balls form the grinding media. |
| **"shear" or "shearing"** | The deformation of rocks by lateral movement along innumerable parallel planes, generally resulting from pressure and producing such metamorphic structures as cleavage and schistosity. |
| **"sill"** | An intrusive sheet of igneous rock of roughly uniform thickness that has been forced between the bedding planes of existing rock. |
| **"slurry"** | Fine rock particles in circulating water. |
| **"stope development"** | Driving subsidiary openings to prepare blocks of ore for extraction by stoping. |
| **"strike"** | The bearing of the outcrop of an inclined bed, vein or fault plane on a horizontal surface; the direction of a horizontal line perpendicular to the direction of the dip. |
| **"stringers"** | Mineral veinlets or filaments occurring in a discontinuous subparallel pattern in a host rock. |
| **"sublevel retreat"** | An underground mining method in which the ore is excavated in horizontal slices along the orebody, starting below and advancing upwards. The ore is recovered underneath in the stope. |
| **"tabular"** | Said of a feature having two dimensions that are much larger or longer than the third, such as a dyke. |
| **"tailings"** | Material rejected from the mill after most of the recoverable valuable minerals have been extracted. |
| **"tailings dam"** | A natural or man-made confined area suitable for depositing tailings. |
| **"tailings pond"** | A low-lying depression used to confine tailings, the prime function of which is to allow enough time for metals to settle out or for cyanide to be naturally destroyed before the water is discharged into the local watershed. |
| **"tenement"** | A synonym of mineral title. |
| **"thickness"** | The distance at right angles between the hanging wall and the footwall of a lode or lens. |
| **"tonne"** | A metric measurement of mass. 1 tonne = 1,000 kilograms = 2,204.6 pounds. |

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| **“transfer fault”** | A structure that can accommodate lateral variations of deformation and strain. |
| **“transverse open stoping”** | An underground mining method in which the ore is excavated in horizontal slices perpendicular to the orebody length and the stoping starts below and advances upwards. The ore is recovered underneath the stope through a drawpoint system. |
| **“twinned drill hole”** | A borehole drilled very close to an original hole in the same direction and dip in order to verify the results from the original drill hole. |
| **“vein”** | Minerals filling a fissure, fault or crack in rock. |
| **“wacke”** | A “dirty” sandstone that consists of a mixture of poorly sorted mineral and rock fragments in an abundant matrix of clay and fine silt. |
| **“winze”** | An internal mine shaft. |
| **“Zadra elution circuit”** | The process in this part of a gold mill strips gold and silver from carbon granules and puts them into solution. |
| **“zone”** | An area of distinct mineralization, i.e., a deposit. |

## ITEM 4A UNRESOLVED STAFF COMMENTS

None.

## ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### 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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| | | *(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 |
| | $ 1,821,799 | $ 1,422,521 | $ 613,762 |
| **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:

| **Production Costs** | **2011** | **2010** | **2009** |
|---|---|---|---|
| | | *(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 | $ 876,078 | $ 677,472 | $ 306,318 |

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.

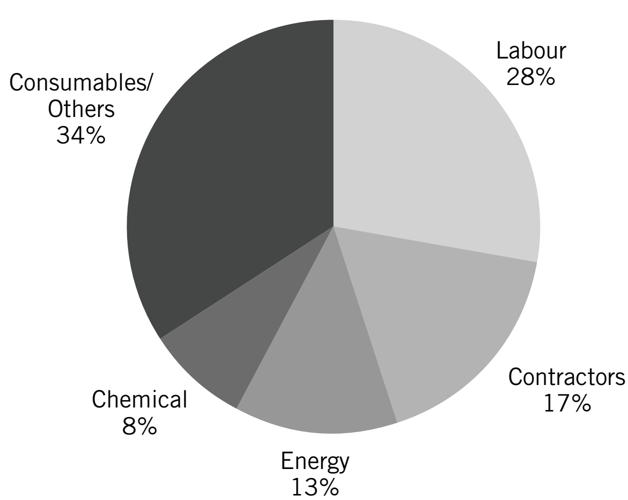
Production costs at the Kittila mine during 2011 were $110.5 million compared with $87.7 million in 2010. The increase is mainly due to a full year of commercial production in the underground mine where costs are higher as compared to the open pit and to unbudgeted tonnes being mined during the remediation 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

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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 | $ 876,078 | $ 677,472 | $ 306,318 |

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

| **LaRonde Total Cash Costs per Ounce** | **2011** | **2010** | **2009** |
|---|---|---|---|
| | *(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) | $ 77 | $ (7) | $ 103 |

| **Goldex Total Cash Costs per Ounce** | **2011** | **2010** | **2009** |
|---|---|---|---|
| | *(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 |

| Lapa Total Cash Costs per Ounce | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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 |

| Kittila Total Cash Costs per Ounce | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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 |

| Pinos Altos Total Cash Costs per Ounce | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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 |

| Meadowbank Total Cash Costs per Ounce | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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) | $ 1,000 | $ 693 | $ – |

## Reconciliation of Production Costs to Minesite Costs per Tonne by Mine

| LaRonde Minesite Costs per Tonne | 2011 | 2010 | 2009 |
|---|---|---|---|
| | *(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) | $ 84 | $ 75 | $ 72 |

| Goldex Minesite Costs per Tonne | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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) | $ 21 | $ 22 | $ 23 |

| Lapa Minesite Costs per Tonne | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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) | $ 110 | $ 114 | $ 140 |

| 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 | $ – |

Notes:

(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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| | | *(thousands)* | |
| 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 |
| | $ 75,721 | $ 54,958 | $ 36,279 |

***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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| | | *(thousands)* | |
| 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) |
| | $ 55,039 | $ 49,493 | $ 8,448 |

### *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 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:

| Contractual Obligations | Total | Less than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | *(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 |

Notes:

(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:

| | Amount |
|---|---|
| | *(millions)* |
| **2012 Mandatory Commitments:** | |
| Contractual obligations (from table above) | $ 52 |
| Dividend payable (declared in February 2012) | 34 |
| Environmental remediation liability | 26 |
| 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 "Preliminary Note – 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.

| | 2012 Estimate | 2011 Actual |
|---|---|---|
| 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.

| | Cash Cost Assumptions | Market Average |
|---|---|---|
| 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:

| Change in variable[(i)] | | Impact on total cash costs |
|---|---|---|
| | | *($/oz.)* |
| $1/oz Silver | $ | 5 |
| $100/per tonne of Zinc | $ | 3 |
| $100/per tonne of Copper | $ | 1 |
| 1% C$/US$ | $ | 7 |
| 1% Euro/US$ | $ | 1 |

Note:

(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 "Item 11 Quantitative and Qualitative Disclosures about Market Risk – Risk Profile – Financial Instruments". Please see "– Results of Operations – Production Costs" above 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.

## 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 |
| | 191,186,446 |

## 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 Form 20-F.

### *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 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 Production Costs to Total Cash Costs per Ounce of Gold 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 Financial Accounting Standards Board (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.

## SUMMARIZED QUARTERLY DATA

### CONSOLIDATED FINANCIAL DATA

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 | Total 2010 |
| | *(thousands of United States dollars, except where noted)* | | | | |
| **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 |

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | **March 31, 2010** | **June 30, 2010** | **September 30, 2010** | **December 31, 2010** | **Total 2010** |
| | *(thousands of United States dollars, except where noted)* | | | | |
| **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 |

Note:

(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

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2011 | June 30, 2011 | September 30, 2011 | December 31, 2011 | Total 2011 |
| | *(thousands of United States dollars, except where noted)* | | | | |
| **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 |

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2011 | June 30, 2011 | September 30, 2011 | December 31, 2011 | Total 2011 |
| | *(thousands of United States dollars, except where noted)* | | | | |
| **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 |

Note:

(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

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | *(thousands of United States dollars, except where noted)* | | | | |
| 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 |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | *(thousands of United States dollars, except where noted)* | | | | |
| **Operating Summary** | | | | | |
| *LaRonde mine* | | | | | |
| 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 |

Note:

(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" above.

| | | 2011 | | 2010 | | 2009 | | 2008 | | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Goldex mine* | | | | | | | | | | |
| 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$ | – |
| *Lapa mine* | | | | | | | | | | |
| 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$ | – |

Note:

(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" above.

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| *Kittila mine* | | | | | |
| 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 | € – | € – |
| *Pinos Altos mine* | | | | | |
| 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 | $ – | $ – |

Note:

(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" above.

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| *Meadowbank mine* | | | | | |
| 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$ – |

Note:

(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" above.

## ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### Directors and Senior Management

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 to determine the number of directors within that minimum and maximum. The number of directors to be elected is thirteen as determined by the Board by resolution passed on February 15, 2012.

The by-laws of Agnico-Eagle provide that directors will hold office for a term expiring at the next annual meeting of shareholders of Agnico-Eagle or until their successors are elected or appointed or the position is vacated. The Board annually appoints the officers of Agnico-Eagle, who are subject to removal by resolution of the Board at any time, with or without cause (in the absence of a written agreement to the contrary).

The following is a brief biography of each of Agnico-Eagle's directors:

***Dr. Leanne M. Baker***, 59, of Sebastopol, California, is an independent director of Agnico-Eagle. Dr. Baker is the President and Chief Executive Officer and a director of Sutter Gold Mining Inc. ("Sutter"), a gold company that is developing its Lincoln Project in California's Mother Load. 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). Dr. Baker has been a director of Agnico-Eagle since January 1, 2003, and is also a director of Reunion Gold Corporation (a mining exploration company traded on the TSX Venture Exchange), McEwen Mining Inc. and Kimber Resources Inc. (mining exploration companies traded on the NYSE Arca and the TSX). *Area of expertise:* Corporate Finance and Mineral Economics.

***Douglas R. Beaumont, P.Eng.***, 79, of Mississauga, Ontario, is an independent director of Agnico-Eagle. 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.). Mr. Beaumont has been a director of Agnico-Eagle since February 25, 1997. *Area of expertise:* Mining and Metallurgy.

***Sean Boyd, CA***, 53, of Toronto, Ontario, is the Vice-Chairman, President and Chief Executive Officer and a director of Agnico-Eagle. Mr. Boyd has been with Agnico-Eagle since 1985. Prior to his appointment as Vice-Chairman, President and Chief Executive Officer in February 2012, Mr. Boyd served as Vice-Chairman and Chief Executive Officer from 2005 to 2012 and as President and Chief Executive Officer from 1998 to 2005, Vice-President and Chief Financial Officer from 1996 to 1998, Treasurer and Chief Financial Officer from 1990 to 1996, Secretary Treasurer during a portion of 1990 and Comptroller from 1985 to 1990. Prior to joining Agnico-Eagle in 1985, he was a staff accountant with Clarkson Gordon (Ernst & Young). Mr. Boyd is a Chartered Accountant and a graduate of the University of Toronto (B.Comm.). Mr. Boyd has been a director of Agnico-Eagle since April 14, 1998. *Area of expertise:* Executive Management, Finance.

***Martine A. Celej***, 46, of Toronto, Ontario, is an independent director of Agnico-Eagle. Ms Celej is currently the Vice-President, Investment Advisor with RBC Dominion Securities and has been in the investment industry since 1989. She is a graduate of Victoria College at the University of Toronto (B.A. (Honours)). Ms Celej became a director of Agnico-Eagle on February 14, 2011. *Area of expertise:* Investment Management.

***Clifford J. Davis***, 69, of Kemble, Ontario, is an independent director of Agnico-Eagle. 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). Mr. Davis has been a director of Agnico-Eagle since June 17, 2008 and is also a director and member of the Compensation Committee, Nominating and Corporate Governance Committee and Audit Committee of Zenyatta Ventures Ltd. *Area of expertise:* Mining.

***Robert J. Gemmell***, 55, of Toronto, Ontario, is an independent director of Agnico-Eagle. Now retired, Mr. Gemmell 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 (M.B.A.). Mr. Gemmell became a director of Agnico-Eagle on January 1, 2011. *Area of expertise:* Corporate Finance and Business Strategy.

***Bernard Kraft, CA***, 81, of Toronto, Ontario, is an independent director of Agnico-Eagle. 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. Mr. Kraft has been a director of Agnico-Eagle since March 12, 1992, and is also a director and a member of the Audit Committee, Governance Committee and Health, Safety and Environment Committee of St. Andrews Goldfields Limited and a director and a member of the Audit Committee of Harte Gold Corp. *Area of expertise:* Audit and Accounting.

***Mel Leiderman, CA, TEP, ICD.D***, 59, of Toronto, Ontario, is an independent director of Agnico-Eagle. 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). He has been a director of Agnico-Eagle since January 1, 2003 and is also a director and a member of the Audit Committee and Corporate Governance and Compensation Committee of Colossus Minerals Inc. *Area of expertise:* Audit and Accounting.

***James D. Nasso, ICD.D***, 78, of Toronto, Ontario, is Chairman of the Board of Directors and an independent director of Agnico-Eagle. Mr. Nasso is now retired and is a graduate of St. Francis Xavier University (B.Comm.) and is a certified director of the Institute of Corporate Directors (ICD.D). Mr. Nasso has been a director of Agnico-Eagle since June 27, 1986. *Area of expertise:* Management and Business Strategy.

***Dr. Sean Riley***, 58, of Antigonish, Nova Scotia, is an independent director of Agnico-Eagle. 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)). Dr. Riley became a director of Agnico-Eagle on January 1, 2011. *Area of Expertise*: Management and Business Strategy.

***J. Merfyn Roberts, CA***, 61, of London, England, is an independent director of Agnico-Eagle. 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. He has been a director of Agnico-Eagle since June 17, 2008, and is also a director and a member of the Audit Committee and Compensation and Corporate Governance Committee of Eastern Platinum Limited, a director and a member of the Remuneration Committee and Audit Committee of Rambler Metals and Mining plc, a director of Mena Hydrocarbons Inc. and a director of Blackheath Resources Inc. *Area of expertise:* Investment Management.

***Howard R. Stockford, P.Eng.***, 70, of Toronto, Ontario, is an independent director of Agnico-Eagle. 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). Mr. Stockford has been a director of Agnico-Eagle since May 6, 2005, and is also a director, a member of the Audit Committee, the Corporate Governance Committee and the Technical Committee of Victory Nickel Inc. *Area of expertise:* Executive Management, Mining.

***Pertti Voutilainen, M.Sc., M.Eng.***, 70, of Espoo, Finland, is an independent director of Agnico-Eagle. Mr. Voutilainen is a mining industry veteran. Most recently, he was the Chairman of the board of directors of Riddarhyttan 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.). He has been a director of Agnico-Eagle since December 13, 2005. *Area of expertise:* Mining and Finance.

The following is a brief biography of each of Agnico-Eagle's senior officers:

***Ammar Al-Joundi***, 48, of Toronto, Ontario, is Senior Vice-President, Finance and Chief Financial Officer of Agnico-Eagle. Mr. Al-Joundi joined Agnico-Eagle as Senior Vice-President, Chief Financial Officer in 2010. Prior to joining Agnico-Eagle, Mr. Al-Joundi spent 11 years at Barrick in various senior financial roles including Senior Vice-President of Finance, Senior Vice-President of Business Strategy and Capital Allocation and two years as Executive Director and CFO of Barrick South America. Prior to that, Mr. Al-Joundi spent eight years as an investment banker with Citibank Canada. Mr. Al-Joundi is a graduate of the Ivey Business School (M.B.A.) at the University of Western Ontario and is a graduate of the University of Toronto (B.Eng., Mechanical Engineering).

***Donald G. Allan***, 56, of Toronto, Ontario, is Senior Vice-President, Corporate Development of Agnico-Eagle, a position he has held since December 14, 2006. Prior to that, Mr. Allan had been Vice-President, Corporate Development since May 6, 2002. Prior to that, Mr. Allan spent 16 years as an investment banker covering the mining and natural resources sectors with the firms Salomon Smith Barney and Merrill Lynch. Mr. Allan is a graduate of the Amos Tuck School, Dartmouth College (M.B.A.) and the University of Toronto (B.Comm.). Mr. Allan is also qualified as a Chartered Accountant.

***Alain Blackburn, P.Eng.***, 55, of Oakville, Ontario, is Senior Vice-President, Exploration of Agnico-Eagle, a position he has held since December 14, 2006. Prior to that, Mr. Blackburn had been Vice-President, Exploration since October 1, 2002. Prior to that, Mr. Blackburn served as Agnico-Eagle's Manager, Corporate Development from January 1999 and Exploration Manager from September 1996 to January 1999. Mr. Blackburn joined Agnico-Eagle in 1988 as Chief Geologist at the LaRonde mine. Mr. Blackburn is a graduate of Université du Quebec de Chicoutimi (P.Eng.) and Université du Quebec en Abitibi-Temiscamingue (M.Sc.).

***Louise Grondin, Ing. P.Eng.***, 58, of Toronto, Ontario, is Senior Vice-President, Environment and Sustainable Development of Agnico-Eagle, a position she has held since January 1, 2011. Prior to that, Ms. Grondin was Vice President, Environment and Sustainable Development and before that she was the Regional Environmental Manager and Environmental Manager, LaRonde Division. Prior to her employment with Agnico-Eagle, Ms. Grondin worked for Billiton Canada Ltd. as Manager Environment, Human Resources and Safety. Ms. Grondin is a graduate of the University of Ottawa (B.Sc.) and McGill University (M.Sc.).

***Tim Haldane, P.Eng.***, 55, of Tucson, Arizona, is Senior Vice-President, Latin America of Agnico-Eagle. Prior to joining Agnico-Eagle in May 2006, he was Vice President, Development for Glamis Gold Inc. where he participated in numerous acquisition and development activities in North America and Central America. Mr. Haldane is a graduate of the Montana School of Mines and Technology (B.S. Metallurgical Engineering) and has 30 years of experience in the precious metals and base metals industries.

***R. Gregory Laing, B.A., LL.B.***, 53, of Oakville, Ontario, is General Counsel, Senior Vice-President, Legal and Corporate Secretary of Agnico-Eagle, a position he has held since December 14, 2006, prior to which, Mr. Laing had been General Counsel, Vice-President, Legal and Corporate Secretary since September 19, 2005. Prior to that, he was Vice President, Legal of Goldcorp Inc. from October 2003 to June 2005 and General Counsel, Vice President, Legal and Corporate Secretary of TVX Gold Inc. from October 1995 to January 2003. He worked as a corporate securities lawyer for two prominent Toronto law firms prior to that. Mr. Laing is a director of Andina Minerals Inc. (a mining exploration company), a TSX Venture Exchange listed company and Hy Lake Gold Inc. (a mining exploration company), traded on the Canadian National Stock Exchange. Mr. Laing is a graduate of the University of Windsor (LL.B.) and Queen's University (B.A.).

***Marc H. Legault, P.Eng,*** 52, of Mississauga, Ontario, is Senior Vice-President, Project Evaluations of Agnico-Eagle, a position he has held since February 2012. Prior to that, he was Vice-President, Project Development since 2007. Mr. Legault has been with Agnico-Eagle since 1988, when he was hired as an exploration geologist in Val d'Or, Quebec. Since then, he has taken on successively increasing responsibilities in the Company's exploration, mine geology and project evaluation activities. Mr. Legault is a graduate of Carleton University (M.Sc. in geology in 1985) and Queen's University at Kingston (B.Sc.H. in Geological Engineering in 1982). Marc is a registered Professional Engineer. He is also a director of Golden Goliath Resources Ltd., a mining exploration company that trades on the TSX Venture Exchange.

***Jean-Luk Pellerin***, 55, of Toronto, Ontario, is Senior Vice-President, Human Resources. Mr. Pellerin joined Agnico-Eagle in January 2012. Prior to that, he spent four years at Transat A.T. Inc. as Senior Vice-President, Human Resources and Chief Talent Officer. Before Transat, Mr. Pellerin spent six years in consulting at the helm of his own firm and as National Partner with Mercer Consulting. Prior to that, he held senior management and executive positions at Bombardier Inc., Domtar Corporation and General Electric. Mr. Pellerin has also taught in the MBA program at the H.E.C. Montreal in the Master's program in Organizational Development, as well as at American University and at the McGill International Executive Institute. Mr. Pellerin is a graduate of the University of Laval in Industrial Relations.

***Daniel Racine, Ing., P.Eng.***, 49, of Oakville, Ontario, is Senior Vice-President, Mining of Agnico-Eagle, a position he has held since June 2008. Prior to his appointment, he served Agnico-Eagle in various capacities for 22 years, including Vice-President, Operations, Operations Manager, LaRonde mine Manager, Underground Superintendent and Mine Captain. Prior to joining Agnico-Eagle, Mr. Racine worked as a mining engineer for several mining companies. Mr. Racine graduated as a mining engineer from Laval University (B.Sc.) in December 1986.

***Jean Robitaille***, 49, of Oakville, Ontario, is Senior Vice-President, Technical Services and Project Development of Agnico-Eagle, a position he has held since June 2008. Prior to his appointment, he served Agnico-Eagle in various capacities for more than 22 years, most recently as Vice-President, Metallurgy & Marketing, General Manager, Metallurgy & Marketing and Mill Superintendent and Project Manager for the expansion of the LaRonde mill. Prior to joining Agnico-Eagle, Mr. Robitaille worked as a metallurgist with Teck Mining Group. Mr. Robitaille is a mining graduate of the College de l'Abitibi-Témiscamingue with a specialty in mineral processing.

***David Smith, P.Eng.***, 48, of Toronto, Ontario, is Senior Vice-President, Strategic Planning and Investor Relations of Agnico-Eagle, a position he has held since January 1, 2011. Prior to that he was Vice-President, Investor Relations. He started work in investor relations at Agnico-Eagle in February 2005. Prior to that, he was a mining analyst at Dominion Bond Rating Service for more than five years. Mr. Smith's professional experience also includes a variety of engineering positions in the mining industry, both in Canada and abroad. He is a graduate of Queen's University (B.Sc.) and the University of Arizona (M.Sc.). Mr. Smith is also a Professional Engineer.

***Yvon Sylvestre,*** 50, of Mississauga, Ontario, is Senior Vice-President, Operations, a position he has held since February 2012. Prior to that, he was Vice-President, Construction; Mine General Manager at the Goldex division of Agnico-Eagle and, previously, Mill Superintendent at the LaRonde division. Mr. Sylvestre is a Metallurgical Engineering Technology graduate from Cambrian College in Sudbury. Following graduation, he served as Mettallurgist and Mill Superintendent at the Joutel division of Agnico-Eagle and also held the position of Mill Superintendent at the Trollus division of Inmet Mining Corporation.

There are no arrangements or understandings between any director or executive officer and any other person pursuant to which such director or executive officer was selected to serve, nor are there any family relationships between any such persons.

### Compensation of Executive 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 Evaluations
- 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 three fiscal year ended December 31, 2011 for the Vice-Chairman, President and Chief Executive Officer, the Senior Vice-President, Finance and Chief Financial Officer and the three other most highly compensated officers (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**

| | | | | | Non-Equity Incentive Plan Compensation(1) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary | Share-based Awards(2) | Option-based Awards(3) | Annual Incentive Plans | Long-Term Incentive Plans | Pension Value | All Other Compensation(4) | Total Compensation(5) |
| | | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* |
| **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 | 2010 | 1,200,000 | 46,250 | 4,893,000 | 1,656,000 | n/a | 290,182 | 19,200 | 8,104,632 |
| Chief Executive Officer | 2009 | 925,000 | 39,000 | 6,147,500 | 1,175,000 | n/a | 1,025,107 | 21,264 | 9,332,871 |
| **Eberhard Scherkus** | 2011 | 800,000 | 38,750 | 2,403,800 | 656,000 | n/a | 172,669 | 100,707 | 4,171,926 |
| President and | 2010 | 775,000 | 33,000 | 2,854,250 | 775,000 | n/a | 132,035 | 19,200 | 4,588,485 |
| Chief Operating Officer | 2009 | 660,000 | 33,000 | 4,303,250 | 596,000 | n/a | 410,055 | 21,944 | 6,024,249 |
| **Ammar Al-Joundi** | 2011 | 490,000 | 23,750 | 1,030,200 | 457,000 | n/a | 119,080 | 56,202 | 2,154,832 |
| Senior Vice-President, Finance and Chief Financial Officer | 2010 | 151,635 | 7,308 | 1,615,500 6 | 322,000 | n/a | nil | 5,908 | 2,102,351 |
| **Alain Blackburn** | 2011 | 438,000 | 15,600 | 1,030,200 | 335,000 | n/a | 92,980 | 55,092 | 1,966,872 |
| Senior Vice-President, | 2010 | 425,000 | 15,600 | 1,631,000 | 344,000 | n/a | 92,900 | 19,200 | 2,527,700 |
| Exploration | 2009 | 340,000 | 15,600 | 2,459,000 | 260,000 | n/a | 68,000 | 23,444 | 3,166,044 |
| **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, | 2010 | 400,000 | 13,000 | 1,223,250 | 276,000 | n/a | 78,950 | 19,700 | 2,010,900 |
| Corporate Development | 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 C$17.17 (2010 – C$16.31; 2009 – C$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 C$76.60 (2010 – C$56.92; 2009 – C$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.

(6) Mr. Al-Joundi joined the Company as Senior Vice-President, Finance and Chief Financial Officer on September 1, 2010 and received a grant of options with a Black-Scholes value of C$14.46 on that date based an exercise price of C$69.44, a risk-free interest rate of 1.51%, a time to expiration of 5 years, a volatility of 31.4% and dividend yield of 0.24%.

### *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, repectively, 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 they are 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 C$100,000 per year; however, in July 2011, the Board amended its director compensation program such that non-executive directors now receive restricted share units ("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 (provided that in no event will any option expire later than five years after the option was granted).

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 an eligible 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 and any stock exchange or other authority.

The Board 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 held by an insider, 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, C$4,089,391 (7 people) (C$21,775,538 (17 people) in 2010; C$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 (C$76,129,773 in 2010; C$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

| Name | Option-Based Awards – Value Vested During the Year | Share-Based Awards – Value Vested During the Year | Non-Equity Incentive Plan Compensation – Value Earned During the Year |
|---|---|---|---|
| | *(C$)* | *(C$)* | *(C$)* |
| 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

| | Option-Based Awards | | | | Share-Based Awards | | |
|---|---|---|---|---|---|---|---|
| Name | 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 |
| | *(#)* | *(C$)* | | *(C$)* | *(#)* | *(C$)* | *(C$)* |
| 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 Scherkus | 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 Blackburn | 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 | C$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, reserved 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.

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: At Year End(1) | Annual Benefits Accrued: At age 60 | Accrued Obligation at the Start of the Year | Compensatory Change | Non-Compensatory Change | Accrued Obligation at Year End |
|---|---|---|---|---|---|---|---|
| | (#) | (C$) | (C$) | (C$) | (C$) | (C$) | (C$) |
| 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 |
|---|---|---|---|---|
| | (C$) | (C$) | (C$) | (C$) |
| 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 |
|---|---|---|---|---|
| | *(C$)* | *(C$)* | *(C$)* | *(C$)* |
| 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 | 4,452 | 288,962 |

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

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 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 C$29,275 in fees to Mercer. The information provided by Mercer was used by the Compensation Committee and the Board 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"

#### *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 – C$6,953,763; Mr. Al-Joundi – C$2,339,256; Mr. Blackburn – C$2,081,482; and Mr. Allan – C$2,010,539.

***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) | C$115,000 |
| Additional Annual retainer for Chairman of the Board | C$125,000 |
| Additional Annual retainer for Chairman of the Audit Committee | C$25,000 |
| Additional Annual retainer for Chairpersons of other Board Committees | C$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) | C$120,000 |
| Additional Annual retainer for Chairman of the Board | C$120,000 |
| Additional Annual retainer for Chairman of the Audit Committee | C$25,000 |
| Additional Annual retainer for Chairs of other Board Committees | C$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 C$100,000.

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) and Dr. Baker, Mr. Davis, Mr. Leiderman, Mr. Roberts and Mr. Stockford, who have until August 24, 2013 (two years from the date of adoption of this policy), 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** |
| | *(#)* | *(C$)* | *(#)* | *(C$)* | |
| 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 |
| Pertti Voutilainen | 21,000 | 735,420 | 1,000 | 35,050 | Meets Guideline |

(1) The valuation is based on C$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)] |
|---|---|---|---|---|---|---|---|
| | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* | *(C$)* |
| 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 |
| Pertti 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 C$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 C$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%.

(2) Option-based awards given to non-executive directors are limited to the lesser of: (a) 1% of the outstanding common shares at any given point in time; and (b) an annual equity award value of C$100,000.

(3) Set out in Canadian dollars. On December 31, 2011 the Noon Buying Rate was C$1.00 equals US$1.0170.

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**

| Name | Options-Based Awards – Value Vested During the Year | Share-Based Awards – Value Vested During the Year | Non-Equity Incentive Plan Compensation – Value Earned During the Year |
|---|---|---|---|
| | *(C$)* | *(C$)* | *(C$)* |
| 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**

| | Option-Based Awards | | | | Share-Based Awards | |
|---|---|---|---|---|---|---|
| **Name** | **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** |
| | *(#)* | *(C$)* | | *(C$)* | *(#)* | *(C$)* |
| 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 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| Martine A. Celej | 4,721 | 70.26 | 2/21/2016 | nil | nil | nil |
| Clifford J. Davis | 1,800 | 33.26 | 11/3/2013 | 6,822 | nil | nil |
| | 4,000 | 62.77 | 1/2/2014 | | | |
| | 6,120 | 56.92 | 1/4/2015 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| Robert Gemmell | 5,824 | 76.60 | 1/4/2016 | nil | nil | nil |
| Bernard Kraft | 4,000 | 62.77 | 1/2/2014 | nil | nil | nil |
| | 6,120 | 56.92 | 1/4/2015 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| Mel Leiderman | 25,000 | 54.42 | 1/2/2013 | nil | nil | nil |
| | 4,000 | 62.77 | 1/2/2014 | | | |
| | 6,120 | 56.92 | 1/4/2015 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| James D. Nasso | 53,000 | 54.42 | 1/2/2013 | nil | nil | nil |
| | 4,000 | 62.77 | 1/2/2014 | | | |
| | 6,120 | 56.92 | 1/4/2015 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| John Merfyn Roberts | 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 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| Sean Riley | 5,824 | 76.60 | 1/1/2016 | nil | nil | nil |
| Howard R. Stockford | 28,750 | 54.42 | 1/2/2013 | nil | nil | nil |
| | 4,000 | 62.77 | 1/2/2014 | | | |
| | 6,120 | 56.92 | 1/4/2015 | | | |
| | 5,824 | 76.60 | 1/4/2016 | | | |
| Pertti Voutilainen | 35,000 | 54.42 | 1/2/2013 | nil | nil | nil |
| | 4,000 | 62.77 | 1/2/2014 | | | |
| | 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 C$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.

| Director | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|
| 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 |
| Pertti Voutilainen | 11 of 11 | 6 of 6 |

## Indebtedness of Directors, Executive Officers and Senior Officers

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

## 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 C$748,437. The policies provide coverage of up to C$100 million per occurrence to a maximum of C$100 million per annum. There is no deductible for directors and officers and a C$2,500,000 deductible for each claim made by the Company (C$1 million deductible for securities claims). The insurance applies in circumstances where the Company may not indemnify its directors and officers for their acts or omissions.

## Board 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.

### *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 and RSU 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.

### *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 "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 "– Directors and Senior Management". Fees paid to the Company's auditors, Ernst & Young LLP, are set out under "Item 10 Additional Information – Audit Fees". 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.

## Employees

As of December 31, 2011, the Company had 5,106 employees comprised of 3,600 permanent employees, 1,197 contractors, 253 temporary employees and 56 students. Of the permanent employees, 794 were employed at the LaRonde mine, 232 at the Goldex mine, 212 at the Lapa mine, 1,098 at the Pinos Altos mine, 386 at the Kittila mine, 558 at the Meadowbank mine (with 555 at Baker Lake and Meadowbank and 3 in Quebec), 13 at the Meliadine project, 26 in the Exploration group in Canada and the U.S., 177 at the regional technical office in Abitibi and 104 at the corporate head office in Toronto. The number of permanent employees of the Company at the end of 2011, 2010 and 2009 was 3,600, 3,243 and 2,781, respectively.

## Share Ownership

As at March 12, 2012, the Named Executive Officers and directors as a group (17 persons) beneficially owned or controlled (excluding options to purchase 3,440,365 common shares) an aggregate of 436,406 common shares or about 0.2553% of the 170,928,545 issued and outstanding common shares. See also "– Compensation of Executive Officers".

## Security Ownership of Directors and Executive Officers

The following table sets forth certain information concerning the direct and beneficial ownership by each director and Named Executive Officer of the Company of common shares of the Company and options to purchase common shares of the Company. Unless otherwise noted, exercise prices are in Canadian dollars.

| Beneficial Owner | Share Ownership(1) | Total Common Shares under Option(2) | Common Shares under Option | Exercise Price (C$, except as noted) | Expiry Date |
|---|---|---|---|---|---|
| **Leanne M. Baker** | 8,500 | 50,944 | 5,824 | US$76.70 | 1/4/2016 |
| Director | | | 6,120 | US$54.00 | 1/4/2015 |
| | | | 4,000 | US$51.33 | 1/2/2014 |
| | | | 35,000 | US$54.63 | 1/2/2013 |
| **Douglas R. Beaumont** | 18,960 | 50,944 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 35,000 | 54.42 | 1/2/2013 |
| **Sean Boyd** | 141,472 | 1,315,000 | 325,000 | 37.05 | 1/3/2017 |
| Director, Vice Chairman, President and Chief Executive Officer | | | 240,000 | 76.60 | 1/4/2016 |
| | | | 300,000 | 56.92 | 1/4/2015 |
| | | | 250,000 | 62.77 | 1/2/2014 |
| | | | 200,000 | 54.42 | 1/2/2013 |
| **Martine A. Celej** | 5,000 | 4,721 | 4,721 | 70.26 | 2/21/2016 |
| Director | | | | | |
| **Clifford J. Davis** | 9,000 | 17,744 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 1,800 | 33.26 | 11/3/2013 |
| **Robert J. Gemmell** | 13,000 | 5,824 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | | | |
| **Bernard Kraft** | 13,657 | 15,944 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| **Mel Leiderman** | 9,000 | 40,944 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 25,000 | 54.42 | 1/2/2013 |
| **James D. Nasso** | 22,289 | 68,944 | 5,824 | 76.60 | 1/4/2016 |
| Director and Chairman of the Board | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 53,000 | 54.42 | 1/3/2013 |
| **Sean Riley** | 5,000 | 5,824 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | | | |
| **J. Merfyn Roberts** | 9,000 | 23,144 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 7,200 | 33.26 | 11/3/2013 |

| Beneficial Owner | Share Ownership[(1)] | Total Common Shares under Option[(2)] | Common Shares under Option | Exercise Price (C$, except as noted) | Expiry Date |
|---|---|---|---|---|---|
| **Howard R. Stockford** | 9,068 | 44,694 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 28,750 | 54.42 | 1/2/2013 |
| **Pertti Voutilainen** | 22,000 | 50,944 | 5,824 | 76.60 | 1/4/2016 |
| Director | | | 6,120 | 56.92 | 1/4/2015 |
| | | | 4,000 | 62.77 | 1/2/2014 |
| | | | 35,000 | 54.42 | 1/2/2013 |
| **Eberhard Scherkus** | 85,726 | 790,000 | 175,000 | 37.50 | 1/3/2017 |
| Director, President and | | | 140,000 | 76.60 | 1/4/2016 |
| Chief Operating Officer | | | 175,000 | 56.92 | 1/4/2015 |
| | | | 175,000 | 62.77 | 1/2/2014 |
| | | | 125,000 | 54.42 | 1/2/2013 |
| **Ammar Al-Joundi** | 29,498 | 235,000 | 100,000 | 37.05 | 1/3/2017 |
| Senior Vice-President, Finance and Chief Financial Officer | | | 60,000 | 76.60 | 1/4/2016 |
| | | | 75,000 | 69.44 | 9/1/2015 |
| **Donald G. Allan** | 21,881 | 345,000 | 75,000 | 37.05 | 1/3/2017 |
| Senior Vice-President, Corporate Development | | | 60,000 | 76.60 | 1/2/2016 |
| | | | 75,000 | 56.92 | 1/4/2015 |
| | | | 75,000 | 62.77 | 1/2/2014 |
| | | | 60,000 | 54.42 | 1/2/2013 |
| **Alain Blackburn** | 13,355 | 374,750 | 75,000 | 37.05 | 1/3/2017 |
| Senior Vice-President, Exploration | | | 60,000 | 76.60 | 1/4/2016 |
| | | | 100,000 | 56.92 | 1/4/2015 |
| | | | 100,000 | 62.77 | 1/2/2014 |
| | | | 39,750 | 54.42 | 1/2/2013 |

Notes:

(1) As at March 12, 2012. In each case, shareholdings (which includes common shares and RSUs) constitute less than one percent of the issued and outstanding common shares of the Company. The total number of common shares and RSUs held by directors and named executive officers constitutes less than 0.2553% of the issued and outstanding common shares of the Company.

(2) As at March 12, 2012.

# ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## Major Shareholders

To the knowledge of the directors and senior officers of the Company, as of March 12, 2012, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 5% of the voting rights attached to all common shares of the Company other than as set out below:

| Major Shareholder | Number of common shares | Percentage of outstanding common shares |
|---|---|---|
| BlackRock, Inc.[(1)] | 18,161,284 | 10.64% |
| Van Eck Associates Corporation[(2)] | 11,253,461 | 6.59% |

Notes:

(1) According to reports filed with applicable securities regulators dated January 7, 2011, February 7, 2011, November 10, 2011 and January 6, 2012, the percentage ownership of common shares of the Company held by BlackRock, Inc. has varied from 10.31% to 9.69% to 10.80% to 10.64%, respectively.

(2) According to a report filed with applicable securities regulators dated February 14, 2012.

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

As of March 12, 2012, there were 3,696 holders of record of Agnico-Eagle's 170,928,545 outstanding common shares, of which 641 holders of record were in Canada and held 122,266,828 common shares or about 71.53% of the outstanding common shares.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

## Related Party Transactions

The Company has not entered into any material related party transactions since January 1, 2011.

# ITEM 8 FINANCIAL INFORMATION

The consolidated financial statements furnished pursuant to Item 18 are presented in accordance with US GAAP.

During the period under review, inflation has not had a significant impact on the Company's operations.

The Company is not aware of any legal or arbitration proceedings which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

## Dividend Policy

The Company's policy is to pay annual dividends on its common shares and, on February 15, 2012, the Company announced that it had declared a quarterly dividend of $0.20 per common share, payable on March 15, 2012. In 2011, the dividend paid was $0.64 per common share (quarterly payments of $0.16 per common share) and in each of 2010, 2009 and 2008, the dividend paid was $0.18 per common share, in 2007, the dividend paid was $0.12 per common share and, from 2003 to 2006, the dividend paid was $0.03 per common share. Although the Company expects to continue paying a cash dividend, future dividends will be at the discretion of the Board and will be subject to such factors as the Company's earnings, financial condition and capital requirements. The Company's bank credit facility contains covenants that restrict the Company's ability to declare or pay dividends if a default under the bank credit facility has occurred or would result from the declaration or payment of the dividend.

## ITEM 9 THE OFFER AND LISTING

### Market and Listing Details

The Company's common shares are listed and traded in Canada on the TSX and in the United States on the NYSE.

The following table sets forth the high and low sale prices and the average daily trading volume for Agnico-Eagle's common shares on the TSX and the NYSE for each of the fiscal years in the five-year period ended December 31, 2011 and for each quarter during the fiscal years ended December 31, 2010 and 2011.

| | TSX (C$) | | | NYSE ($) | | |
|---|---|---|---|---|---|---|
| | High | Low | Average Daily Volume | High | Low | Average Daily Volume |
| 2007 | 55.86 | 35.70 | 913,173 | 59.45 | 33.25 | 2,076,082 |
| 2008 | 82.80 | 26.60 | 1,184,654 | 83.45 | 20.87 | 3,842,836 |
| 2009 | 77.32 | 50.80 | 979,369 | 74.00 | 42.65 | 4,172,474 |
| 2010 | 88.52 | 53.16 | 750,312 | 88.20 | 49.64 | 2,508,059 |
| 2011 | 75.39 | 35.35 | 856,906 | 77.00 | 34.50 | 2,285,842 |
| *2010* | | | | | | |
| First Quarter | 64.12 | 53.16 | 718,042 | 61.80 | 49.64 | 2,956,480 |
| Second Quarter | 68.16 | 57.05 | 837,814 | 66.80 | 55.43 | 2,870,655 |
| Third Quarter | 73.41 | 56.08 | 759,806 | 71.33 | 54.12 | 2,081,771 |
| Fourth Quarter | 88.52 | 70.00 | 698,995 | 88.20 | 67.66 | 2,151,791 |
| *2011* | | | | | | |
| First Quarter | 75.39 | 62.93 | 781,613 | 77.00 | 63.53 | 2,534,857 |
| Second Quarter | 66.17 | 58.82 | 733,270 | 70.00 | 59.78 | 2,059,362 |
| Third Quarter | 72.51 | 53.05 | 952,868 | 73.09 | 54.19 | 2,297,630 |
| Fourth Quarter | 64.14 | 35.35 | 960,318 | 61.17 | 34.50 | 2,255,181 |

The following table sets forth the high and low sale prices and the average daily trading volume for the Company's common shares on the TSX and the NYSE since January 1, 2011.

| | TSX (C$) | | | NYSE ($) | | |
|---|---|---|---|---|---|---|
| | **High** | **Low** | **Average Daily Volume** | **High** | **Low** | **Average Daily Volume** |
| *2011* | | | | | | |
| January | 72.40 | 66.78 | 897,886 | 77.00 | 66.79 | 3,091,655 |
| February | 75.39 | 67.07 | 766,727 | 76.49 | 68.36 | 2,521,990 |
| March | 70.96 | 62.93 | 734,800 | 72.91 | 63.53 | 2,164,700 |
| April | 66.17 | 60.53 | 886,100 | 70.00 | 62.61 | 2,700,100 |
| May | 65.84 | 58.82 | 673,700 | 69.44 | 60.42 | 2,042,200 |
| June | 64.66 | 59.00 | 750,900 | 66.60 | 59.78 | 1,739,900 |
| July | 63.90 | 53.14 | 745,400 | 66.60 | 55.68 | 2,269,100 |
| August | 68.68 | 53.05 | 1,232,100 | 70.25 | 54.19 | 2,862,300 |
| September | 72.51 | 60.51 | 960,600 | 73.09 | 58.60 | 2,016,600 |
| October | 64.14 | 42.04 | 1,388,700 | 61.17 | 42.21 | 3,243,700 |
| November | 48.48 | 41.73 | 814,800 | 47.68 | 40.39 | 1,988,000 |
| December | 46.01 | 35.35 | 791,000 | 45.30 | 34.50 | 1,798,100 |
| *2012* | | | | | | |
| January | 39.68 | 34.51 | 754,100 | 39.64 | 34.03 | 1,914,300 |
| February | 38.03 | 31.50 | 1,356,500 | 38.14 | 34.42 | 2,884,400 |
| March (to March 12) | 36.64 | 34.84 | 838,600 | 37.24 | 34.76 | 2,578,800 |

On March 12, 2012 the closing price of the common shares was C$35.02 on the TSX and $35.24 on the NYSE. The registrar and transfer agent for the common shares is Computershare Trust Company of Canada, Toronto, Ontario.

The following table sets forth the high and low sale prices and average daily trading volume for the Company's common share purchase warrants (the "Warrants") on the TSX since January 1, 2011.

| | TSX ($) | | |
|---|---|---|---|
| | High | Low | Average Daily Volume |
| *2011* | | | |
| January | 30.15 | 25.21 | 5,038 |
| February | 31.48 | 25.00 | 9,753 |
| March | 26.76 | 20.86 | 17,209 |
| April | 24.49 | 20.21 | 14,740 |
| May | 21.89 | 18.99 | 9,655 |
| June | 22.31 | 18.87 | 9,070 |
| July | 22.11 | 15.16 | 6,584 |
| August | 26.67 | 15.26 | 12,777 |
| September | 27.67 | 18.42 | 3,993 |
| October | 20.33 | 9.54 | 6,245 |
| November | 12.43 | 9.02 | 8,825 |
| December | 9.69 | 5.36 | 6,355 |
| *2012* | | | |
| January | 6.72 | 6.38 | 3,194 |
| February | 6.03 | 5.70 | 5,750 |
| March (to March 12) | 5.24 | 5.16 | 1,278 |

On March 12, 2012, the closing price of the Warrants was $4.90 on the TSX. The registrar and transfer agent for the Warrants is Computershare Trust Company of Canada, Toronto, Ontario.

## ITEM 10 ADDITIONAL INFORMATION

### Memorandum and Articles of Incorporation

#### *Articles of Amendment*

The Company's articles of incorporation do not place any restrictions on the Company's objects and purposes. For more information, see the Articles of Amalgamation filed as Exhibit 1.01 to this Form 20-F.

#### *Certain Powers of Directors*

The *Business Corporations Act* (Ontario) (the "OBCA") requires that every director who is a party to, or who is a director or officer of, or has a material interest in, any person who is a party to, a material contract or transaction or a proposed material contract or transaction with the Company, must disclose in writing to the Company or request to have entered in the minutes of the meetings of directors the nature and extent of his or her interest, and must refrain from attending any part of a meeting of directors during which the contract or transaction is discussed and from voting in respect of the contract or transaction unless the contract or transaction is: (a) one relating primarily to his or her remuneration as a director of the corporation or an affiliate; (b) one for indemnity of or insurance for directors as contemplated under the OBCA; or (c) one with an affiliate. However, a director who is prohibited by the OBCA from voting on a material contract or proposed material contract may be counted in determining whether a quorum is present for the purpose of the resolution, if the director disclosed his or her interest in accordance with the OBCA and the contract or transaction was reasonable and fair to the corporation at the time it was approved.

The Company's by-laws provide that the Board will from time to time determine the remuneration to be paid to the directors, which will be in addition to the salary paid to any officer or employee of the Company who is also a director. The directors may also, by resolution, award special remuneration to any director for undertaking any special services on the Company's behalf, other than the normal work ordinarily required of a director of the Company. The by-laws provide that confirmation of any such resolution by the Company's shareholders is not required.

The Company's by-laws also provide that the directors may: (a) borrow money upon the credit of the Company; (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Company, whether secured or unsecured; (c) to the extent permitted by the OBCA, give directly or indirectly financial assistance to any person by means of a loan, a guarantee on behalf of the Company to secure performance of any present or future indebtedness, liability or other obligation of any person, or otherwise; and (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, tangible or intangible property of the Company to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or other obligation of the Company.

The directors may, by resolution, amend or repeal any by-laws that regulate the business or affairs of the Company. The OBCA requires the directors to submit any such amendment or repeal to the Company's shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the amendment or repeal.

***Retirement of Directors***

The Board does not have a mandatory retirement policy for directors based solely on age. Due in part to the Company's practice of conducting annual Board, Committee and individual director evaluations, the Board approved and adopted a resignation policy primarily based on directors' performance, commitment, skills and experience. As set out in greater detail under "Item 6 Directors, Senior Management and Employees – Board Practices – Assessment of Directors", each director's performance is evaluated annually.

***Directors' Share Ownership***

Directors, other than Mr. Boyd, are required to own a minimum of 10,000 RSUs or common shares of the Company. Directors have a period of the later of (i) August 24, 2013 and (ii) five years from the date they first became directors, to achieve this ownership level.

***Meetings of Shareholders***

The OBCA requires the Company to call an annual shareholders' meeting not later than 15 months after holding the last preceding annual meeting and permits the Company to call a special shareholders' meeting at any time. In addition, in accordance with the OBCA, the holders of not less than 5% of the Company's shares carrying the right to vote at a meeting sought to be held may requisition the directors to call a special shareholders' meeting for the purposes stated in the requisition. The Company is required to mail a notice of meeting and management information circular to registered shareholders not less than 21 days and not more than 50 days prior to the date of any annual or special shareholders' meeting. These materials are also filed with Canadian securities regulatory authorities and furnished to the SEC. The Company's by-laws provide that a quorum of two shareholders in person or represented by proxy holding or representing by proxy at least 25% of the Company's issued shares carrying the right to vote at the meeting is required to transact business at a shareholders' meeting. Shareholders, and their duly appointed proxies and corporate representatives, as well as the Company's auditors, are entitled to be admitted to the Company's annual and special shareholders' meetings.

***Authorized Capital***

The Company's authorized capital consists of an unlimited number of shares of one class designated as common shares. All outstanding common shares of the Company are fully paid and non-assessable. The holders of the common shares are entitled to one vote per share at meetings of shareholders and to receive dividends if, as and when declared by the directors of the Company. In the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company, after payment of all outstanding debts, the remaining assets of the Company available for distribution would be distributed rateably to the holders of the common shares. Holders of the common shares of the Company have no pre-emptive, redemption, exchange or conversion rights. The Company may not create any class or series of shares or make any modification to the provisions attaching to the Company's common shares without the affirmative vote of two-thirds of the votes cast by the holders of the common shares.

***Majority Voting Policy***

As part of its ongoing review of corporate governance practices, on February 20, 2008, the Board 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 promptly following the shareholders' meeting. The Corporate Governance Committee will consider the offer of resignation and will make a recommendation to the Board 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 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. The Board will make its final decision and announce it in a news 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 or the Corporate Governance Committee at which the resignation is considered.

## Disclosure of Share Ownership

The *Securities Act* (Ontario) currently provides that the directors and certain officers of an issuer and its subsidiaries and any person or company that beneficially owns, directly or indirectly, voting securities of an issuer or that exercises control or direction over voting securities of an issuer or a combination of both, carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities (a "significant shareholder"), as well as the directors and officers of any significant shareholder, (each an "insider") must, within 10 days of becoming an insider, file a report in the required form effective the date on which the person became an insider, disclosing any direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer. The *Securities Act* (Ontario) also provides for the filing of a report by an insider of a reporting issuer who acquires or transfers securities of the issuer or who enters into, materially amends or terminates an arrangement the effect of which is to alter the insider's economic interest in a security of the issuer or the insider's economic exposure to the issuer. These reports must be filed within five days after the reportable event. The *Securities Act* (Ontario) also requires these reports to be filed by reporting insiders within five days after the applicable event, though are only required by the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, directors, any person or company responsible for a principal business unit and significant shareholders of the Company.

The *Securities Act* (Ontario) also provides that a person or company that acquires (whether or not by way of a take-over bid, offer to acquire or subscription from treasury) beneficial ownership of voting or equity securities or securities convertible into voting or equity securities of a reporting issuer that, together with previously held securities brings the total holdings of such holder to 10% or more of the outstanding securities of that class, must (a) issue and file forthwith a news release containing certain prescribed information and (b) file a report within two business days containing the same information set out in the news release. The acquiring person or company must also issue a news release and file a report each time it acquires, in the aggregate, an additional 2% or more of the outstanding securities of the same class and every time there is a change to any material fact in the news release and report previously issued and filed.

The rules in the United States governing the ownership threshold above which shareholder ownership must be disclosed are more stringent than those discussed above. Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), imposes reporting requirements on persons who acquire beneficial ownership (as such term is defined in Rule 13d-3 under the Exchange Act) of more than 5% of a class of an equity security registered under Section 12 of the Exchange Act. In general, such persons must file, within ten days after such acquisition, a report of beneficial ownership with the SEC containing the information prescribed by the regulations under Section 13(d) of the Exchange Act and promptly file an amendment to such report to disclose any material change to the information reported, including any acquisition or disposition of 1% or more of the outstanding securities of the registered class. Certain institutional investors that acquire shares in the ordinary course of business and not with the purpose or with the effect of changing or influencing the control of the issuer, are subject to lesser disclosure obligations.

## Material Contracts

The Company believes the following contracts constitute the only material contracts to which it is a party.

***Credit Agreement***

The Company entered into an amended and restated bank credit facility (the "Credit Facility") on August 4, 2011 with a group of financial institutions providing for a $1.2 billion unsecured revolving bank credit facility that replaced the Company's previous unsecured revolving bank credit facility. The Credit Facility matures and all indebtedness thereunder is due and payable on June 22, 2016. The Company, with the consent of lenders representing at least 66⅔% of the aggregate commitments under the facility, has the option to extend the term of the facility for additional one-year terms. The Credit Facility is available in multiple currencies through prime rate and base rate advances, priced at the applicable rate plus a margin that ranges from 0.50% to 1.75% depending on certain financial ratios and through LIBOR advances, bankers' acceptances and letters of credit, priced at the applicable rate plus a margin that ranges from 1.50% to 2.50% depending on certain financial ratios. The lenders under the Credit Facility are each paid a standby fee at a rate that ranges from 0.375% to 0.6875% of the undrawn portion of the facility, depending on certain financial ratios. Where credit exposure for all lenders is in the aggregate equal to or greater than 50% of the aggregate commitments, the standby fee and letter of credit fee shall be increased by 0.125%, provided that, if and so long as the Company has a credit rating by S&P of at least BBB, DBRS of at least BBB or Moody's of at least Baa2, such increase shall not apply. Payment and performance of the Company's obligations under the Credit Facility are guaranteed by each of its significant subsidiaries and certain of its other subsidiaries (the "Guarantors" and, together with the Company, each an "Obligor").

The Credit Facility contains covenants that limit, among other things, the ability of an Obligor to:

- incur additional indebtedness;
- pay or declare dividends or make other restricted distributions or payments in respect of any shares of the Company's equity securities after a default or an event of default that is continuing or if a default would occur as a result of such distribution;
- make sales or other dispositions of material assets;
- create liens on its existing or future assets, other than permitted liens;
- enter into transactions with affiliates other than the Obligors, except on a commercially reasonable basis as if it were dealing with such person at arm's length;
- make any loans to or investments in businesses other than: those related to mining or a business ancillary or complementary to mining; investments in cash equivalents; or inter-company investments;
- enter into or maintain certain derivative instruments; and
- amalgamate or otherwise transfer its assets.

The Company is also required to maintain a total net debt to EBITDA ratio below a specified maximum value as well as a minimum tangible net worth. Events of default under the Credit Facility include, among other things:

- the failure to pay principal when due and payable or interest, fees or other amounts payable within five business days of such amounts becoming due and payable;
- the breach by the Company of any financial covenant;
- the breach by any Obligor of any other term, covenant or other agreement that is not cured within 30 business days after written notice of the breach has been given to the Company;
- a default under any other indebtedness of the Obligors if the effect of such default is to accelerate, or to permit the acceleration of, the due date of such indebtedness in an aggregate amount of $50 million or more;
- a change in control of the Company which is defined to occur upon (a) the acquisition, directly or indirectly, by any means whatsoever, by any person, or group of persons acting jointly or in concert, (collectively, an "offeror") of beneficial ownership of, or the power to exercise control or direction over, or securities convertible or exchangeable into, any securities of the Company carrying in aggregate (assuming the exercise of all such conversion or exchange rights in favour of the offeror) more than 50% of the aggregate votes represented by the voting stock then issued and outstanding or otherwise entitling the offeror to elect a majority of the board of directors of the Company, or (b) the replacement by way of election or appointment at any time of one-half or more of the total number of the then incumbent members of the board of directors of the Company, or the election or appointment of new directors comprising one-half or more of the total number of members of the board of directors in office immediately following such election or appointment; unless, in any such case, the nomination of such directors for election or

their appointment is approved by the board of directors of the Company in office immediately preceding such nomination or appointment in circumstances where such nomination or appointment is made other than as a result of a dissident public proxy solicitation, whether actual or threatened; and

- various events relating to the bankruptcy or insolvency or winding-up, liquidation or dissolution or cessation of business of any Obligor.

As at March 12, 2012 there was approximately $355.6 million in the aggregate drawn under the Credit Facility, including $35.6 million in letters of credit.

***Note Purchase Agreement***

On April 7, 2010 the Company entered into a note purchase agreement (the "Note Purchase Agreement") with certain institutional investors, providing for the issuance of $115,000,000 6.13% guaranteed senior unsecured notes due 2017, $360,000,000 6.67% guaranteed senior unsecured notes due 2020 and $125,000,000 6.77% guaranteed senior unsecured notes due 2022. Payment and performance of the Company's obligations under the Note Purchase Agreement, the notes issued pursuant thereto and the obligations of the Guarantors under the guarantees are guaranteed by the Guarantors.

The Note Purchase Agreement contains restrictive covenants that limit, among other things, the ability of an Obligor to:

- enter into transactions with affiliates other than the Obligors, except on a commercially reasonable basis upon terms no less favourable to the Obligor than would be obtainable in a comparable arm's length transaction;
- amalgamate or otherwise transfer its assets;
- carry on business other than those related to mining or a business ancillary or complementary to mining;
- engage in any dealings or transactions with any person or entity identified under certain anti-terrorism regulations;
- create liens on its existing or future assets, other than permitted liens;
- incur subsidiary indebtedness where the Obligor is a subsidiary of the Company; and
- make sales or other dispositions of material assets.

The Company is also required to maintain the same financial ratios and the same minimum tangible net worth under the Note Purchase Agreement as under the Credit Facility. Events of default under the Note Purchase Agreement include, among other things:

- the failure to pay principal or make whole amounts when due and payable or interest, fees or other amounts payable within five business days of such amounts becoming due and payable;
- the breach by any Obligor of any other term or covenant that is not cured within 30 business days after the earlier of written notice of the breach having been given to the Company or actual knowledge of the breach is obtained;
- the finding that any representation or warranty made by an Obligor was false or incorrect in any material respect on the date as of which it was made;
- a default under any other indebtedness of the Obligors if the effect of such default is to accelerate, or to permit the acceleration of, the due date of such indebtedness in an aggregate amount of $50 million or more; and
- various events relating to the bankruptcy or insolvency or winding-up, liquidation or dissolution or cessation of business of any Obligor.

The Note Purchase Agreement provides that, upon certain events of default, the notes automatically become due and payable without any further action. In addition, the Note Purchase Agreement contains a "Most Favored Lender" clause which acts to incorporate into the Note Purchase Agreement any grace periods upon an event of default that are shorter in the Credit Facility than in the Note Purchase Agreement. A copy of the Note Purchase Agreement is filed as Exhibit 4.05 to this Form 20-F.

***Warrant Indenture***

The Company issued common share purchase warrants (the "Warrants") as part of a private placement on December 3, 2008. Effective April 4, 2009, the Warrants were amended and are governed by a warrant indenture (the "Indenture") between the Company and Computershare Trust Company of Canada (the "Trustee").

Each whole Warrant entitles the holder to purchase one common share of the Company at a price of $47.25, subject to adjustment as summarized below. The Warrants are exercisable at any time prior to 4:30 p.m. (Eastern Standard Time) on December 2, 2013, after which the Warrants will expire and become void and of no effect. Warrants may be surrendered for exercise or transfer at the principal office of the Trustee in Toronto.

The Indenture provides for adjustment in the number of common shares issuable on the exercise of the Warrants and/or the exercise price per Warrant on the occurrence of certain events, including:

- the declaration of a dividend or making of a distribution on the common shares payable in common shares or securities exchangeable for or convertible into common shares to the holders of the common shares in proportion to their respective ownership of common shares;
- the subdivision, consolidation or change of the outstanding common shares into a different number of common shares;
- the fixing of a record date for the issuance of rights, options or warrants to all or substantially all of the holders of the common shares under which such holders are entitled, during a period expiring not more than 45 days after such record date, to subscribe for or purchase common shares, or securities exchangeable for or convertible into common shares, at a price per share to the holder (or at a conversion or exchange price per share) of less than 95% of the Current Market Price (as defined in the Indenture) on such record date; and
- the fixing of a record date for the issue or distribution to all or substantially all of the holders of the common shares of securities of the Company (including rights, options or warrants to purchase any securities of the Company), evidence of the Company's indebtedness or any property or assets (including cash or shares of any other corporation but excluding any dividends paid in accordance with a dividend policy established by the board of directors of the Company) and such issue or distribution does not constitute an event listed in (a) to (c) above.

The Indenture also provides for adjustment in the class and/or number of securities issuable on the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reorganization, reclassification or other change of the common shares into other securities; (ii) consolidation, amalgamation, arrangement or merger of the Company with or into another entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the common shares or a change of the common shares into other shares); (iii) exchange of common shares for other shares or other securities or property, including cash, pursuant to the exercise of a statutory compulsory acquisition right; or (iv) sale, conveyance or transfer of the Company's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity or the completion of a take-over bid (as such term is defined under the *Securities Act* (Ontario)) resulting in the offeror, together with any persons acting jointly or in concert with the offeror, holding at least two-thirds of the then outstanding common shares in which the holders of common shares are entitled to receive shares, other securities or property, including cash.

No adjustment in the exercise price or the number of common shares purchasable on the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least one percent or the number of common shares purchasable on exercise by at least one one-hundredth of a share; provided however, that any such adjustment that is not made will be carried forward and taken into account in any subsequent adjustment.

The Company covenanted in the Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of any event that requires or may require an adjustment in any of the exercise rights pursuant to any of the Warrants at least ten days prior to the record date or effective date, as the case may be, of such event.

No fractional common shares will be issuable on the exercise of any Warrants. The Company will not pay cash or other consideration to the holder of a Warrant in lieu of fractional common shares. Holders of Warrants will not have any voting rights or any other rights which a holder of common shares would have (including, without limitation, the right to receive notice of or to attend meetings of shareholders or any right to receive dividends or other distributions). Holders of Warrants will have no pre-emptive rights to acquire securities of the Company.

From time to time, the Company and the Trustee, without the consent of the holders of Warrants, may amend or supplement the Indenture for certain purposes, including curing defects or inconsistencies or making any change that, in the opinion of the Trustee, does not prejudice the rights of the Trustee or the holders of the Warrants. Any amendment or supplement to the Indenture that prejudices the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the then outstanding Warrants (at least 50% for any amendment that would increase the exercise price per security, decrease the number of securities issuable upon the exercise of Warrants or shorten the term of the Warrants), or such lesser percentage constituting a quorum for this purpose under the Indenture, and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the then outstanding Warrants represented at the meeting and voted on the poll on such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the then outstanding Warrants.

The Warrants may not be exercised by or on behalf of a U.S. person (a "U.S. Person"), as defined in Rule 902(k) of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), a person in the United States or for the account or benefit of a U.S. Person or a person in the United States (each a "Restricted Person") unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available. The Company does not intend to register the Warrants, or the common shares issuable upon exercise of the Warrants, in the United States. The Company and Trustee will not accept subscriptions for common shares pursuant to the exercise of Warrants from any holder of Warrants who does not certify that it is not a Restricted Person.

Notwithstanding the foregoing, a Warrant may be exercised by or on behalf of Restricted Person if:

(a) the Warrant is a U.S. Warrant (as defined in the Indenture) and is exercised by an Initial U.S. Holder (as defined in the Indenture);

(b) the Warrant is a U.S. Warrant and the holder delivers a letter in the form of Schedule B to the Indenture to the Trustee; or

(c) the holder delivers to the Trustee a written opinion of United States counsel reasonably acceptable to the Company to the effect that either the Warrants and the common shares have been registered under the U.S. Securities Act or, that upon exercise of the Warrant, the common shares may be issued to the holder without registration under the U.S. Securities Act and any applicable securities laws of any state of the United States.

Warrants may not be transferred except under circumstances that will not result in a violation of the U.S. Securities Act, any applicable state securities laws or any applicable Canadian securities laws. Warrants may only be transferred:

(a) outside the United States in accordance with Regulation S under the U.S. Securities Act; or

(b) in the United States in compliance with the exemption from registration provided by Rule 144 under the U.S. Securities Act, if available, or in another transaction that does not require registration under the U.S. Securities Act.

#### *Stock Option Plan*

The Company has a Stock Option Plan for directors, officers, employees and service providers to the Company. See "Item 6 Directors, Senior Management and Employees – Compensation of Executive Officers – Stock Option Plan". A copy of the Stock Option Plan is filed as Exhibit 4.02 to this Form 20-F.

#### *Employee Share Purchase Plan*

The Company has an Employee Share Purchase Plan for officers and full-time employees of the Company. See "Item 6 Directors, Senior Management and Employees – Compensation of Executive Officers – Employee Share Purchase Plan". A copy of the Employee Share Purchase Plan is filed as Exhibit 4.03 to this Form 20-F.

### Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed in "– Canadian Federal Income Tax Considerations" below.

### Restrictions on Share Ownership by Non-Canadians

There are no limitations under the laws of Canada or in the constating documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the *Investment Canada Act* may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of "control" is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen or a permanent resident of Canada, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

### Corporate Governance

The Company is subject to a variety of corporate governance guidelines and requirements enacted by the TSX, the CSA, the NYSE and the SEC. Today, the Company believes that it meets and often exceeds not only corporate governance legal requirements in Canada and the United States, but also the best practices recommended by securities regulators. The Company is listed on the NYSE and, although the Company is not required to comply with most of the NYSE corporate governance requirements to which the Company would be subject if it were a U.S. corporation, the Company's governance practices differ from those required of U.S. domestic issuers in only the following respects. The NYSE rules for U.S. domestic issuers require shareholder approval of all equity compensation plans (as defined in the NYSE rules) regardless of whether new issuances, treasury shares or shares that the Company has purchased in the open market are used. The TSX rules require shareholder approval of share compensation arrangements involving new issuances of shares, and of certain amendments to such arrangements, but do not require such approval if the compensation arrangements involve only shares purchased by the company in the open market. The NYSE rules for U.S. domestic issuers also require shareholder approval of certain transactions or series of related transactions that result in the issuance of common shares, or securities convertible into or exercisable for common shares, that has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding prior to the transaction or if the issuance of common shares, or securities convertible into or exercisable for common shares, is, or will be upon issuance, equal to or in excess of 20% of the number of common shares outstanding prior to the transaction. The TSX rules require shareholder approval of acquisition transactions resulting in dilution in excess of 25%. The TSX also has broad general discretion to require shareholder approval in connection with any issuances of listed securities. The Company complies with the TSX rules.

### Canadian Federal Income Tax Considerations

The following is a brief summary of some of the principal Canadian federal income tax consequences generally applicable to a holder of common shares of the Company (a "U.S. holder") who deals at arm's length with the Company, holds the shares as capital property and who, for the purposes of the *Income Tax Act* (Canada) (the "Act") and the *Canada-United States Income Tax Convention* (1980) (the "Treaty"), is at all relevant times resident in the United States, is not and is not deemed to be resident in Canada and does not use or hold and is not deemed to use or hold the shares in carrying on a business in Canada. Special rules, which are not discussed below, may apply to a U.S. holder which is an insurer that carries on business in Canada and elsewhere.

This summary is of a general nature only and is not, and should not be interpreted as, legal or tax advice to any particular U.S. holder and no representation is made with respect to the Canadian federal income tax consequences to any particular person. Accordingly, U.S. holders are advised to consult their own tax advisors with respect to their particular circumstances.

Under the Act and the Treaty, a U.S. holder of common shares (including an individual or estate) who is entitled to benefits under the Treaty will generally be subject to a 15% withholding tax on dividends paid or credited or deemed by the Act to have been paid or credited on such shares. The dividends may be exempt from such withholding in the case of some U.S. holders such as qualifying pension funds and charities. A U.S. holder who is not entitled to benefits under the Treaty (or to the benefits of the Dividends Article of the Treaty) will generally be subject to Canadian withholding tax at the rate of 25% on such dividends.

In general, a U.S. holder will not be subject to Canadian income tax on capital gains arising on the disposition of shares of the Company unless, at the time of disposition, the shares are "taxable Canadian property" (as defined in the Act) and such gains are not exempted from such income tax by virtue of the Treaty. Where the shares are listed on a designated stock exchange (which includes the TSX and the NYSE) at the time of disposition, the shares will not generally be taxable Canadian property, unless at any time in the 60-month period immediately preceding the disposition (i) 25% or more of the shares of any class or series of the capital stock of the Company was owned by or belonged to one or more of the U.S. holder and persons with whom the U.S. holder did not deal at arm's length, and (ii) more than 50% of the fair market value of the shares was derived directly or indirectly from one or more of real or immovable property situated in Canada, Canadian resource properties, timber resource properties or options in respect of the foregoing or interests therein. In certain circumstances, the shares may be deemed to be taxable Canadian property of a U.S. holder. A U.S. holder who is entitled to benefits under the Treaty will be so exempted under the Treaty where the value of the shares of the Company at the time of disposition is not derived principally from real property (as defined in the Treaty) situated in Canada. For this purpose, the Treaty defines real property situated in Canada to include rights to explore for or exploit mineral deposits and other natural resources situated in Canada, rights to amounts computed by reference to the amount or value of production from such resources and certain other rights in respect of natural resources situated in Canada.

### United States Federal Income Tax Considerations

The following is a brief summary of some of the principal U.S. federal income tax consequences to a holder of common shares of the Company, who deals at arm's length with the Company, holds the shares as a capital asset and who, for the purposes of the Internal Revenue Code of 1986, as amended (the "Code") and the Treaty, is at all relevant times a U.S Stockholder (as defined below).

As used herein, the term "U.S. Stockholder" means a holder of common shares of the Company who (for United States federal income tax purposes): (a) is a citizen or resident of the United States; (b) is a corporation created or organized in or under the laws of the United States or of any state therein; (c) is an estate the income of which is subject to United States federal income taxation regardless of its source; or (d) is a trust that either (i) has validly elected to be treated as a U.S. person or (ii) is subject to both the primary supervision of a U.S. court and the control of one or more U.S. persons with respect to all substantial trust decisions.

This summary is based on the Code, final and temporary Treasury Regulations promulgated thereunder, United States court decisions, published rulings and administrative positions of the U.S. Internal Revenue Service (the "IRS") interpreting the Code, and the Treaty, as applicable and, in each case, as in effect and available as of the date of this Form 20-F. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the United States federal income tax consequences described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

This summary does not describe United States federal estate and gift tax considerations, nor does it describe regional, state and local tax considerations within the United States. The following summary does not purport to be a comprehensive description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of the common shares. In particular, this summary only deals with a holder who will hold the common shares as a capital asset and who does not own, directly or indirectly, 10% or more of our voting shares or of any of our direct or indirect subsidiaries. This summary does not address all of the tax consequences that may be relevant to holders in light of their particular circumstances, including but not limited to application of alternative minimum tax or rules applicable to taxpayers in special circumstances. Special rules may apply, for instance, to tax-exempt entities, banks, insurance companies, S corporations, dealers in securities or currencies, persons who will hold common shares as a position in a "straddle", hedge, constructive sale or "conversion transaction" for U.S. tax purposes, persons who have a "functional currency" other than the U.S. dollar or persons subject to U.S. taxation as expatriates. Furthermore, in general, this discussion does not address the tax consequences applicable to holders that are treated as partnerships or other pass-through entities for United States federal income tax purposes.

This summary is of a general nature only and is not, and should not be interpreted as, legal or tax advice to any particular U.S. Stockholder and no representation is made with respect to the U.S. income tax consequences to any particular person. Accordingly, U.S. Stockholders are advised to consult their own tax advisors with respect to their particular circumstances.

#### *Dividends*

For United States federal income tax purposes, the gross amount of all distributions, if any, paid with respect to the common shares out of current or accumulated earnings and profits ("E&P") to a U.S. Stockholder generally will be treated as foreign source dividend income to such holder, even though the U.S. Stockholder generally receives only a portion of the gross amount (after giving effect to the Canadian withholding tax as potentially reduced by the Treaty). United States corporations that hold the common shares generally will not be entitled to the dividends received deduction that applies to dividends received from United States corporations. To the extent a distribution exceeds E&P, it will be treated first as a return of capital to the extent of the U.S. Stockholder's adjusted basis and then as gain from the sale of a capital asset.

In the case of certain non-corporate U.S. Stockholders, including individuals and certain estates and trusts, gains recognized prior to 2013 from the sale of a capital asset held for longer than 12 months are taxable at a maximum federal income tax rate of 15%, while gains from the sale of a capital asset that do not meet such holding period are taxable at the rates applicable to ordinary income. Certain dividends paid prior to 2013 to certain non-corporate U.S. Stockholders, including individuals and certain estates and trusts, generally are also subject to the 15% maximum rate. The reduced tax rates generally are available only with respect to dividends received from U.S. corporations, and from non-U.S. corporations (a) that are eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Treasury Department determines to be satisfactory and that contains an exchange of information program, or (b) whose stock is readily tradeable on an established securities market in the United States. In addition, the reduced tax rates are not available with respect to dividends received from a foreign corporation that was a passive foreign investment company in either the taxable year of the distribution or the preceding taxable year. Special rules may apply, however, to cause such dividends to be taxable at the higher rates applicable to ordinary income. For example, the reduced tax rates are not available with respect to a dividend on shares where the U.S. Stockholder does not continuously own such shares for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. Many other complex and special rules may apply as a condition to, or as a result of, the application of the reduced tax rate on dividends. U.S. Stockholders are advised to consult their own tax advisors.

For United States federal income tax purposes, the amount of any dividend paid in Canadian dollars will be the United States dollar value of the Canadian dollars at the exchange rate in effect on the date the dividend is properly included in income, whether or not the Canadian dollars are converted into United States dollars at that time. Gain or loss recognized by a U.S. Stockholder on a sale or exchange of the Canadian dollars will generally be United States source ordinary income or loss.

The withholding tax imposed by Canada generally is a creditable foreign tax for United States federal income tax purposes. Therefore, the U.S. Stockholder generally will be entitled to include the amount withheld as a foreign tax paid in computing a foreign tax credit (or in computing a deduction for foreign income taxes paid, if the holder does not elect to use the foreign tax credit provisions of the Code). The Code, however, imposes a number of limitations on the use of foreign tax credits, based on the particular facts and circumstances of each taxpayer. Investors should consult their tax advisors regarding the availability of the foreign tax credit. U.S. Stockholders that do not elect to claim foreign tax credit for a taxable year may be eligible to deduct such withholding tax imposed by Canada.

### *Capital Gains*

Subject to the discussion below under the heading "– Passive Foreign Investment Company Considerations", gain or loss recognized by a U.S. Stockholder on the sale or other disposition of the common shares will be subject to United States federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. Stockholder's adjusted basis in the common shares and the amount realized upon its disposition.

Gain on the sale of common shares held for more than one year by certain non-corporate U.S. Stockholders, including individuals and certain estates and trusts, will be taxable at a maximum rate of 15%. A reduced rate does not apply to capital gains realized by a U.S. Stockholder that is a corporation. Capital losses are generally deductible only against capital gains and not against ordinary income. In the case of an individual, however, unused capital losses in excess of capital gains may offset up to $3,000 annually of ordinary income.

Capital gain or loss recognized by a U.S. Stockholder on the sale or other disposition of common shares will generally be sourced in the United States.

### *Passive Foreign Investment Company Considerations*

The Company will be classified as a passive foreign investment company (a "PFIC") for United States federal income tax purposes if either (i) 75% or more of its gross income is passive income or (ii) on average for the taxable year, 50% or more of its assets (by value) produce or are held for the production of passive income. Based on projections of the Company's income and assets and the manner in which the Company intends to manage its business, the Company expects that the Company will not be a PFIC. However, there can be no assurance that this will actually be the case.

If the Company were to be classified as a PFIC, the consequences to a U.S. Stockholder will depend in part on whether the U.S. Stockholder has made a "Mark-to-Market Election" or a "QEF Election" with respect to the Company. If the Company is a PFIC during a U.S. Stockholder's holding period and the U.S. Stockholder does not make a Mark-to-Market Election or a QEF Election, the U.S. Stockholder will generally be subject to special rules including interest charges.

If a U.S. Stockholder makes a Mark-to-Market Election, the U.S. Stockholder would generally be required to include in its income the excess of the fair market value of the common shares as of the close of each taxable year over the U.S. Stockholder's adjusted basis therein. If the U.S. Stockholder's adjusted basis in the common shares is greater than the fair market value of the common shares as of the close of the taxable year, the U.S. Stockholder may deduct such excess, but only up to the aggregate amount of ordinary income previously included as a result of the Mark-to-Market Election, reduced by any previous deduction taken. The U.S. Stockholder's adjusted basis in its common shares will be increased by the amount of income or reduced by the amount of deductions resulting from the Mark-to-Market Election.

A U.S. Stockholder who makes a QEF Election would generally be currently taxable on its *pro rata* share of the Company's ordinary earnings and net capital gain (at ordinary income and capital gains rates, respectively) for each taxable year that the Company is classified as a PFIC, even if no dividend distributions were received.

If for any year the Company determines that it is properly classified as a PFIC, it will comply with all reporting requirements necessary for a U.S. Stockholder to make a QEF Election and will, promptly following the end of such year and each year thereafter for which the Company is properly classified as a PFIC, provide to U.S. Stockholders the information required by the QEF Election.

Under current U.S. law, if the Company is a PFIC in any year, a U.S. Stockholder must file an annual return on IRS Form 8621, which describes the income received (or deemed to be received pursuant to a QEF Election) from the Company, any gain realized on a disposition of common shares and certain other information.

***Information Reporting; Backup Withholding Tax***

Dividends on and proceeds arising from a sale of common shares generally will be subject to information reporting and backup withholding tax, currently at the rate of 28%, if (a) a U.S. Stockholder fails to furnish the U.S. Stockholder's correct United States taxpayer identification number (generally on Form W-9), (b) the withholding agent is advised the U.S. Stockholder furnished an incorrect United States taxpayer identification number, (c) the withholding agent is notified by the IRS that the U.S. Stockholder has previously failed to properly report items subject to backup withholding tax, or (d) the U.S. Stockholder fails to certify, under penalty of perjury, that the U.S. Stockholder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified the U.S. Stockholder that it is subject to backup withholding tax. However, U.S. Stockholders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Amounts withheld as backup withholding may be credited against a U.S. Stockholder's United States federal income tax liability, and a U.S. Stockholder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

Recently enacted legislation requires U.S. individuals to report an interest in any "specified foreign financial asset" if the aggregate value of such assets owned by the U.S. individual exceeds $50,000 (or such higher amount as the IRS may prescribe in future guidance). Stock issued by a foreign corporation is treated as a specified foreign financial asset for this purpose.

## Audit Fees

Fees paid to Ernst & Young LLP for 2011 and 2010 are set out below.

| | Year Ended December 31, | |
|---|---|---|
| | 2011 | 2010 |
| | *(C$ thousands)* | |
| Audit fees | 2,655 | 2,264 |
| Audit-related fees | 21 | 18 |
| Tax 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 activities. 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 SOX.

Tax fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services included the review of tax returns 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, and all fees referred to above were pre-approved in accordance with such policy.

### Available Documents

The Company's filings with the SEC, including exhibits and schedules filed with this Form 20-F, may be reviewed and copied at prescribed rates at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Further information on the public reference rooms may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site (www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Agnico- Eagle began to file electronically with the SEC in August 2002.

Any reports, statements or other information that the Company files with the SEC may be read at the addresses indicated above and may also be accessed electronically at the web site set forth above. These SEC filings are also available to the public from commercial document retrieval services.

The Company also files reports, statements and other information with the CSA and these can be accessed electronically at the CSA's System for Electronic Document Analysis and Retrieval web site at www.sedar.com.

The Company's filings with the SEC and CSA may also be accessed electronically from the Company's website at www.agnico-eagle.com.

## ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

***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.

| **Changes in variable** | **Impact on total cash costs per ounce** |
|---|---|
| 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 "Item 5 Operating and Financial Review and Prospects – Critical Accounting Estimates – Financial Instruments".

## ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

None/not applicable.

# PART II

## ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

## ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

## ITEM 15 CONTROLS AND PROCEDURES

### Evaluation of disclosure controls and procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2011 pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2011, the Company's disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information the Company is required to disclose in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Management's report on internal control over financial reporting

Management of 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, 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 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 which appears herein.

The Company will continue to periodically review its disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

### Attestation report of the registered public accounting firm

Please see "Item 18 Financial Statements – Report of Independent Registered Public Accounting Firm" included in the Company's Consolidated Financial Statements which is incorporated by reference to this Item 15.

### Changes in internal control over financial reporting

Management regularly reviews its system of internal control over financial reporting and makes changes to the Company's processes and systems to improve controls and increase efficiency, while ensuring that the Company maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There was no change in the Company's internal control over financial reporting that occurred during the period covered by this Annual Report on Form 20-F that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 15T CONTROLS AND PROCEDURES

Not applicable.

## ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that the Company shall have at least one "audit committee financial expert" (as defined in Item 16A of Form 20-F) and that Messrs. Bernard Kraft and Mel Leiderman are the Company's "audit committee financial experts" serving on the Audit Committee of the Board. Each of the Audit Committee financial experts is "independent" under applicable listing standards.

## ITEM 16B CODE OF ETHICS

The Company has adopted a "code of ethics" (as defined in Item 16B of Form 20-F) that applies to its Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. A copy of this code of ethics was filed as Exhibit 2 to the Form 6-K filed on December 13, 2005 and is incorporated by reference hereto. The code of ethics is available on the Company's website at www.agnico-eagle.com or, without charge, upon request from the Corporate Secretary, Agnico-Eagle Mines Limited, Suite 400, 145 King Street East, Toronto, Ontario M5C 2Y7 (telephone 416-947-1212).

There were no amendments to our waivers, express or implicit, of the code of ethics during the year ended December 31, 2011.

## ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee establishes the independent auditors' compensation. In 2003, the Audit Committee established a policy to pre-approve all services provided by the Company's independent public accountant, Ernst & Young LLP. The Audit Committee determines which non-audit services the independent auditors are prohibited from providing and authorizes permitted non-audit services to be performed by the independent auditors to the extent those services are permitted by SOX and other applicable legislation. A summary of all fees paid to Ernst & Young LLP for the fiscal years ended December 31, 2011 and 2010 can be found under "Item 10 Additional Information – Audit Fees" which is incorporated by reference into this Item 16C. All fees paid to Ernst & Young LLP in 2011 were pre-approved by the Audit Committee. Ernst & Young LLP has served as the Company's independent public accountant for each of the fiscal years in the three-year period ended December 31, 2011 for which audited financial statements appear in this Annual Report on Form 20-F.

## ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None/Not applicable.

## ITEM 16E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None/Not applicable.

## ITEM 16F CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

None/Not applicable.

## ITEM 16G CORPORATE GOVERNANCE

See "Item 10 Additional Information – Corporate Governance" which is incorporated by reference into this Item 16G.

## ITEM 16H MINE SAFETY DISCLOSURE

Not applicable.

# PART III

## ITEM 17 FINANCIAL STATEMENTS

The Company has elected to provide financial statements and related information pursuant to Item 18.

## ITEM 18 FINANCIAL STATEMENTS

Pursuant to General Instruction E(c) of Form 20-F, the registrant has elected to provide the financial statements and related information specified in Item 18.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Agnico-Eagle Mines Limited:

We have audited 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 (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's 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 receipts 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 and comprehensive income, 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 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 which 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 and comprehensive income, 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 consolidated financial position of Agnico-Eagle Mines Limited at December 31, 2011 and 2010, and the consolidated 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 are expressed in thousands of United States dollars ("US dollars", "US$" or "$"), except where noted, and have been prepared in accordance with 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 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 FASB 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 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 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 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 CSA 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 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)*

| | As at December 31, | |
|---|---|---|
| | 2011 | 2010 |
| **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 | 821,580 | 674,222 |
| 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 |
| | $ 5,034,262 | $ 5,500,351 |

## AGNICO-EAGLE MINES LIMITED
## CONSOLIDATED BALANCE SHEETS (Continued)

*(thousands of United States dollars, US GAAP basis)*

| | As at December 31, | |
|---|---|---|
| | **2011** | **2010** |
| **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 | 254,444 | 303,311 |
| 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 |
| **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 |
| | 3,202,972 | 3,665,450 |
| Non-controlling interest | 12,191 | – |
| Total shareholders' equity | 3,215,163 | 3,665,450 |
| | $ 5,034,262 | $ 5,500,351 |
| 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)*

| | Year 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 |

# AGNICO-EAGLE MINES LIMITED
# CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (Continued)

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **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*

# AGNICO-EAGLE MINES LIMITED
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*(thousands of United States dollars, US GAAP basis)*

| | Common Shares | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Stock Options | Warrants | Contributed Surplus | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest |
| **Balance December 31, 2008** | 154,808,918 | $2,299,747 | $ 41,052 | $ 24,858 | $ 15,166 | $ 157,541 | $ (20,608) | $ – |
| Shares issued under Employee Stock Option Plan (note 8(a)) | 1,238,000 | 48,313 | (11,683) | – | – | – | – | – |
| Stock options | – | – | 36,402 | – | – | – | – | – |
| Shares issued under the Incentive Share Purchase Plan (note 8(b)) | 196,649 | 11,290 | – | – | – | – | – | – |
| Shares issued under flow-through share private placement (note 7(b)) | 358,900 | 19,153 | – | – | – | – | – | – |
| Shares issued under the Company's dividend reinvestment plan | 18,764 | 912 | – | – | – | – | – | – |
| Shares issued for purchase of mining property (note 7(c)) | 33,825 | 894 | – | – | – | – | – | – |
| Net income for the year | – | – | – | – | – | 86,538 | – | – |
| Dividends declared ($0.18 per share) (note 7(a)) | – | – | – | | – | (27,921) | – | – |
| Other comprehensive income for the year | – | – | – | – | – | – | 71,657 | – |
| Restricted share unit plan (note 8(c)) | (29,882) | (1,550) | – | – | – | – | – | – |
| **Balance December 31, 2009** | 156,625,174 | $2,378,759 | $ 65,771 | $ 24,858 | $ 15,166 | $ 216,158 | $ 51,049 | $ – |
| Shares issued under Employee Stock Option Plan (note 8(a)) | 1,627,766 | 104,111 | (29,447) | – | – | – | – | – |
| Stock options | – | – | 42,230 | – | – | – | – | – |
| Shares issued under the Incentive Share Purchase Plan (note 8(b)) | 229,583 | 14,963 | – | – | – | – | – | – |
| Shares issued under the Company's dividend reinvestment plan | 25,243 | 1,404 | – | – | – | – | – | – |
| Shares issued for purchase of mining property (note 7(c) and (d)) | 10,225,848 | 579,800 | – | – | – | – | – | – |
| Net income for 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 31, 2010** | 168,720,355 | $3,078,217 | $ 78,554 | $ 24,858 | $ 15,166 | $ 440,265 | $ 28,390 | $ – |

# AGNICO-EAGLE MINES LIMITED
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)

*(thousands of United States dollars, US GAAP basis)*

| | Common Shares | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Stock Options | Warrants | Contributed Surplus | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest |
| 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 31, 2011** | 170,813,736 | $3,181,381 | $ 117,694 | $ 24,858 | $ 15,166 | $(129,021) | $ (7,106) | $ 12,191 |

*See accompanying notes*

## AGNICO-EAGLE MINES LIMITED
## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(thousands of United States dollars, US GAAP basis)*

| | Years ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **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 propery, 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 Comaplex 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 | 663,462 | 483,470 | 115,106 |
| **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 | (760,484) | (523,306) | (587,611) |

**AGNICO-EAGLE MINES LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**
*(thousands of United States dollars, US GAAP basis)*

| | Years ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| **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 | 182,545 | (21,945) | 559,818 |
| **Effect of exchange rate changes on cash and cash equivalents** | (1,636) | (2,939) | 4,585 |
| **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** | $ 179,447 | $ 95,560 | $ 160,280 |
| ***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*

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

## 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 |
| | $ 75,899 | $ 112,949 |

| | 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 |
| | $ 1,821,799 | $ 1,422,521 | $ 613,762 |

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%).

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

## 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 |
| | $ 110,369 | $ 89,776 |

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

### (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:

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

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.

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

## 2. OTHER ASSETS (Continued)

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

| | 2011 | 2010 |
|---|---|---|
| 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 |
| | $ 88,048 | $ 61,502 |

(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.

## 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 | – | – | – |
| | $4,635,027 | $ 739,672 | $ 3,895,355 | $5,103,162 | $ 538,599 | $ 4,564,563 |

(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.

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

## 3. PROPERTY, PLANT AND MINE DEVELOPMENT (Continued)

**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 | $ 3,895,355 | $ 4,564,563 |

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.

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

## 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:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **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) | – |
| | $ 228,955 | $ 142,490 | $ 86,465 | $ – |
| **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,

## 5. LONG-TERM DEBT (Continued)

2013. However, the Company, with the consent of lenders representing 66⅔% 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.

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 "Amended Second Credit Facility").

On August 4, 2011, the Company entered into the Credit Facility, which amended and restated the Amended Second Credit Facility. The total amount available under the Credit Facility is $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 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 entered into the EDC Facility 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 the offering of the Notes. 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.

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

## 5. LONG-TERM DEBT (Continued)

The following are the individual series of the issued Notes:

| | Principal | Interest Rate | Maturity Date |
|---|---|---|---|
| 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 |
| | $600,000 | | |

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%).

## 6. RECLAMATION PROVISION AND OTHER LIABILITIES

Reclamation provision and other liabilities consist of the following:

| | 2011 | 2010 |
|---|---|---|
| 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 | $ 145,988 | $ 145,536 |

### (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.

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

## 6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

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

| | 2011 | 2010 |
|---|---|---|
| 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 | $ 105,443 | $ 91,641 |

### (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.

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

## 6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

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

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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 | $ 2,101 | $ 1,783 | $ 986 |

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:

| | 2011 | 2010 |
|---|---|---|
| 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 | $ 11,418 | $ 9,598 |

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 |
| | $ 895 |

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

## 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 | 2,952 | 2,443 |
| **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 | 14,370 | 12,041 |
| Deficiency of plan assets compared with projected benefit obligation | $ (11,418) | $ (9,598) |
| Comprised of: | | |
| Unamortized transition liability | $ (500) | $ (681) |
| Unamortized net experience loss | (3,626) | (2,283) |
| Accrued liabilities | (7,292) | (6,634) |
| | $ (11,418) | $ (9,598) |
| 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.

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

## 6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

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 the Basic Plan and the Supplemental 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.

## 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.

## 7. SHAREHOLDERS' EQUITY (Continued)

### (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 (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 (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.

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

## 7. SHAREHOLDERS' EQUITY (Continued)

The following table sets out the components of accumulated other comprehensive income (loss), net of related tax effects:

| | 2011 | 2010 |
|---|---|---|
| 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 |
| | $ (7,106) | $ 28,390 |

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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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 | 169,352,896 | 165,842,259 | 158,620,888 |

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.

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

## 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 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 | |

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

## 8. STOCK-BASED COMPENSATION (Continued)

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:

| | Options Outstandingp | | | Options Exercisable | |
|---|---|---|---|---|---|
| | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| **Range of Exercise Prices** | | | | | |
| 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.

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.

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

## 8. STOCK-BASED COMPENSATION (Continued)

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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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.

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

## 8. STOCK-BASED COMPENSATION (Continued)

### (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 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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Current provision | | | |
| Canada | $ 58,752 | $ 34,217 | $ 1,171 |
| Mexico | 3,496 | 1,942 | – |
| Finland | 222 | – | – |
| | 62,470 | 36,159 | 1,171 |
| Deferred provision (recovery) | | | |
| Canada | (337,408) | 47,083 | 27,083 |
| Mexico | 54,996 | 18,759 | – |
| Finland | 10,269 | 1,086 | (6,754) |
| | (272,143) | 66,928 | 20,329 |
| | $ (209,673) | $ 103,087 | $ 21,500 |

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

## 9. INCOME AND MINING TAXES (Continued)

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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| 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 | 26.9% | 23.7% | 19.9% |

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)/ Liabilities | (Assets)/ 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 | $ 498,572 | $ 736,054 |

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

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

## 9. INCOME AND MINING TAXES (Continued)

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 | $ 1,200 | $ 1,630 |

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.

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.

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

## 10. ACQUISITIONS (Continued)

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 | $ 222,100 |
| **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 | $ 222,100 |

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:

| | 2011 | 2010 |
|---|---|---|
| | *Unaudited* | |
| *Pro forma* net income (loss) attributed to common shareholders | $ (582,762) | $ 324,708 |
| *Pro forma* 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

## 10. ACQUISITIONS (Continued)

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.

### *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.

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

## 10. ACQUISITIONS (Continued)

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 | $ | 667,638 |
| **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 | $ | 667,638 |

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.

*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* | | |
| *Pro forma* net income attributed to common shareholders | $ | 331,516 | $ | 85,371 |
| *Pro forma* net income per share – basic | $ | 2.04 | $ | 0.55 |

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

## 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.

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

## 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%.

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

## 13. LEASES (Continued)

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:

| Year ending December 31: | |
|---|---|
| 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 |

The Company's capital lease obligations at December 31 are comprised of the following:

| | 2011 | 2010 |
|---|---|---|
| Total future lease payments | $ 40,630 | $ 54,476 |
| Less: interest | 3,378 | 5,865 |
| | 37,252 | 48,611 |
| Less: current portion | 11,068 | 10,592 |
| Long-term portion of capital lease obligations | $ 26,184 | $ 38,019 |

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

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

## 13. LEASES (Continued)

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:

| | Minimum Lease Payments |
|---|---|
| 2012 | $ 1,676 |
| 2013 | 946 |
| 2014 | 755 |
| 2015 | 696 |
| 2016 | 696 |
| Thereafter | 3,822 |
| Total | $ 8,591 |

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 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.

## 15. FINANCIAL INSTRUMENTS (Continued)

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 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

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

## 15. FINANCIAL INSTRUMENTS (Continued)

values, based on calculated 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 | $ (4,404) | $ – |

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) | – |
| | $ 3,683 | $ 7,612 | $ 3,592 |

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.

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

## 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 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) | $ 302,893 |

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

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

## 18. IMPAIRMENT LOSS ON MEADOWBANK MINE (Continued)

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: | Kittila 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 |

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

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

## 19. SEGMENTED INFORMATION (Continued)

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) |
| | $1,821,799 | $ 876,078 | $ 261,781 | $ 75,721 | $ (1,082) | $ 302,893 | $ 907,681 | $(601,273) |
| 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** | | | | | | | | $(778,628) |

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

## 19. SEGMENTED INFORMATION (Continued)

| Year Ended December 31, 2010 | Revenues from Mining Operations | Production Costs | Amortization | Exploration & 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) |
| | $ 1,422,521 | $ 677,472 | $ 192,486 | $ 54,958 | $ 19,536 | $ 478,069 |
| 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** | | | | | | $ 435,203 |

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

## 19. SEGMENTED INFORMATION (Continued)

| Year Ended December 31, 2009 | Revenues from Mining Operations | Production Costs | Amortization | Exploration & 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) |
| | $ 613,762 | $ 306,318 | $ 72,461 | $ 36,279 | $ 39,831 | $ 158,873 |
| 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** | | | | | | $ 108,038 |

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

## 19. SEGMENTED INFORMATION (Continued)

| | 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 |
| | $ 5,034,262 | $ 5,500,351 |

| | 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 | – |
| | $ 737,364 | $ 1,175,251 | $ 656,759 |

## 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

## 21. ALLEGED SECURITIES CLASS ACTION LAWSUITS (Continued)

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 Hetsforsakrfngsaktiebolag, Kollektiv a Vtalsstfftelsen 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.

## ITEM 19 EXHIBITS

*Exhibits and Exhibit Index.* The following Exhibits are filed as part of this Annual Report and incorporated herein by reference to the extent applicable.

**EXHIBIT INDEX**

| Exhibit No. | Description | |
|---|---|---|
| 1.01 | Articles of Amalgamation of the Company. | * |
| 1.02 | Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 99.1 to the Company's Form 6-K (File No. 001-13422) furnished to the SEC on March 28, 2008). | * |
| 4.01 | Amended and Restated Credit Agreement, dated as of August 4, 2011, between the Company, the guarantors party thereto, the lenders party thereto and The Bank of Nova Scotia. | * |
| 4.02 | Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-152004), filed with the SEC on August 19, 2008).** | * |
| 4.03 | Amended and Restated Incentive Share Purchase Plan (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File No. 333-152004) filed with the SEC on August 19, 2008).** | * |
| 4.04 | Warrant Indenture, dated as of April 4, 2009, between the Company and Computershare Trust Company of Canada (incorporated by reference to Exhibit 4.05 to the Company's Annual Report on Form 20-F (File No. 001-13422) for the fiscal year ended December 31, 2009, filed with the SEC on March 26, 2010). | * |
| 4.05 | Note Purchase Agreement, dated as of April 7, 2010, between the Company and the purchasers party thereto (incorporated by reference to Exhibit 4.05 to the Company's Annual Report on Form 20-F (File No. 001-13422) for the fiscal year ended December 31, 2010, filed with the SEC on March 28, 2011). | * |
| 8.01 | List of subsidiaries of the Company. | * |
| 11.01 | Code of Ethics (incorporated by reference to Exhibit 2 to the Company's Form 6-K (File No. 001-13422) furnished to the SEC on December 21, 2005). | * |
| 12.01 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code) (Sean Boyd). | * |
| 12.02 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code) (Ammar Al-Joundi). | * |
| 13.01 | Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Sean Boyd).*** | * |
| 13.02 | Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Ammar Al-Joundi).*** | * |
| 15.01 | Consent of Independent Registered Public Accounting Firm. | * |
| 15.02 | Audit Committee Charter (incorporated by reference to Exhibit 15.04 to the Company's Annual Report on Form 20-F (File No. 001-13422) for the fiscal year ended December 31, 2005 filed with the SEC on March 28, 2006). | |
| 15.03 | Consent of Marc Legault | |
| 101 | The following financial information from Agnico-Eagle Mines Limited's Comparative Audited Consolidated Financial Statements, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Cash Flow; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Shareholders' Equity; (v) the Consolidated Statements of Comprehensive Income; and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text. | |

* Such exhibits and other information filed by the Company with the SEC are available to shareholders upon request at the SEC's public reference section, may be inspected and copied at prescribed rates at the public reference room maintained by the SEC located at 110 F Street, N.E., Room 1580, Washington, D.C. 20549, U.S.A. or may be accessed electronically at the SEC's website (www.sec.gov).

** Management contracts or compensatory plan, contract or arrangements required to be filed and herein incorporated as an exhibit.

*** Pursuant to the SEC Release No. 33-8212 and 34-47551, this certification will be treated as "accompanying" this Annual Report on Form 20-F and not "filed" as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be incorporated by reference into any filing under the U.S. Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

AGNICO-EAGLE MINES LIMITED

Toronto, Canada
March 28, 2012

By: /s/ AMMAR AL-JOUNDI

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

# OFFICERS

**Sean Boyd**
*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 Evaluations*

**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*

**Luis Felipe Medina Aguirre**
*Vice-President, Mexico*

**Pierre Bureau**
*Vice-President, Construction*

**Lino Cafazzo**
*Vice-President, Information Technology*

**Mathew Cook**
*Vice-President, Controller*

**Paul Cousin**
*Vice-President, Metallurgy*

**Picklu Datta**
*Vice-President, Treasurer*

**Patrice Gilbert**
*Vice-President, Human Resources*

**Guy Gosselin**
*Vice-President, Exploration*

**Ingmar E. Haga**
*Vice-President, Europe*

**Michel Leclerc**
*Vice-President, Project Evaluations*

**Christian Provencher**
*Vice-President, Canada*

# SHAREHOLDER INFORMATION

### Auditors
Ernst & Young LLP

### Solicitors
Davies Ward Philips & Vineberg LLP
(Toronto and New York)

### Listings
The New York Stock Exchange and the Toronto Stock Exchange
Stock Symbol: AEM

### Transfer Agent
Computershare Trust Company of Canada
1-800-564-6253

### Investor Relations
(416) 947-1212

### Annual Meeting of Shareholders
Friday, April 27, 2012, at 11:00 am
The Harbour Ballroom
Westin Harbour Castle
Toronto, Ontario, Canada
M5J 1A6

### Corporate Head Office
Agnico-Eagle Mines Limited
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twitter.com/agnicoeagle
agnico-eagle.com

Concept and Design: THE WORKS DESIGN COMMUNICATIONS LTD. www.worksdesign.com Printing: MERRILL CORPORATION CANADA

Where we stand.

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