AGNICO EAGLE // 2013 ANNUAL REPORT

AGNICO EAGLE

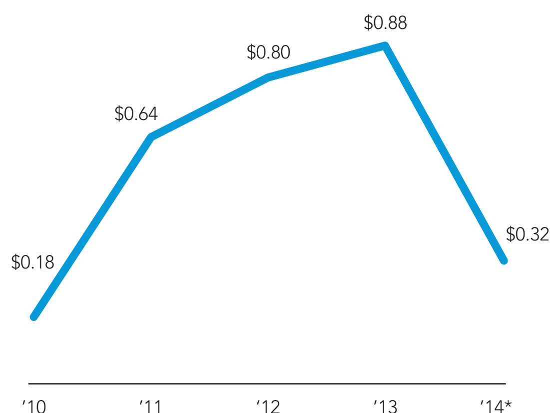
2013 Annual Report

Targets and Achievements

2013 TARGETS	WHAT WE DELIVERED	2014 TARGETS
970,000 to 1,010,000 ounces of gold production	**Achieved. Record annual gold production of 1,099,335 ounces, largely due to strong operating results from all mines**	1,175,000 to 1,205,000 ounces of gold production
Meet or exceed production guidance	**Achieved. Gold production of 6.4 ounces per 1,000 shares**	Meet or exceed 2014 production guidance
Maintain gold reserves between 15 and 20 times annual gold production rate	**Achieved. Maintained gold reserves at 16.9 million ounces, a decrease of 1.8 million ounces (including 2013 production of approximately 1.1 million ounces)**	Maintain gold reserves at approximately 15 times annual gold production rate
Total cash costs of $700 to $750 per ounce	**Achieved. Total cash costs of $672 per ounce, primarily due to cost optimization programs at all assets**	Total cash costs of $670 to $690 per ounce
All-in sustaining costs of approximately $1,075 per ounce	**Achieved. All-in sustaining costs of $952 per ounce**	All-in sustaining costs of approximately $990 per ounce
Increase operating cash flow per share	**Annual cash flow from operations of $438.3 million or $2.53 per share as compared to $696 million or $4.06 per share in 2012**	Increase operating cash flow per share
Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities	**We continue to seek acquisition opportunities in low-risk regions that are well matched to our skills and abilities**	Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities
Lost-time accident frequency below a rate of 2.8 for the Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and developing "leading" performance indicators	**Achieved 1.70 lost-time accident frequency**	Lost-time accident frequency below a rate of 2.07 for the Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and developing "leading" performance indicators
No fines or penalties for environmental failures	**Achieved**	No fines or penalties for environmental failures
Zero category 3, 4 or 5 environmental incidents	**One category 3 incident was reported***	Zero category 3, 4 or 5 environmental incidents

* A category 3 event occurred at one of our exploration projects in Finland as a result of an act of vandalism during a theft of fuel from storage tanks. Approximately 700 litres of fuel were spilled in the event. The area was subsequently cleaned up. A category 3 incident causes moderate, reversible environmental impact, with short-term effect, and requires moderate remediation.

Financial Summary



*Assuming the Board of Directors continues to declare dividends of $0.08 per quarter.

All dollar amounts in this report are in US$ unless otherwise indicated		**2013**		2012		2011
OPERATING						
Payable gold production (ounces)		**1,099,335**		1,043,811		985,460
Total cash costs per ounce of gold produced[1]	**$**	**672**	$	640	$	580
Average realized gold price per ounce		**1,366**		1,667		1,573
FINANCIAL						
(millions, except per share amounts)						
Revenue from mining operations	**$**	**1,638.4**	$	1,917.7	$	1,821.8
Net income (loss) for the year attributed to common shareholders		**(406.5)**[3]		310.9		(568.9)[2]
Net income (loss) per share – basic		**(2.35)**[3]		1.82		(3.36)[2]
Annualized dividend paid per share		**0.88**		0.80		0.64

[1] Total cash costs per ounce of gold produced is a non-GAAP financial performance measure. For a reconciliation of total cash costs per ounce of gold produced to the figures presented in the annual audited consolidated financial statements prepared in accordance with US GAAP, see Results of Operations – Production Costs in the Management's Discussion and Analysis.

[2] The Company's 2011 results were impacted by impairment losses recorded at the Meadowbank and Goldex mines of $648.0 million and $197.3 million (after tax), respectively.

[3] The Company's 2013 results were impacted by impairment losses recorded at the Meliadine project, Meadowbank mine and Lapa mine of $200.1 million, $194.5 million and $41.7 million (after tax), respectively.

Note:

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. See "Mineral Reserves and Resources" in the Company's Annual Information Form filed on SEDAR at www.sedar.com for additional information.

Fellow shareholders,

In a cyclical business like gold mining, it is the quality of your assets, the soundness of your business strategy, and the depth of your team that enable you to come through challenging times stronger than before and ultimately help you achieve your business goals.

This past year, all of us at Agnico Eagle worked to make the Company stronger in the face of uncertain markets, and I am pleased to report that we achieved and, in a few instances, exceeded our 2013 goals.

We surpassed our production targets. We achieved our best safety performance ever. We restarted the Goldex mine and commissioned the new La India mine – with both projects proceeding on time and on budget. We adjusted to the lower gold price environment, focusing on what we could control, and for the last eight consecutive quarters we have delivered the results we promised to our shareholders and stakeholders. We remained focused on growing production and lowering our costs, which has positioned us well to take advantage of new business opportunities in the coming years.

2013 financial performance and operational highlights

Despite the big drop in the gold price and decline in our share price, Agnico Eagle had a good year from an operating perspective, which allowed us to increase our production guidance and lower our cost guidance during the third quarter of the year.

In addition to bringing Goldex and La India on-stream, our Meadowbank operation had an outstanding year and we continued to increase production from the deeper portion of the LaRonde mine.

We instituted several cost-saving measures in 2013 in order to preserve our financial flexibility. We reduced our capital and operating costs by $50 million and our exploration spending by $20 million. Over the years our employees have helped us build and create a valuable business. This past year was no different. Not only did employees work with us to identify key cost-saving measures, they made personal sacrifices which improved both our current and future financial flexibility.

Our employees were also instrumental in helping us achieve another record safety performance in 2013. What's more remarkable is that we are operating in a much safer fashion than ever before – all while operating more mines, with more people, and producing more ounces than we've ever produced in our 57-year history.

It is our employees' dedication to Agnico Eagle that has enabled us to achieve our safety and production goals. We view the depth and experience of our team as one of our key competitive advantages, and in 2014, we will be expanding and enhancing our talent development program in order to maintain that advantage.

Market outlook

While the fundamentals and outlook for gold remain strong, there has definitely been a shift in market thinking about this precious metal. The first shift is that the physical demand for gold is moving from West to East, with the most growth in demand coming from China and India. With their increasing populations and growing wealth, there is not enough physical material to supply these Asian markets, which will ultimately be what sustains the gold price over time. Secondly, investing sentiment is shifting from using gold as "a safe haven against a financial calamity" to more of a "store of wealth and portfolio diversifier" now and in the future. This should support the long-term gold price and it is not inconceivable that gold prices could reach $1,500 an ounce in the next 18 months.

2014 business focus

We will continue to focus on building a high-quality, manageable business that generates superior long-term returns for our shareholders.

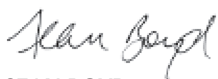
In 2014, we will maintain our focus on growing production in order to achieve our future production targets. The successful ramp-up of La India and Goldex – along with continued strong performance from our other five mines – is expected to drive production to almost 1.2 million ounces of gold in 2014, with our all-in costs expected to be in the area of $1,000 per ounce of gold.

Given the volatile gold price environment in 2013, we have worked hard to reduce our future capital spending. We estimate our capital expenditures in 2014 will be about $416 million, down significantly from the $578 million spent in 2013. Our goal is to manage our capital expenditures so that we ultimately generate more free cash flow.

We will continue to organize our mining operations into two distinct business units reflecting the northern and southern focus of our activities. This global approach allows us to play to our strengths and manage our risks better in each region, as well as to take advantage of new business opportunities. It also provides both businesses with more autonomy and resources to achieve the Company's long-term business goals.

Sadly, Douglas Beaumont, a member of Agnico Eagle's Board of Directors, passed away in 2013. Doug had a long and distinguished career in the Canadian mining industry and was one of our most recognized experts in gold mining and processing. He was also a great technical resource to our people on many of our development projects. Doug's experience, knowledge and, above all, his friendship will be missed by everyone at Agnico Eagle.

Finally, we view 2014 as a time of great potential opportunity for our Company. It is not a time to sit back. Agnico Eagle is well positioned to make selective strategic investments should the right opportunities present themselves. We will also maintain our position as a fiscally, socially and environmentally responsible company in order to achieve our mission of running a high-quality, manageable business, which generates superior long-term per share returns for our shareholders, creates a great place to work for our employees, and is a leading contributor to the well-being of the communities in which we operate.



SEAN BOYD
President and Chief Executive Officer
March 21, 2014

CORPORATE STRATEGY

Build a high-quality, manageable business that generates superior long-term returns per share by:

Increasing gold production in lower risk jurisdictions: We expect production growth of approximately 16% to over 1.25 million ounces by 2016 from existing mines.

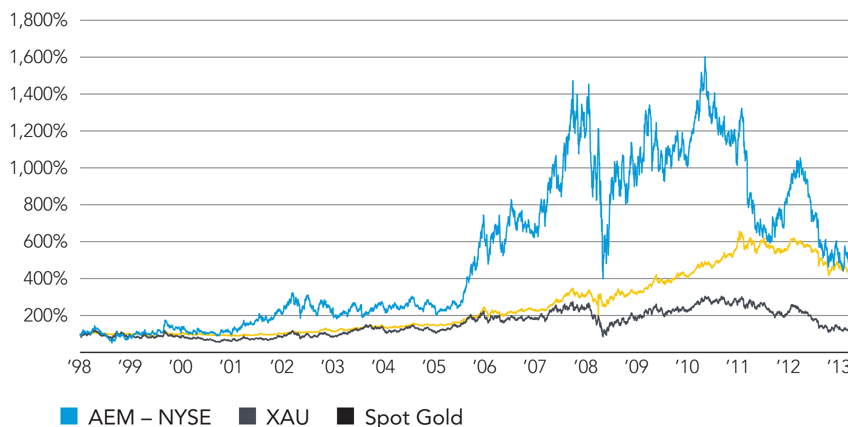
Growing operating and free cash flows: Our goal is to increase net free cash flow through higher production, controlling operating costs and disciplined capital spending.

Providing meaningful dividends: We have a history of paying dividends for 32 consecutive years, and our goal is to increase the dividend over time.

Minimizing share dilution: Traditionally, acquisitions and construction have been completed with minimal share dilution.

Operating in a socially responsible manner: Our strategy is to create economic value by operating in a safe, socially and environmentally responsible manner while contributing to the prosperity of our employees and the communities in which we operate.

15-year share price performance



"We will continue to focus on building a high-quality, manageable business that generates superior long-term returns for our shareholders."

Northern Business

Our northern business base includes our assets in Canada and Finland, mainly centred around our large mines at Meadowbank, Kittila, LaRonde and our large gold reserve and resource at Meliadine. In 2013, our operations introduced several productivity and cost-saving initiatives which helped them deliver solid results.

LaRonde's new cooling plant reduces congestion and improves flexibility

LaRonde produced 181,781 ounces of gold in 2013 at a total cash cost per ounce of $763, as compared to 160,875 ounces at $569 per ounce in 2012. The higher production is a result of improved grades from the deeper mine area where more production is now sourced. The increase in cash costs is primarily due to lower byproduct production and related revenues. In 2014, approximately 80% of the production will come from the lower mine area.

The commissioning of the cooling plant in late 2013 helped reduce heat in the lower part of the mine and provided additional mining plan flexibility which reduced congestion. In 2015, a new ore conveyor system, which is scheduled to be installed in the deeper portion of the mine, should help lower costs and reduce congestion further. Production from the deeper areas of the mine is expected to ramp up substantially through 2016.

Lapa's production remains steady as operations begin winding down

The team at Lapa introduced several successful cost containment measures in 2013, which helped steady the mine's overall performance. The mine produced 100,730 ounces of gold at a total cash cost of $678 per ounce, which was in line with 2012 results. Based on the current life-of-mine plan, we anticipate that 2014 and 2015 will be the last two years of full production at Lapa, with the mine operating only for a portion of 2016. However, exploration results from the parallel Zulapa Z8 zone could extend the mine life through 2016.

Goldex achieves commercial production

The Goldex mine successfully started operations at the M and E zones in the fourth quarter of 2013. The mine produced 20,810 ounces of gold, including 1,505 preproduction ounces, during 2013. Of that amount, 19,305 ounces of gold were produced during the fourth quarter at a total cash cost per ounce of $782.

Over the next three years, Goldex is expected to produce approximately 80,000 ounces of gold annually at a total cash cost of approximately $900 per ounce over a mine life of three to four years. In 2014, development activities will begin on the MX and E2 satellite zones. Exploration is continuing on several other satellite zones, including the deeper D zone, which could potentially extend the mine's life. Economies of scale may be available if additional zones are developed, as the mill has the ability to operate at over 8,000 tonnes per day (tpd) as compared with the currently planned 6,000 tpd.

Meadowbank sets new production record as reserve grades improve 16%

Meadowbank's performance in 2013 was excellent, with the operation posting a new production record, achieving its lowest minesite costs, and improving the overall quality of its reserves.

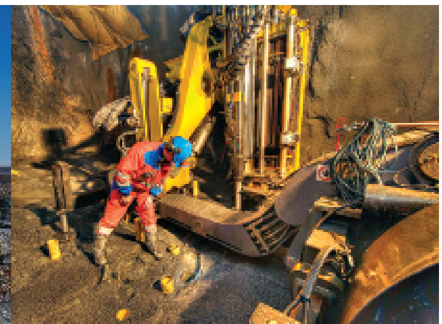
Gold production was a record 430,613 ounces at a total cash cost per ounce of $774, as compared to 366,030 ounces at $913 per ounce in 2012. The production increase and improved cash costs are primarily due to better tonnage and grade than predicted, consistently high crusher throughput levels, slightly better recoveries and strong cost containment programs.

Overall, the reserve grade at Meadowbank improved 16% to 3.24 g/t gold, largely due to the reinterpretation of the Goose and Portage block models. In 2014 and succeeding years, we anticipate increased production levels versus prior guidance due to the higher than expected reserve grades and our improved throughput levels.

Kittila achieves record mill recoveries; 2015 mill expansion on track

In 2013, the Kittila mine in northern Finland operated as an underground mine only, following the completion of open pit mining in late 2012. The mine produced 146,421 ounces of gold in 2013 at a total cash cost per ounce of $601, as compared to 175,878 ounces at $565 per ounce in 2012. The lower production was due to an extended maintenance shutdown in the second quarter of the year, while the higher costs are attributable to the lower production and the transition to underground mining.

The mill's performance improved significantly after the maintenance shutdown, with the mill recording its highest ever recoveries – at 90.2%. Kittila's 750 tpd mill expansion, which will increase its daily throughput capacity to 3,750 tonnes, is on schedule for start-up in mid-2015. It is expected to improve Kittila's unit costs and offset an expected decline to reserve grade over the next several years. A study is underway to consider the construction of a production shaft at Kittila, which would be expected to provide operating costs savings and sustain long-term production at higher throughput levels; while another study is evaluating the feasibility of developing the Rimpi zone as a potential ore source.



In 2013, our northern business had record gold output that exceeded not only our budget, but also the guidance, both in terms of production and cost.

Southern Business

Our southern business, based in Mexico, has demonstrated its ability to grow quickly and generate strong net free cash flow. It is from here that we expect to add new operating platforms for future growth.

Pinos Altos posts strong performance as focus shifts underground

Our Pinos Altos operation performed well in 2013 – continuing to generate strong cash flow and excellent mill recoveries, while maintaining its low cost profile.

The mine produced 181,773 ounces of gold in 2013 at a total cash cost per ounce of $412, as compared to 183,662 ounces at $276 per ounce in 2012. The increased cash costs were largely due to a lower realized price for silver. The mine's shaft sinking project remains on schedule for start-up in 2015; the shaft will increase the maximum capacity of the underground mine from the current 3,000 tpd to 4,500 tpd. The new production forecast for 2014–2016 is higher than previously estimated as a result of expectations that the strong operating performance in 2013 will continue and support higher mill throughput.

Production resumes at Creston Mascota

Creston Mascota, a satellite operation to Pinos Altos, resumed operation in April 2013 after a four-month suspension for leach pad modifications. In 2013, it produced 34,027 ounces at a total cash cost per ounce of $485, as compared to 51,175 ounces at $326 per ounce in 2012, reflecting the impact of the temporary shutdown. Creston Mascota's annual production is expected to be lower from 2014 through 2016, reflecting anticipated lower ore grades going forward.

La India – our newest mine

In 2013, we commissioned La India – Agnico Eagle's seventh and newest mine. The mine has been built ahead of schedule and on budget, and we anticipate achieving commercial production in the first quarter of 2014. La India is located approximately 70 kilometres from our Pinos Altos mine in Sonora State, Mexico.

We began mining at La India in September and we poured first gold there in November 2013. We anticipate that La India will produce 50,000 ounces of gold in 2014, 90,000 ounces in 2015, and average 90,000 ounces of gold per year over its reserve life. In 2013, pre-commercial production totalled 3,180 ounces of gold. We anticipate total cash costs per ounce of $743 in 2014.

Our southern business continues to grow as we are expecting about a 36% increase in output coming from our Mexican operations over the 2013 level.

Gold Reserves

Gold reserves remain robust

Despite using a $1,200 per ounce gold price, Agnico Eagle's reserve quality improved at most of our mining assets. Our year-end 2013 gold reserves, net of production, now stand at 16.9 million ounces in 149 million tonnes of ore, with an 11% improvement in the average grade to 3.51 grams per tonne (g/t).

In addition, Agnico Eagle's reserve life remains strong at approximately 15 years (based on the 2014 production rate) with several of our key properties reporting meaningful increases in their average reserve gold grade: LaRonde from 4.54 g/t to 5.00 g/t, Meadowbank from 2.82 g/t to 3.24 g/t, Pinos Altos from 2.21 g/t to 2.46 g/t and Meliadine from 6.98 g/t to 7.38 g/t. Our 2014 exploration program – budgeted at $54 million, a significant reduction from historical levels – will focus primarily on our minesites and regional exploration in Nunavut, Quebec, Mexico and Finland.

Proven and Probable Gold Reserves by Mine

(thousands of ounces)	**2013**	2012
NORTHERN BUSINESS		
LaRonde	**3,880**	4,206
Lapa	**281**	395
Goldex	**372**	349
Kittila	**4,714**	4,783
Meadowbank	**1,751**	2,294
Meliadine	**2,841**	2,987
Bousquet	**–**	178
Northern subtotal reserves	**13,841**	15,191
SOUTHERN BUSINESS		
Pinos Altos	**2,266**	2,714
La India	**758**	776
Southern subtotal reserves	**3,024**	3,489
Total reserves	**16,865**	18,681

Amounts presented in this table have been rounded to the nearest thousand. In addition to Agnico Eagle's proven and probable reserves, the Company's measured and indicated resources now total approximately 9.7 million ounces of gold (157 million tonnes grading 1.91 g/t), while inferred resources now stand at approximately 10.1 million ounces of gold (169 million tonnes grading 1.86 g/t). Further details on the Company's reserves are set out under "Mineral Reserve Data" in Management's Discussion and Analysis and under "Mineral Reserves and Mineral Resources" in the Company's Annual Information Form filed on SEDAR and available at www.sedar.com.

Agnico Eagle's byproduct proven and probable reserves include approximately 75 million ounces of silver, 161,000 tonnes of zinc and 60,000 tonnes of copper. The byproduct reserves and resources for zinc, copper and lead in the LaRonde orebody and for silver in the LaRonde and Pinos Altos orebodies are presented on our website. These byproduct reserves are not included in Agnico Eagle's gold reserve and resource totals.

The assumptions used for the December 2013 mineral reserves and resources estimate at all mines and advanced projects reported by the Company were $1,200 per ounce of gold, $18.00 per ounce of silver, $0.82 per pound of zinc, $3.00 per pound of copper, $0.91 per pound of lead and exchange rates of C$1.03 per $1.00, 12.75 Mexican pesos per $1.00 and €1.00 per $1.32. The assumptions used for the 2012 mineral reserves and resources estimates for the Lapa, Goldex, Meadowbank, Meliadine and Creston Mascota properties reported by the Company were based on three-year average prices for the period ending December 31, 2012 of $1,490 per ounce of gold, $29.00 per ounce of silver, $0.95 per pound of zinc, $3.67 per pound of copper, $1.00 per pound of lead and exchange rates of C$1.00 per $1.00, 12.75 Mexican pesos per $1.00 and €1.00 per $1.34. The assumptions used for the 2012 mineral reserves and resources estimates for the LaRonde, Kittila, Pinos Altos, La India and Tarachi properties reported by the Company in 2012 used more conservative metal price assumptions of $1,345 per ounce of gold, $25.00 per ounce of silver, $0.95 per pound of zinc, $3.49 per pound of copper, $0.99 per pound of lead and exchange rates of C$1.00 per $1.00, 13.00 Mexican pesos per $1.00 and €1.00 per $1.30.

Responsible Mining

Agnico Eagle has created a culture based on five pillars: trust, respect, equality, family and responsibility. These pillars define who we are and guide us in everything we do. Our responsibility for our employees' health, safety and professional development, as well as for the well-being of our communities and the environment, is carried out through our shared vision of responsible mining.

A good place to work

Agnico Eagle is responsible for providing our employees with a good place to work. In turn, our employees help ensure we operate in a safe, socially and environmentally responsible manner.

In a year when we set new production records, we also achieved the lowest accident frequency in our Company's history. In 2013, our combined lost-time accident (LTA) frequency was 1.70 – a 30% reduction from the previous year's performance – and substantially below our target rate of 2.8. This is the second year in a row we have posted our lowest ever combined LTA rate. As we move closer to our goal of a workplace with zero accidents, we will continue to focus on strengthening our health and safety culture through more individual accountability and leadership.

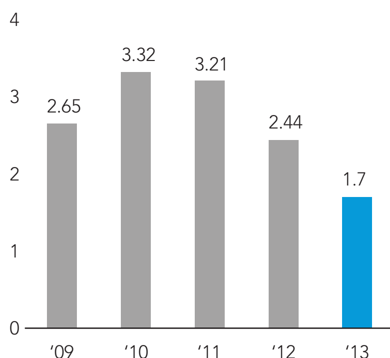
We are also responsible for developing our workers to become more proficient and for providing them with a clear career path in which to grow.

This is a particular challenge at our Meadowbank mine in the Kivalliq region of Nunavut, northern Canada, where we have had difficulty attracting and retaining a skilled Inuit workforce. In 2013, we implemented the Meadowbank Career Path which is designed for people who have little to no mining-related work experience. It allows everyone to follow the same path and experience the same opportunities, and when an employee demonstrates a sound skill set, a willingness to learn and a strong work ethic, the system is there to help them move forward. Meadowbank's turnover rates have decreased since the establishment of the Career Path program. In 2012, only 58% of haul truck operators that we had trained were still employed; in 2013, 92% of these operators have been retained.

In 2013, Agnico Eagle Mexico was recognized as a socially responsible company for the sixth consecutive year by *Centro Mexicano para la Filantropia (CEMEFI)*. We were also recognized by the Chihuahuan business foundation *Fundación del Empresariado Chihuahuense* with an award of distinction for being a Socially Responsible Company. Our Pinos Altos site was once again identified in Mexico's Great Place to Work rankings.

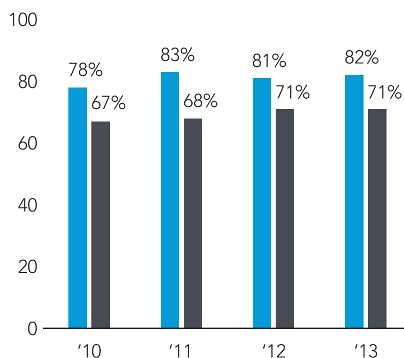
Combined lost-time and light duty accident frequency

(per 200,000 person hours)



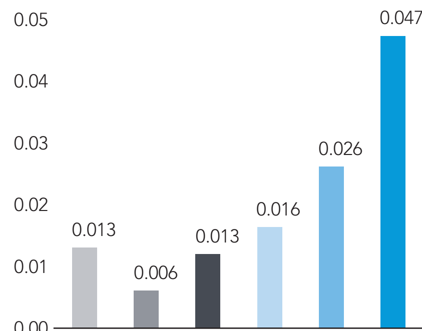
We achieved a 30% reduction in combined lost-time and light duty accident frequency in 2013.

Local hiring



GHG emissions intensity

(CO_2 equivalent per tonne)



LaRonde	8%
Goldex	1%
Lapa	2%
Kittila	4%
Pinos Altos	30%
Meadowbank	55%

Managing our risks

In 2013, as part of the development of our in-house Responsible Mining Management System, we assessed the impact of our activities and associated levels of risk on health, safety, the environment and social acceptability. Our responsibility is to manage these impacts to eliminate, minimize or mitigate risk around our minesites in order to continuously improve our sustainability performance.

Managing our impacts also means measuring them. Each of our mines is required to identify, analyze and manage its environmental risks – they each follow key performance indicators to optimize their control efforts.

Specifically, we monitor direct and indirect greenhouse gas (GHG) emissions and in 2013, Agnico Eagle's total overall GHG emissions were 357,387 tonnes, a 1% decrease from 360,938 tonnes in 2012. In 2013, our average direct GHG emission intensity (the tonnes of CO_2 equivalent per tonne of ore processed) for all of our operating mines was 0.0285 tonnes, compared to 0.0293 tonnes in 2012, despite more mines and higher production levels.

Contributing to community well-being

Agnico Eagle is determined to make a significant and positive difference in the lives of our employees and surrounding communities. We believe the biggest contribution we can make is the creation of long-term employment opportunities and the provision of economic development opportunities. At each of our operations worldwide, our goal is to hire 100% of the workforce – including our management team – directly from the local region in which the operation is located. In 2013, the proportion of Agnico Eagle's mine workforce hired locally was 81%, while the proportion of the mine management team hired locally was 71%.

Generating employment and economic benefits

In 2013, Agnico Eagle paid $372 million in global employee compensation (up from $363 million in 2012). Through the payment of wages and benefits, we contributed approximately $164 million to the economy of the Abitibi region of Quebec, Canada; $33 million to the economy of Finland; approximately $91 million to the economy of Nunavut, Canada; and approximately $39 million to the economy of Chihuahua State in Mexico.

Tax and royalty payments

As part of our corporate commitment to sustainable development and corporate governance, in 2013 we increased our level of disclosure on tax payments to governments. We have provided details of Agnico Eagle's tax payments by type, country and business unit in order to highlight our economic contribution to public finances. Although we do not measure the direct and indirect economic impact of employee wage spending on local goods and services, it is an important factor in our overall contribution to host economies.

In 2013, Agnico Eagle made various payments in taxes and royalties to governments at all levels totalling $279 million. We contributed approximately $122 million in taxes and royalties in Quebec, Canada; approximately $69 million in taxes and royalties to the economy of Nunavut, Canada; approximately $18 million in taxes to Ontario, Canada; approximately $26 million in taxes and royalties to the economy of Finland; and approximately $44 million in taxes and royalties to the economy of Mexico. Tax contributions to governments comprised 17% of our gross revenue in 2013.

Our employees were instrumental in helping us achieve another record safety performance in 2013, all while operating more mines, with more people, and producing more ounces.

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, Environment and Sustainable Development (HSESD) Committee advises and makes recommendations to the Board with respect to monitoring and reviewing HSESD policies, principles, practices and processes; HSESD performance; and regulatory issues relating to health, safety and the environment. It also supports the Company's commitment to adopt best practices in mining operations, promotion of a healthy and safe work environment, and environmentally sound and socially responsible resource development.

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

Ethical business conduct

Agnico Eagle has adopted a Code of Business Conduct and Ethics as well as an Anti-Corruption and Anti-Bribery policy which provide frameworks 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 and policy. In conjunction with the codes and policy, we have established a toll-free compliance hotline to allow for anonymous reporting of suspected violations. More information is posted on the corporate website.

Forward-Looking Statements

The information in this annual report has been prepared as at March 20, 2014. 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 the provisions of Canadian provincial securities laws and are referred to herein as "forward-looking statements". When used in this report, words such as "anticipate", "expect", "estimate", "forecast", "planned", "possible", "will", "likely", "schedule" and similar expressions are intended to identify forward-looking statements.

Such statements include without limitation: the Company's forward-looking production guidance, including estimated ore grades, project timelines, drilling results, orebody configurations, metal production, life-of-mine estimates, production estimates, total cash costs per ounce, minesite costs per tonne and all-in sustaining costs estimates, cash flows, the estimated timing of scoping and other studies, the methods by which ore will be extracted or processed, expansion projects, recovery rates, mill throughput, and projected exploration and capital expenditures, including costs and other estimates upon which such projections are based and estimates of depreciation expense, general and administrative expense and tax rates; the Company's ability to fund its current pipeline of projects; the impact of maintenance shutdowns; the Company's goal to build a mine at Meliadine; the Company's ability to bring into commercial production the La India mine; and other statements and information regarding anticipated trends with respect to the Company's operations, exploration and the funding thereof. Such statements reflect the Company's views as at the date of this annual report and are subject to certain risks, uncertainties and assumptions.

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 contained in this annual report, which may prove to be incorrect, include, but are not limited to, the assumptions set forth herein and in management's discussion and analysis and the Company's Annual Information Form for the year ended December 31, 2013 (AIF) as well as: that there are no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment, natural occurrences, equipment failures, accidents, political changes, title issues or otherwise; that permitting, production and expansion at each of Agnico Eagle's mines and growth projects proceed on a basis consistent with current expectations, and that Agnico Eagle does not change its plans relating to such projects; that the exchange rate between the Canadian dollar, European Union euro, Mexican peso and the United States dollar will be approximately consistent with Agnico Eagle's expectations; 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 Agnico Eagle's current estimates of mineral reserves, mineral resources, mineral grades and metal recovery are accurate; that there are no material delays in the timing for completion of ongoing growth projects; that the Company's current plans to optimize production are successful; and that there are no material variations in the current tax and regulatory environment. 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: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and metal recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks; risks associated with foreign operations; governmental and environmental regulation; the volatility of the Company's stock price; and risks associated with the Company's byproduct metal derivative strategies. For a more detailed discussion of such risks and other factors, see the AIF as well as the Company's other filings with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission (the SEC). The Company does not intend, and does not assume any obligation, to update these forward-looking statements and information, except as required by law. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Actual results and final decisions may be materially different from those currently anticipated.

TECHNICAL INFORMATION

Please refer to the Company press release dated February 12, 2014 for further details on the mineral reserves and resources. The technical information has been approved by Alain Blackburn, P.Eng., Senior Vice-President, Exploration, and a "Qualified Person" for the purposes of National Instrument 43-101.

Board of Directors

James D. Nasso, ICD.D [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.).

Sean Boyd, CA

Vice-Chairman
(Director since 1998)

Mr. Boyd 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.).

Dr. Leanne M. Baker [1,2]

(Director since 2003)

Since 2002, Dr. Baker has been a consultant and board member to the metals and mining industry. She is a director of Sutter Gold, Reunion Gold and McEwen Mining. 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.Sc. and Ph.D. in Mineral Economics).

Martine A. Celej [2]

(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 [2]

(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, CA [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, FCPA, FCA, TEP, ICD.D [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).

Deborah McCombe, P.Geo [4]

(Director appointed in 2014)

Ms. McCombe is the President and CEO of RPA Inc. (Roscoe Postle Associates). She has over 30 years of experience in exploration project management, feasibility studies, reserve estimation, due diligence and evaluation studies. Prior to joining RPA, Ms. McCombe was Chief Mining Consultant for the Ontario Securities Commission. She is a graduate of the University of Western Ontario (P.Geo).

Dr. 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, CA [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. He serves as a director of Eastern Platinum, Newport Exploration and Blackheath Resources. 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, P.Eng. [2,4]

(Director since 2005)

Mr. Stockford is a retired mining executive with almost 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).

Pertti Voutilainen, M.Sc., M.Eng. [3,4]

(Director since 2005)

Mr. Voutilainen is a mining industry veteran. He was the Chairman of the board of directors of Riddarhyttan Resources AB until 2005. 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, Environment and Sustainable Development (HSESD) Committee

AGNICO EAGLE

Management's Discussion and Analysis
(Prepared in accordance with United States GAAP)
for the year ended December 31, 2013

AGNICO EAGLE MINES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis ("MD&A") dated March 21, 2014 of Agnico Eagle Mines Limited ("Agnico Eagle" or the "Company") should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2013, prepared in accordance with United States generally accepted accounting principles ("US GAAP"). The annual consolidated financial statements and MD&A are presented in United States dollars ("US dollars", "$" or "US$"), unless otherwise specified. Certain information in this MD&A is presented in Canadian dollars ("C$") or European Union euros ("Euro" or "€"). Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2013 (the "AIF"), is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at www.sedar.com.

NOTE TO INVESTORS CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A, referred to herein as "forward-looking statements", constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" under the provisions of Canadian provincial securities laws. These statements relate to, among other things, the Company's plans, objectives, expectations, estimates, beliefs, strategies and intentions and can generally be identified by the use of words such as "anticipate", "believe", "budget", "could", "estimate", "expect", "forecast", "intend", "likely", "may", "plan", "project", "schedule", "should", "target", "will", "would" or other variations of these terms or similar words. Forward-looking statements in this report include, but are not limited to, the following: the Company's outlook for 2014 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 of gold produced, all-in sustaining costs per ounce of gold produced, minesite costs per tonne and other expenses; estimates of future capital expenditure, exploration expenditure and other cash needs, and expectations as to the funding thereof; statements regarding the projected exploration, development and exploitation of certain ore deposits, including estimates of exploration, development and production and other capital costs and estimates of the timing of such exploration, development and production or decisions with respect thereto; estimates of mineral reserves, mineral resources and ore grades and statements regarding anticipated future exploration results; estimates of cash flow; estimates of mine life; anticipated timing of events with respect to the Company's minesites, mine construction projects and exploration projects; estimates of future costs and other liabilities for environmental remediation; statements regarding anticipated legislation and regulation regarding climate change and estimates of the impact on the Company; and other anticipated trends with respect to the Company's capital resources and results of operations.

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

The forward-looking statements in this MD&A reflect the Company's views as at the date of this MD&A and involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk factors described in the AIF and in the Company's other documents filed with the Canadian securities commissions and the U.S. Securities and Exchange Commission (the "SEC"). Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based. This MD&A contains information regarding anticipated total cash costs per ounce of gold produced, all-in sustaining costs per ounce of gold produced and minesite costs per tonne in respect of the Company or 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

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 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 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 NON-US GAAP FINANCIAL PERFORMANCE MEASURES

This MD&A presents certain financial performance measures, including "total cash costs per ounce of gold produced", "minesite costs per tonne", "adjusted net income" and "all-in sustaining costs per ounce of gold produced", 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 financial performance measures to the figures presented in the consolidated financial statements prepared in accordance with US GAAP and a discussion of management's use of this data see "Non-US GAAP Financial Performance Measures". The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in allowing comparisons between periods. Non-US GAAP financial performance measures should be considered together with other data prepared in accordance with US GAAP. This MD&A also contains non-US GAAP financial performance measure information for projects under development incorporating information that 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 performance measures to the most comparable US GAAP measure.

Executive Summary

Agnico Eagle is a gold mining company with mining operations in Canada, Mexico and Finland and exploration activities in Canada, Europe, Latin America and the United States. Agnico Eagle earns a significant proportion of its revenue and cash flow 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, primarily silver, zinc and copper.

In 2013, Agnico Eagle recorded total cash costs per ounce of gold produced of $672 on payable gold production of 1,099,335 ounces. The average realized price of gold decreased by 18.1% from $1,667 per ounce in 2012 to $1,366 per ounce in 2013. Throughout its 42-year history, Agnico Eagle's policy has been not to sell forward its future gold production.

Over the past five years, Agnico Eagle has evolved from operating two gold mines in Canada to being an international gold mining company operating six gold mines at the end of 2013. Each mine is located in what the Company believes to be a politically stable country that is supportive of the mining industry. The political stability of the regions in which Agnico Eagle operates helps to provide confidence in its current and future prospects and profitability. This is important for Agnico Eagle as it believes that many of its new mines and recently acquired mining projects have long-term mining potential.

Key Results

- Record annual payable gold production of 1,099,335 ounces during 2013, an increase of 5.3% compared with 2012 payable gold production of 1,043,811 ounces.
- Total cash costs per ounce of gold produced of $672 and all-in sustaining costs per ounce of gold produced of $952 in 2013.
- Proven and probable gold reserves totaled 16.9 million ounces at December 31, 2013 compared with 18.7 million ounces at December 31, 2012. Average gold grade of proven and probable gold reserves increased by 11.1% to 3.51 grams per tonne at December 31, 2013 compared with December 31, 2012.
- An impairment loss totaling $436.3 million (net of tax) was recorded as at December 31, 2013 relating to the Meadowbank Mine, Meliadine project and Lapa mine.
- Commercial production was achieved at the Goldex mine's M and E Zones on October 1, 2013.
- Commercial production is expected at the La India project in the first quarter of 2014 with 3,180 ounces of pre-commercial gold production recorded during 2013.
- The Company's operations are located in mining-friendly regions that the Company believes have low political risk and long-term mining potential.
- The Company maintains a solid financial position and forecasts being fully funded for its currently planned growth.
- The Company has strong senior management continuity as its chief executive officer has 29 years of service with the Company.
- In February 2014, the Company declared a quarterly cash dividend of $0.08 per share. The Company has now declared a cash dividend for 32 consecutive years.

Strategy

Agnico Eagle's strategy is to build a high quality, manageable business that generates superior long-term returns per share by:

1. Increasing gold production in lower risk jurisdictions
   - The Company expects gold production growth of approximately 16% to over 1.25 million ounces by 2016 from current operating regions.
2. Growing operating and free cash flows
   - The Company's strategy is to increase net free cash flow through higher production, controlled operating costs and disciplined capital spending.
3. Providing meaningful dividends
   - History of paying cash dividends for 32 consecutive years, with a goal to increase dividends over time.

4. Minimizing share dilution
   - Historically, acquisitions have been completed with minimal share dilution and the Company expects that its planned capital spending program will be internally funded.
5. Operating in a socially responsible manner
   - The Company strives to create economic value by operating in a safe and socially responsible manner while contributing to the prosperity of its employees and the communities in which it operates.

Portfolio Overview

Northern Business

Canada

The LaRonde mine extension achieved commercial production in December 2011 and is expected to extend the life of the mine through 2025. The infrastructure and knowledge base gained from building and operating the LaRonde mine, the Company's first mine, has been leveraged by the Company in building and operating the Lapa and Goldex mines, both of which are within 60 kilometres of the LaRonde mine. Commercial production was achieved at the Lapa mine in May 2009 and at the Goldex mine's M and E Zones in October 2013. The Company's Quebec mines, with a total of 4.5 million ounces of proven and probable mineral reserves as at December 31, 2013, have benefited from common infrastructure and mining teams.

On October 19, 2011, the Company suspended mining operations and gold production at the Goldex mine due to geotechnical concerns with the rock above the mining horizon. As of September 30, 2011, Agnico Eagle wrote down its investment in the Goldex mine (net of expected residual value) and its underground ore stockpile, for a pre-tax loss on the Goldex mine of $302.9 million. All of the remaining 1.6 million ounces of proven and probable mineral reserves at the Goldex mine, other than ore stockpiled on the surface, were reclassified as mineral resources. An environmental remediation liability was recorded as of September 30, 2011 reflecting anticipated costs of remediation. The Goldex mill completed processing feed from the remaining Goldex Extension Zone ("GEZ") surface stockpile in October of 2011. Operations in the GEZ remain suspended indefinitely.

Exploration drilling continued on several mineralized zones on the Goldex mine property near the GEZ after mining operations were suspended in October of 2011. A team of independent consultants and Agnico Eagle staff performed a thorough review, including a preliminary economic assessment, to determine whether future mining operations on the property, including the M and E Zones, would be viable. After a review of the assessment, Agnico Eagle's Board of Directors (the "Board") approved the M and E Zones for development using existing Goldex mine infrastructure such as the shaft and mill. Commercial production was achieved at the Goldex mine's M and E Zones in October 2013.

In 2007, the Company acquired Cumberland Resources Ltd., which held the Meadowbank gold project in Nunavut, Canada. Commercial production was achieved in March 2011. As a result of consistently high operating costs, a revised life-of-mine plan was developed for the Meadowbank mine as at December 31, 2011, resulting in a shorter mine life and a pre-tax impairment in the carrying value of the mine of $907.7 million. The new mine plan, combined with the extraction of ore in 2011, resulted in a reduction of mineral reserves by 1.3 million ounces of gold at December 31, 2011. The Meadowbank mine's proven and probable mineral reserves were approximately 1.8 million ounces at December 31, 2013, a decrease of approximately 0.5 million ounces compared with December 31, 2012 due primarily to record 2013 payable gold production of 430,613 ounces and to a higher cut-off grade applied in 2013.

On July 6, 2010, Agnico Eagle acquired the Meliadine project in Nunavut, Canada through its acquisition of Comaplex Minerals Corp. ("Comaplex") by way of a plan of arrangement. The Meliadine project had proven and probable mineral reserves of 2.8 million ounces at December 31, 2013. Activities at the Meliadine project during 2013 included infill and step-out diamond drilling, road construction, ramp development, permitting, camp operation and work on an updated technical study. Budgeted 2014 Meliadine project capital expenditures of $42.0 million are focused on further ramp development, allowing for cost-effective exploration and conversion drilling and the potential for a late 2018 start up if the Company determines to build a mine at the Meliadine project.

Finland

The Kittila mine in northern Finland, which is geologically similar to the Abitibi region of Quebec, was added to the Company's portfolio through the acquisition of Riddarhyttan Resources AB in 2005. Applying the Company's technical experience gained from its operations in Quebec, the team designed a drilling program at Kittila that led to the conversion

of mineral resources to mineral reserves at the beginning of 2006. A positive feasibility study was completed in mid-2006 and the Company decided to build the Kittila mine. Construction at the Kittila mine was completed in 2008 and commercial production was achieved in May 2009. Proven and probable mineral reserves at the Kittila mine amounted to 4.7 million ounces at December 31, 2013.

In 2012, a 750 tonne per day expansion was approved that is expected to increase the throughput capacity at the Kittila mine by 25% to 3,750 tonnes per day commencing in mid-2015. The Kittila mine throughput expansion project is expected to improve unit costs and to offset a gradual reduction in realized grade towards the mineral reserve grade over the next several years.

A study is underway that considers the construction of a production shaft at the Kittila mine. It is expected that a production shaft would provide operating cost savings and sustain long-term production at higher throughput levels from multiple zones, particularly at depths below 700 meters. In addition, a study is underway to evaluate the feasibility of developing the Rimpi Zone as a potential source of ore.

Southern Business

Mexico

In 2006, the Company completed the acquisition of the Pinos Altos property, then an advanced stage exploration property in northern Mexico, after the Company's extensive drilling campaign had doubled the contained gold and silver mineral resources. In August 2007, a favourable feasibility study led to the decision to build the Pinos Altos mine. Commercial production was achieved at the Pinos Altos mine in November 2009.

The Creston Mascota deposit at Pinos Altos is located approximately seven kilometers northwest of the main deposit at the Pinos Altos mine. Commercial production was achieved at the Creston Mascota deposit at Pinos Altos in March 2011.

On September 30, 2012, the Creston Mascota deposit at Pinos Altos experienced a movement of leached ore from the upper lifts of the Phase One leach pad, resulting in a temporary suspension of active leaching. On March 13, 2013, production resumed at the Creston Mascota deposit at Pinos Altos from the Phase Two leach pad. The ramp up of production in 2013 was in line with expectations.

On November 18, 2011, Agnico Eagle acquired control of Grayd Resource Corporation ("Grayd") by way of a take-over bid and on January 23, 2012, the Company completed a compulsory acquisition of the remaining outstanding shares of Grayd that it did not already own. Grayd owned the La India project, which is located approximately 70 kilometers northwest of the Pinos Altos mine. In September 2012, development and construction of the La India mine was approved by the Board. The La India project is expected to achieve commercial production in the first quarter of 2014 with forecast 2014 gold production of approximately 50,000 ounces at total cash costs per ounce of gold produced of $743.

The Company's Mexican properties, including the Pinos Altos mine, the Creston Mascota deposit at Pinos Altos and the La India project had total proven and probable mineral reserves of 3.0 million ounces at December 31, 2013.

Key Performance Drivers

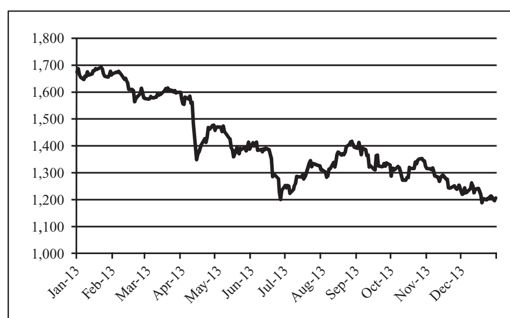
The key drivers of financial performance for Agnico Eagle include:

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

Spot Price of Gold, Silver, Zinc and Copper

The Company has never sold gold forward, which allows the Company to take full advantage of rising gold prices. Management believes that low-cost production is the best protection against a decrease in gold prices.

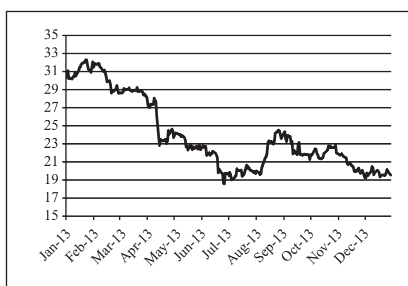
Gold P.M. Fix ($ per ounce)



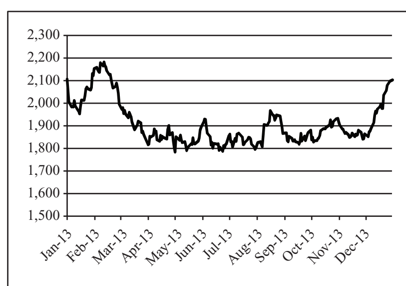
	2013	2012	% Change
High price	$1,696	$1,796	(5.6%)
Low price	$1,181	$1,527	(22.7%)
Average price	$1,411	$1,668	(15.4%)
Average price realized	$1,366	$1,667	(18.1%)

In 2013, the market price for gold per ounce was on average 15.4% lower than in 2012. The Company's average realized price per ounce of gold in 2013 was 18.1% lower than in 2012.

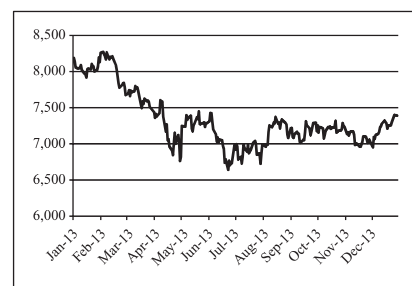
SILVER ($ per ounce)



ZINC ($ per tonne)



COPPER ($ per tonne)



Net byproduct (primarily silver, zinc and copper) revenue is treated as a reduction of production costs in calculating total cash costs per ounce of gold produced. Agnico Eagle's realized sales price for silver decreased by 29.2% in 2013 compared with 2012 while realized sales prices for zinc and copper decreased by 2.5% and 11.4%, respectively, over the same period. Significant quantities of byproduct metals are produced by the LaRonde mine (silver, zinc, and copper) and the Pinos Altos mine (silver).

Production Volumes and Costs

Changes in production volumes have a direct impact on the Company's financial results. Total payable gold production was 1,099,335 ounces in 2013, up 5.3% from 1,043,811 ounces in 2012. This increase in production volumes was due primarily to increases in ore milled and gold grade at the Meadowbank mine, an increase in gold grade at the LaRonde mine in 2013 compared with 2012 and the achievement of commercial production on the M and E Zones at the Goldex mine on October 1, 2013. Partially offsetting the overall increase in production volumes, Kittila's payable gold production decreased by 16.7% between 2012 and 2013 due to an extended mill maintenance shutdown in the second quarter of 2013.

Production costs are discussed in detail in the Results of Operations section below.

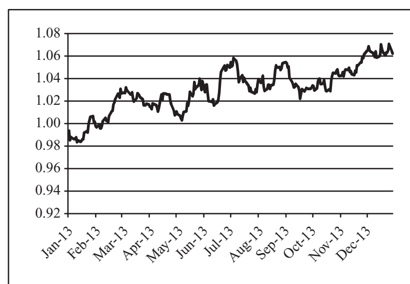
Foreign Exchange Rates (Ratio to US$)

The exchange rate of the Canadian dollar, Euro and Mexican peso relative to the US dollar is an important financial driver for the Company for the following reasons:

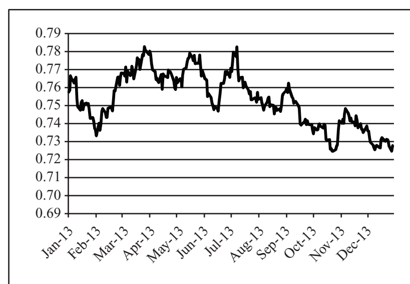
- All revenues are earned in US dollars;
- A significant portion of operating costs at the LaRonde, Lapa, Goldex and Meadowbank mines are incurred in Canadian dollars;
- A significant portion of operating costs at the Pinos Altos mine and the Creston Mascota deposit at Pinos Altos are incurred in Mexican pesos; and
- A significant portion of operating costs at the Kittila mine are incurred in Euros.

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

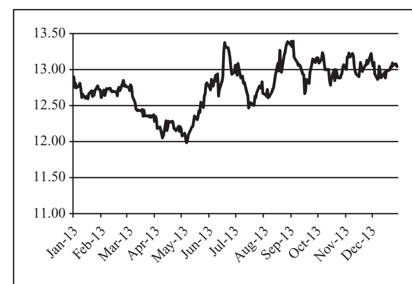
CANADIAN DOLLAR



EURO



MEXICAN PESO



On average, the Canadian dollar weakened relative to the US dollar in 2013 compared with 2012, decreasing costs denominated in Canadian dollars when translated into US dollars for reporting purposes. Conversely, the Euro and Mexican peso strengthened relative to the US dollar on average in 2013 compared with 2012, increasing costs denominated in local currencies when translated into US dollars for reporting purposes.

Balance Sheet Review

Total assets at December 31, 2013 of $4,959.4 million decreased by 5.6% compared with December 31, 2012 total assets of $5,256.1 million. Cash and cash equivalents were $139.1 million at December 31, 2013, down from $298.1 million at December 31, 2012 due primarily to lower average realized gold prices, which resulted in lower revenue, and increased capital expenditures during the period. Available-for-sale securities increased from $44.7 million at December 31, 2012 to $74.6 million at December 31, 2013 due primarily to $52.6 million in new investments, partially offset by $34.3 million in impairments recorded during the period. Long-term ore in stockpile increased by 41.2% to $46.2 million at December 31, 2013 compared with December 31, 2012 due primarily to an updated mine plan that required the reclassification of ore stockpiles at the Kittila mine from short-term to long-term. Goodwill decreased by $190.3 million between December 31, 2012 and December 31, 2013 due primarily to a $200.1 million goodwill impairment loss relating to the Meliadine project recorded as at December 31, 2013, partially offset by goodwill recorded on the acquisition of Urastar Gold Corp. on May 16, 2013. Property, plant and mine development decreased by $18.3 million to $4,049.1 million at December 31, 2013 compared with December 31, 2012 due primarily to impairment losses of $269.3 million and $67.9 million relating to the Meadowbank and Lapa mines, respectively, recorded as at December 31, 2013. Impairment losses recorded to mining properties in 2013 were offset partially by increases in construction in progress at the La India and Meliadine projects during the year and capital expenditures at the Goldex mine's M and E Zones, which achieved commercial production in October 2013.

Total liabilities increased to $1,982.2 million at December 31, 2013 from $1,845.9 million at December 31, 2012 due primarily to an increase in the outstanding balance under the Credit Facility from $30.0 million at December 31, 2012 to $200.0 million at December 31, 2013 and a $49.1 million reclamation provision increase, partially offset by the payment of $37.9 million recorded as dividends payable at December 31, 2012.

Fair Value of Derivative Financial Instruments

The Company occasionally 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 fair value of the Company's derivative financial instruments is outlined in the financial instruments note to the annual consolidated financial statements.

Results of Operations

Revenues from Mining Operations

Revenues from mining operations decreased by 14.6% to $1,638.4 million in 2013 from $1,917.7 million in 2012, attributable primarily to lower sales prices realized on gold and silver and lower sales volumes realized on zinc in 2013 compared with 2012. Revenues from mining operations were $1,821.8 million in 2011.

In 2013, sales of precious metals (gold and silver) accounted for 97.7% of revenues from mining operations, up from 96.6% in 2012 and 95.3% in 2011. The increase in the percentage of revenues from precious metals compared with 2012 is due primarily to lower sales volumes realized on zinc and higher sales volumes realized on gold and silver, offset partially by decreases in sales prices realized on gold and silver. Revenues from mining operations are accounted for net of related smelting, refining, transportation and other charges.

The table below sets out revenues from mining operations, production volumes and sales volumes by metal:

	2013	2012	2011
	(thousands of United States dollars)		
Revenues from mining operations:			
Gold	$1,500,354	$1,712,665	$1,563,760
Silver	100,895	140,221	171,725
Zinc	16,685	45,797	70,522
Copper	20,653	19,019	14,451
Lead[(i)]	(181)	12	1,341
	$1,638,406	$1,917,714	$1,821,799
Payable production[(ii)]:			
Gold (ounces)	1,099,335	1,043,811	985,460
Silver (thousands of ounces)	4,623	4,646	5,080
Zinc (tonnes)	19,814	38,637	54,894
Copper (tonnes)	4,835	4,126	3,216
Payable metal sold:			
Gold (ounces)	1,098,382	1,028,062	996,090
Silver (thousands of ounces)	4,694	4,556	5,089
Zinc (tonnes)	20,432	42,604	54,499
Copper (tonnes)	4,838	4,115	3,194

Note:

(i) Other revenues in 2013 related to lead concentrate include gold revenue of $7.9 million (2012 – $25.1 million) and silver revenue of $2.8 million (2012 – $7.4 million). The gold and silver revenues from lead concentrate are included in their respective categories in the above table with the total lead concentrate direct fees of $1.1 million (2012 – $2.7 million) netted against lead revenues of $0.9 million (2012 – $2.7 million).

(ii) Payable production is 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.

Revenues from gold sales decreased by 12.4% to $212.3 million in 2013 compared with 2012. Gold production increased by 5.3% to 1,099,335 ounces in 2013 from 1,043,811 ounces in 2012. A 17.6% increase in gold production at the Meadowbank mine due to higher tonnes of ore milled and higher gold grades, increased gold grades at the LaRonde mine and the achievement of commercial production on the M and E Zones at the Goldex mine were the primary contributors to the Company's overall gold production increase in 2013 compared with 2012. Partially offsetting the overall increase in gold production, the Kittila mine only operated for 14 days during the second quarter of 2013 due to an extended maintenance shutdown and the Creston Mascota deposit at Pinos Altos temporarily suspended active leaching between October 1, 2012 and March 13, 2013. Average realized gold price decreased 18.1% to $1,366 per ounce in 2013 from $1,667 per ounce in 2012.

Revenues from silver sales decreased by $39.3 million, or 28.0% in 2013 compared with 2012 due primarily to a lower realized silver price and lower silver grade at the LaRonde mine. Revenues from zinc sales decreased by $29.1 million, or 63.6% to $16.7 million in 2013 compared with 2012 due primarily to lower zinc grades and mill recoveries at the LaRonde mine. Revenues from copper sales increased by $1.6 million or 8.6% in 2013 compared with 2012 due primarily to higher copper grades at the LaRonde mine which were partially offset by lower realized copper sales prices between periods.

Production Costs

In 2013, total production costs were $924.9 million compared with $897.7 million in 2012, due primarily to an 8.4% increase in throughput at the Meadowbank mine between periods and the achievement of commercial production on the M and E Zones at the Goldex mine in October 2013. The overall increase in production costs was partially offset by the temporary suspension of active leaching the Creston Mascota deposit at Pinos Altos between October 1, 2012 and March 13, 2013.

The table below sets out production costs by mine:

Production Costs	2013	2012	2011
	(thousands of United States dollars)		
LaRonde mine	$229,911	$225,647	$209,947
Lapa mine	69,532	73,376	68,599
Goldex mine[(i)]	13,172	–	56,939
Meadowbank mine	363,894	347,710	284,502
Kittila mine	98,446	98,037	110,477
Pinos Altos mine (including the Creston Mascota deposit at Pinos Altos)	149,972	152,942	145,614
Production costs per consolidated statements of income (loss) and comprehensive income (loss)	$924,927	$897,712	$876,078

Note:

(i) 2013 production costs relate to the Goldex mine's M and E Zones which achieved commercial production in October 2013. 2011 production costs relate to the Company's mining operations at the GEZ, which were indefinitely suspended on October 19, 2011.

The discussion of production costs below refers to "total cash costs per ounce of gold produced" and "minesite costs per tonne", neither of which are recognized measures under US GAAP. For a reconciliation of these measures to production costs and a discussion of the Company's use of these measures, see *Non-US GAAP Financial Performance Measures* in this MD&A.

Production costs at the LaRonde mine were $229.9 million in 2013, an increase of 1.9% compared with 2012 production costs of $225.6 million. During 2013, the LaRonde mine processed an average of 6,354 tonnes of ore per day compared with 6,444 tonnes of ore per day during 2012. The decrease in throughput between periods was due primarily to 16 days of unplanned shutdown in 2013 related to issues with the mine's hoist drive. Minesite costs per tonne increased to C$99 in 2013 compared with C$95 in 2012 due primarily to general cost increases and lower throughput.

Production costs at the Lapa mine were $69.5 million in 2013, a 5.2% decrease compared with 2012 production costs of $73.4 million. During 2013, the Lapa mine processed an average of 1,755 tonnes of ore per day, comparable to the 1,749 tonnes of ore per day processed during 2012. Minesite costs per tonne decreased to C$110 in 2013 compared with C$115 in 2012 due primarily to improved cost controls related to consumables, development costs and energy between periods.

Production costs at the Goldex mine were $13.2 million in 2013 compared with nil in 2012. Production costs were nil in 2012 due to the suspension of operations in the GEZ on October 19, 2011. However, commercial production was achieved in October 2013 on the M and E Zones at the Goldex mine. Minesite costs per tonne were C$32 in 2013 compared with nil in 2012.

Production costs at the Meadowbank mine were $363.9 million in 2013, an increase of 4.7% compared with 2012 production costs of $347.7 million due primarily to increased throughput and higher plant maintenance expenditures. During 2013, the Meadowbank mine processed an average of 11,350 tonnes of ore per day, an increase of 8.7% over the 10,440 tonnes of ore per day processed during 2012 due primarily to improvements in equipment availability and equipment maintenance. Minesite costs per tonne decreased to C$83 in 2013 compared with C$88 in 2012 due primarily to higher throughput, overall productivity gains and improved cost controls.

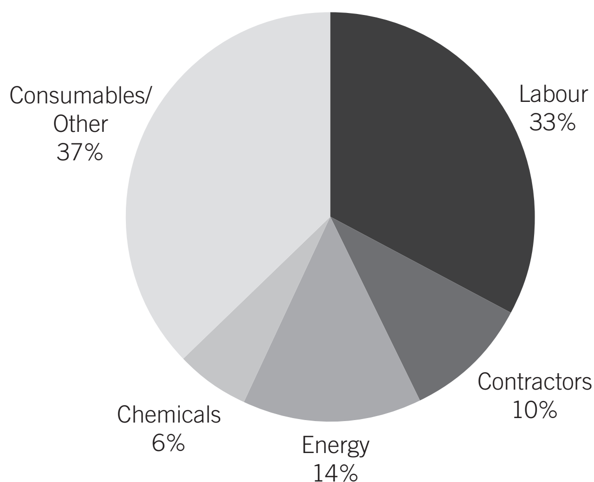
Production costs at the Kittila mine were $98.4 million in 2013, an increase of 0.4% compared with 2012 production costs of $98.0 million as higher costs associated with underground mining more than offset reduced throughput due to an

extended 2013 maintenance shutdown. During 2013, the Kittila mine processed an average of 2,559 tonnes of ore per day, a decrease of 14.1% compared with the 2,979 tonnes of ore per day processed during 2012 due primarily to an extended maintenance shutdown in the second quarter of 2013. Minesite costs per tonne increased to €73 in 2013 compared with €69 in 2012 due primarily to lower throughput and the transition to higher cost underground mining from lower cost open pit mining in 2013.

Production costs at the Pinos Altos mine were $130.1 million in 2013, an increase of 1.2% compared with 2012 production costs of $128.6 million. During 2013, the Pinos Altos mine mill processed an average of 5,262 tonnes of ore per day, an increase of 4.8% compared with the 5,020 tonnes of ore per day processed during 2012 due primarily to an improved mill liner design and increased mechanical availability. In 2013, approximately 805,200 tonnes of ore were stacked on the Pinos Altos mine leach pad, a decrease of 21.4% compared with the approximate 1,025,000 tonnes of ore stacked in 2012. Minesite costs per tonne increased to $45 in 2013 compared with $41 in 2012 due primarily to an increase in the proportion of milled ore relative to ore stacked on the leach pad in 2013.

Production costs at the Creston Mascota deposit at Pinos Altos were $19.8 million in 2013, a decrease of 18.4% compared with 2012 production costs of $24.3 million due primarily to the temporary suspension of active leaching described below. During 2013, approximately 1,276,200 tonnes of ore were stacked on the leach pad at the Creston Mascota deposit at Pinos Altos, a decrease of 16.7% compared with the approximate 1,532,400 tonnes of ore stacked in 2012. Minesite costs per tonne increased to $16 in 2013 compared with $12 in 2012 due primarily to the temporary suspension of active leaching at the Creston Mascota deposit at Pinos Altos between October 1, 2012 and March 13, 2013.

Total Production Costs by Category



Total cash costs per ounce of gold produced, representing the weighted average of all of the Company's producing mines, increased to $672 in 2013 compared with $640 in 2012 and $580 in 2011. At the LaRonde mine, total cash costs per ounce of gold produced increased from $569 in 2012 to $763 in 2013 due primarily to significantly lower net byproduct revenue as the mine transitions to ore sourced from lower levels, partially offset by a 13.0% increase in gold production. At the Lapa mine, total cash costs per ounce of gold produced decreased from $697 in 2012 to $678 in 2013 due to decreases in mining, underground service and mill expenses, partially offset by a 5.1% decrease in gold production. Total cash costs per ounce of gold produced at the Goldex mine were $782 in 2013 during the period of commercial production at the M and E Zones. Mining operations in the GEZ were suspended indefinitely on October 19, 2011. At the Meadowbank mine, total cash costs per ounce of gold produced decreased from $913 in 2012 to $774 in 2013 due primarily to a 17.6% increase in gold production, process plant and mining cost reductions and an increase in deferred stripping credits. At the Kittila mine, total cash costs per ounce of gold produced increased from $565 in 2012 to $601 in 2013 due primarily to a 16.7% decrease in gold production and higher costs associated with the transition to underground mining in 2013. Total cash costs per ounce of gold produced at the Pinos Altos mine increased from $276 in 2012 to $412 in 2013 due primarily to significantly lower net byproduct revenue and deferred stripping credits. Total cash costs per ounce of gold produced at the Creston Mascota deposit at Pinos Altos increased from $326 in 2012 to $485 in 2013 due primarily to a 33.5% decrease in gold production between periods resulting from the temporary suspension of active leaching between October 1, 2012 and March 13, 2013.

Exploration and Corporate Development Expense

A summary of the Company's significant 2013 exploration and corporate development activities is set out below:

- Canadian regional exploration expenses, excluding the Goldex mine, of $20.3 million in 2013 were comparable with expenses of $22.7 million in 2012.
- In 2013, all drilling expenditures to further delineate the ore body associated with the Goldex mine's M and E Zones were capitalized. The Goldex mine's M and E Zones were approved for development in late 2012. In 2012, exploration and drilling expenditures were $37.7 million at the Goldex mine with a focus on the M and E Zones. In 2011, investigative exploration 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, as the previous mining operations associated with the GEZ were indefinitely suspended on October 19, 2011 as a result of geotechnical concerns with the rock above the mining horizon.
- Latin American regional exploration expenses decreased to $7.3 million in 2013 compared with $28.4 million in 2012 due primarily to the approval of the La India project for development in September 2012. Exploration expenses at the La India project decreased by $13.3 million between 2012 and 2013 as drilling expenditures to further delineate the ore body were capitalized in 2013.
- Exploration expenditures in the United States and Europe decreased by 52.7% to $3.5 million and 38.0% to $4.6 million, respectively, in 2013 compared with 2012.
- The Company's corporate development team remained active in 2013, evaluating new properties and potential acquisition opportunities.

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

	2013	2012	2011
	(thousands of United States dollars)		
Canada	$ 20,339	$ 60,360	$ 49,541
Latin America	7,311	28,419	8,263
United States	3,501	7,397	7,520
Europe	4,624	7,458	6,332
Corporate development expense	8,461	5,866	4,065
Total exploration and corporate development expense	$ 44,236	$109,500	$ 75,721

Amortization of Property, Plant and Mine Development

Amortization of property, plant and mine development expense increased to $296.1 million in 2013 compared with $271.9 million in 2012 and $261.8 million in 2011. The increase in amortization of property, plant and mine development between 2012 and 2013 was due primarily to the impact of a 2.1% increase in tonnes of ore processed between periods on unit-of-production method amortization and the achievement of commercial production at the Goldex mine's M and E Zones on October 1, 2013. Amortization expense commences once operations are in commercial production.

General and Administrative Expense

General and administrative expense decreased to $115.8 million in 2013 from $119.1 million in 2012 due primarily to a decrease in retirement costs and targeted reductions to salaries and benefits. General and administrative expense amounted to $107.9 million in 2011.

Impairment Loss on Available-for-sale Securities

Impairment loss on available-for-sale securities increased to $34.3 million in 2013 compared with $12.7 million in 2012 and $8.6 million in 2011. The Company's investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry. At the end of each reporting period, the Company evaluates the near-term prospects of the issuers of available-for-sale securities that have fallen into an unrealized loss position in relation

to the severity and duration of the impairment. Impairment losses are recorded on available-for-sale securities that are determined to be other-than-temporarily impaired.

Provincial Capital Tax

Prior to 2011, provincial capital tax was 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. A provincial capital tax recovery of $1.5 million was recorded in 2013, while provincial capital tax expenses of $4.0 million and $9.2 million were recorded in 2012 and 2011, respectively, all of which were based on government audit assessments received relating to prior years. Provincial capital tax is expected to be nil going forward.

Interest Expense

Interest expense of $58.0 million in 2013 was comparable with $57.9 million in 2012 and $55.0 million in 2011. The table below sets out the components of interest expense:

	2013	2012	2011
	(thousands of United States dollars)		
Stand-by fees on credit facilities	$ 4,946	$ 3,734	$ 7,345
Amortization of credit facilities, financing and note issuance costs	3,192	3,432	4,810
Government interest, penalties and other	1,966	4,869	3,078
Interest on credit facilities	1,999	3,460	1,764
Interest on Notes	49,414	43,886	39,067
Interest capitalized to construction in progress	(3,518)	(1,494)	(1,025)
	$ 57,999	$ 57,887	$ 55,039

See Liquidity and Capital Resources – *Financing Activities* in this MD&A for a discussion of underlying credit facilities and Notes.

Impairment Loss

An impairment loss of $537.2 million was recorded in 2013 compared with nil in 2012 and $907.7 million in 2011.

As at December 31, 2013, the Company identified the continued decline in the market price of gold as an indicator of potential impairment for the Company's long-lived assets and goodwill. As a result of the identification of this indicator, the Company evaluated its long-lived assets and goodwill for impairment on an asset group and reporting unit basis, respectively, using updated assumptions and estimates.

The following impairment losses were recorded as at December 31, 2013 as a result of the impairment evaluation:

	As at December 31, 2013			
	Pre-impairment Carrying Value	Impairment Loss	Post-impairment Carrying Value	Impairment Loss (net of tax)
Property, plant and mine development:				
Meadowbank mine	$732,499	$(269,269)	$463,230	$(194,511)
Lapa mine	136,766	(67,894)	68,872	(41,687)
	$869,265	$(337,163)	$532,102	$(236,198)
Goodwill:				
Meliadine project	$200,064	$(200,064)	$–	$(200,064)
		(537,227)		(436,262)

Estimated fair values for the Meadowbank mine and Lapa mine were calculated by discounting the estimated future net cash flows using discount rates of 6.5% and 5.5% (in nominal terms), respectively, commensurate with their individual estimated levels of risk. These calculations were based on estimates of future production levels applying gold prices of $1,238 to $1,300 per ounce (in real terms), foreign exchange rates of US$0.90:C$1.00 to US$0.93:C$1.00, inflation rates of 2.0% and capital, operating and reclamation costs based on updated life-of-mine plans. Average gold recovery rates applied were 92.3% and 78.3% for the Meadowbank mine and Lapa mine, respectively.

Estimated after-tax discounted future net cash flows of reporting units with goodwill were calculated as at December 31, 2013. These calculations were based on estimates of future production levels applying long-term gold prices of $1,238 to $1,300 per ounce (in real terms), foreign exchange rates of US$0.90:C$1.00 to US$0.93:C$1.00, inflation rates of 2.0% and capital, operating and reclamation costs based on updated life-of-mine plans. The average gold recovery rate applied to the Meliadine project was 95.1%. A discount rate of 8.0% was used to calculate the estimated after-tax discounted future net cash flows of the Meliadine project reporting unit, commensurate with its individual estimated level of risk.

In 2012, the Company did not identify any potential indicators of impairment for its long-lived assets and concluded that it did not have any reporting units that were at risk of failing the goodwill impairment test.

As at 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 mineral reserves and resources, the projected operating costs in light of the persistently high operating costs experienced since commencement of commercial operations, metallurgical performance and gold price. These served as inputs into pit optimizations to determine which reserves and resources could be economically mined and be considered as mineable mineral reserves. As a result of these factors, an updated mine plan with a shorter mine life was developed and cash flows calculated, resulting in the following impairment losses being recorded as at December 31, 2011:

	As at December 31, 2011			
	Pre-impairment Carrying Value	Impairment Loss	Post-impairment Carrying Value	Impairment Loss (net of tax)
Property, plant and mine development:				
Meadowbank mine	$1,670,838	$(907,681)	$763,157	$(644,903)

The estimated fair value of the Meadowbank mine was calculated as at December 31, 2011 by discounting the estimated future net cash flows using a 7.0% discount rate (in nominal terms), commensurate with the estimated level of risk. This calculation was based on estimates of future gold production applying long-term gold prices of $1,250 to $1,553 per ounce (in real terms), foreign exchange rates of US$0.92:C$1.00 to US$0.97:C$1.00, an inflation rate of 2.0%, increased cost estimates based on revised operating levels and an average gold recovery of 92.9%. Future expected operating costs, capital expenditures and asset retirement obligations were based on the updated life-of-mine plan.

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 consolidated financial statements.

Foreign Currency Translation (Gain) Loss

The Company's operating results and cash flow are significantly impacted by changes in the exchange rate between the US dollar and the Canadian dollar, Euro and Mexican peso as all of the Company's revenues are earned in US dollars while a substantial portion of its operating and capital costs are incurred in Canadian dollars, Euros and Mexican pesos. During the period from January 1, 2011 through December 31, 2013, the daily US dollar (noon) exchange rate as reported by the Bank of Canada has fluctuated between C$0.94 and C$1.07, €0.67 and €0.83 and 11.51 Mexican pesos and 14.37 Mexican pesos per US$1.00.

A foreign currency translation gain of $7.2 million was recorded in 2013 compared with a foreign currency translation loss of $16.3 million in 2012 and a foreign currency translation gain of $1.1 million in 2011. On average, the US dollar strengthened against the Canadian dollar and weakened against the Euro and the Mexican peso in 2013 compared with 2012. The US dollar strengthened against the Canadian dollar and Mexican peso and weakened against the Euro between December 31, 2012 and December 31, 2013. The net foreign currency translation gain in 2013 is due primarily to the translation impact of liabilities denominated in Canadian dollars, offset partially by the translation impact of current assets denominated in Canadian dollars and liabilities denominated in Euros and Mexican pesos.

Income and Mining Taxes Expense (Recovery)

In 2013, the Company recorded income and mining taxes expense of $35.8 million on a loss before income and mining taxes of $370.7 million due primarily to non-deductible permanent differences and a deferred tax charge relating to the enactment of the Special Mining Duty in Mexico, offset partially by the impact of impairment losses on the Meadowbank and Lapa mines. Effective tax rates were 28.5% in 2012 and 26.9% in 2011. In 2012, the effective tax rate of 28.5% was higher than the statutory tax rate of 26.3% due to permanent differences, principally stock-based compensation that is not deductible for tax purposes in Canada. In 2011, an income and mining taxes recovery was recorded due to impairment losses on the Meadowbank and Goldex mines.

Liquidity and Capital Resources

At December 31, 2013, the Company's cash and cash equivalents, short-term investments and restricted cash totaled $170.0 million, compared with $332.0 million at December 31, 2012. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to eliminate risks associated with these investments. Such investments with remaining maturities at time of purchase greater than three months are classified as short-term investments. Decisions regarding the length of maturities are based on cash flow requirements, rates of return and various other factors.

Working capital (current assets less current liabilities) decreased to $594.2 million at December 31, 2013 from $626.6 million at December 31, 2012.

Operating Activities

Cash provided by operating activities decreased by $257.7 million to $438.3 million in 2013 compared with 2012 due primarily to an 18.1% decrease in the average realized price of gold and a $27.2 million increase in production costs. The decrease in cash provided by operating activities was partially offset by a 5.3% increase in gold production and a $65.3 million decrease in exploration and corporate development expenses between 2012 and 2013. Cash provided by operating activities was $667.2 million in 2011 at an average realized price of gold of $1,573.

Investing Activities

Cash used in investing activities increased to $644.5 million in 2013 from $376.2 million in 2012 due primarily to a $132.2 million increase in capital expenditures, a $73.2 million reduction in net proceeds from the sale of available-for-sale securities and a $57.1 million increase in purchases of available-for-sale securities and warrants between periods. Cash used in investing activities was $760.5 million in 2011, including $163.0 million relating to the November 2011 acquisition of Grayd Resource Corporation.

In 2013, the Company invested cash of $577.8 million in projects and sustaining capital expenditures. Capital expenditures in 2013 included $116.8 million at the La India project, $84.3 million at the LaRonde mine, $83.8 million at the Kittila mine, $76.8 million at the Meadowbank mine, $65.1 million at the Goldex mine, $61.4 million at the Meliadine

project, $42.8 million at the Pinos Altos mine and $46.8 million at the Lapa mine, the Creston Mascota deposit at Pinos Altos and other projects. The $132.2 million increase in capital expenditures between 2012 and 2013 is mainly attributable to significant construction expenditures incurred in 2013 relating to the La India project and the Goldex mine's M and E Zones. Capitalization of expenditures for the La India project and the Goldex mine's M and E Zones commenced in September 2012 and October 2012, respectively. Capital expenditures to complete the Company's growth initiatives are expected to be funded by cash provided by operating activities and cash on hand.

On May 16, 2013, the Company completed the acquisition of all of the issued and outstanding common shares of Urastar Gold Corporation ("Urastar") pursuant to a court-approved plan of arrangement under the Business Corporations Act (British Columbia) for cash consideration of $10.1 million. The Urastar acquisition was accounted for as a business combination and goodwill of $9.8 million was recognized on the Company's consolidated balance sheets.

On November 18, 2011, the Company acquired 94.77% of the outstanding shares of Grayd Resource Corporation ("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 acquisition was accounted for as a business combination and goodwill of $29.2 million was recognized on the Company's consolidated balance sheets. 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.

In 2013, the Company purchased $59.8 million in available-for-sale securities and warrants compared with $2.7 million in 2012 and $91.1 million in 2011. In 2013, the Company received net proceeds of $0.2 million from the sale of available-for-sale securities compared with $73.4 million in 2012 and $9.4 million in 2011. The Company's investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry.

Financing Activities

Cash provided by financing activities was $48.7 million in 2013 compared with cash used in financing activities of $202.6 million in 2012. The primary driver of the change between periods was a net $170.0 million drawdown on the Credit Facility during 2013, while a net $290.0 million repayment of the Credit Facility during 2012 was partially offset by a $200.0 million Notes issuance.

On October 23, 2013, the Company declared a cash dividend payable on December 16, 2013, marking the 31st consecutive year that the Company has paid a cash dividend. During 2013, the Company paid dividends of $126.3 million compared with $118.1 million in 2012 and $98.4 million in 2011. 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.

On July 24, 2012, the Company closed a private placement consisting of $200.0 million of guaranteed senior unsecured notes (the "2012 Notes"). The 2012 Notes mature in 2022 and 2024 and at issuance had a weighted average maturity of 11.0 years and weighted average yield of 4.95%. Proceeds from the 2012 Notes were used to repay amounts outstanding under the Company's $1.2 billion unsecured revolving bank credit facility (the "Credit Facility").

On July 20, 2012, the Company amended and restated its Credit Facility. The total amount available under the Credit Facility remained unchanged at $1.2 billion; however, the maturity date was extended from June 22, 2016 to June 22, 2017 and pricing terms were amended. As at December 31, 2013, the Company's outstanding balance under the Credit Facility was $200.0 million. Credit Facility availability is reduced by outstanding letters of credit, amounting to $1.1 million at December 31, 2013. As at December 31, 2013, $998.9 million was available for future drawdown under the Credit Facility.

On November 5, 2013, the Company amended its credit agreement with a financial institution relating to its uncommitted letter of credit facility (the "Letter of Credit Facility"). The amount available under the Letter of Credit Facility increased from C$150.0 million to C$175.0 million. The obligations of the Company under the Letter of Credit Facility are guaranteed by certain of its subsidiaries. The Letter of Credit Facility may be used to support the reclamation obligations or non-financial or performance obligations of the Company or its subsidiaries. As at December 31, 2013, $153.7 million had been drawn under the Letter of Credit Facility.

On April 7, 2010, the Company closed a private placement consisting of $600.0 million of guaranteed senior unsecured notes due in 2017, 2020 and 2022 (the "2010 Notes") with a weighted average maturity of 9.84 years and weighted average yield of 6.59%. Proceeds from the offering of the 2010 Notes were used to repay amounts under the Company's then outstanding credit facilities.

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, 2013, there were no letters of credit drawn under the EDC Facility.

The Company was in compliance with all covenants contained within the Credit Facility, Letter of Credit Facility, 2012 Notes and 2010 Notes as at December 31, 2013.

The Company issued common shares for gross proceeds of $23.7 million in 2013 attributable to the Company's incentive share purchase plan, employee stock option plan exercises and the dividend re-investment plan. In 2012 and 2011, the Company issued common shares for gross proceeds of $32.7 million and $26.5 million, respectively, attributable primarily to stock option exercises and issuances under the Company's employee share purchase plan.

Agnico Eagle's contractual obligations as at December 31, 2013 are set out below:

Contractual Obligations	Total	2014	2015-2016	2017-2018	Thereafter
	(millions of United States dollars)				
Letter of credit obligations	$ 2.3	$ 2.1	$ –	$ –	$ 0.2
Reclamation obligations[(i)]	302.2	3.5	3.1	13.8	281.8
Purchase commitments	43.1	13.0	14.2	8.6	7.3
Pension obligations[(ii)]	5.8	0.1	0.2	0.2	5.3
Capital and operating leases	33.0	14.5	9.8	6.2	2.5
Long-term debt repayment obligations[(iii)]	1,000.0	–	–	315.0	685.0
Total[(iv)]	$ 1,386.4	$ 33.2	$ 27.3	$ 343.8	$ 982.1

(i) Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. The estimated undiscounted cash outflows of these reclamation obligations are presented here. These estimated costs are recorded in the Company's consolidated financial statements on a discounted basis in accordance with ASC 410-20 – *Asset Retirement Obligations* and ASC 410-30 – *Environmental Obligations*. See Note 6(a) to the consolidated financial statements for details.

(ii) The Company provides a non-registered supplementary executive retirement defined benefit plan for certain senior officers (the "Executives Plan"). The Executives Plan provides pension benefits to certain senior officers equal to 2% of their 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 pension plan. Payments under the Executives Plan 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 its current expiry date.

(iv) The Company's estimated future cash flows are expected to be sufficient to satisfy the obligations detailed above.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements as at December 31, 2013 include operating leases of $7.8 million (see Note 13(b) to the consolidated financial statements) and outstanding letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes of $174.3 million of (see Note 12 to the 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.

2014 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2014 mandatory expenditure commitments (including the contractual obligations set out above) and discretionary expenditure commitments. The following table sets out expected capital requirements and resources for 2014:

		Amount (millions of United States dollars)
2014 Mandatory Commitments:		
Contractual obligations (from table above)	$	33.2
Accounts payable and accrued liabilities (as at December 31, 2013)		173.4
Interest payable (as at December 31, 2013)		13.8
Income taxes payable (as at December 31, 2013)		7.5
Total 2014 mandatory expenditure commitments	$	227.9
2014 Discretionary Commitments:		
Budgeted 2014 capital expenditures	$	416.2
Total 2014 discretionary expenditure commitments	$	416.2
Total 2014 mandatory and discretionary expenditure commitments	**$**	**644.1**
2014 Capital Resources:		
Cash, cash equivalents and short term investments (as at December 31, 2013)	$	141.3
Budgeted 2014 cash provided by operating activities		330.8
Working capital, excluding cash, cash equivalents and short-term investments (as at December 31, 2013)		452.9
Available under the Credit Facility		998.9
Total 2014 Capital Resources	**$**	**1,923.9**

While the Company believes its capital resources will be sufficient to satisfy all 2014 commitments (mandatory and discretionary), the Company may choose to decrease certain of its discretionary expenditure commitments, which includes certain capital expenditures, should unexpected financial circumstances arise in the future. The Company believes that it will continue to generate sufficient capital resources to satisfy its planned development and growth activities.

Quarterly Results Review

For the Company's detailed 2013 and 2012 quarterly financial and operating results see *Summarized Quarterly Data* in this MD&A.

Revenues from mining operations decreased by 2.7% to $437.2 million in the fourth quarter of 2013 compared with $449.4 million in the fourth quarter of 2012 due primarily to lower sales prices realized on gold and silver, partially offset by a 36.3% increase in payable gold production between periods. Despite the increase in payable gold production between periods, production costs decreased by 2.1% to $237.4 million in the fourth quarter of 2013 compared with $242.4 million in the fourth quarter of 2012 due primarily to operational efficiencies realized at the Meadowbank, LaRonde and Lapa mines. An impairment loss of $537.2 million was recorded in the fourth quarter of 2013 compared with nil in the fourth quarter of 2012. Based on an impairment evaluation of the Company's long-lived assets and goodwill at December 31, 2013, pre-tax impairment losses of $269.2 million, $200.1 million and $67.9 million were recorded relating to the Meadowbank mine, Meliadine project and Lapa mines, respectively. As a result, a net loss of $453.3 million was recorded in the fourth quarter of 2013 compared with net income of $82.8 million in the fourth quarter of 2012.

Cash provided by operating activities of $135.9 million in the fourth quarter of 2013 compared with $106.0 million in the fourth quarter of 2012 due primarily to a 36.3% increase in gold production, a $7.3 million decrease in exploration and corporate development expenses and a $5.0 million decrease in production costs, partially offset by decreases in the average realized price of gold and silver between periods.

Outlook

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

Gold Production Growth

LaRonde Mine

In 2014, payable gold production at the LaRonde mine is expected to be approximately 215,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the LaRonde mine is expected to be approximately 248,000 ounces. The commissioning of a cooling plant at the LaRonde mine in the fourth quarter of 2013 is expected to reduce heat and congestion in the lower section of the mine and provides additional flexibility in the mining plan. As a result, production from the deeper areas of the mine is expected to ramp up substantially through 2016. Total cash costs per ounce of gold produced at the LaRonde mine are expected to be approximately $671 in 2014 compared with $763 in 2013, reflecting expectations of higher grades and increased production.

Lapa Mine

In 2014, payable gold production at the Lapa mine is expected to be approximately 80,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Lapa mine is expected to be approximately 67,000 ounces. 2014 and 2015 are the final two years of full production based on the Lapa mine's current life of mine plan with production expected to decline due to lower grades. The Company expects that the Lapa mine will only operate for a portion of 2016. Additional exploration results from the Zulapa Z8 Zone could potentially extend the mine life through 2016. Total cash costs per ounce of gold produced at the Lapa mine are expected to be approximately $850 in 2014 compared with $678 in 2013, reflecting expectations of lower grades and decreased production.

Goldex Mine

In 2014, payable gold production at the Goldex mine is expected to be approximately 80,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Goldex mine is expected to be approximately 90,000 ounces. The Goldex mine achieved commercial production from the M and E Zones in October 2013. Production expectations reflect an expected increase in throughput from 5,500 tonnes per day in the fourth quarter of 2014 to 6,000 tonnes per day in 2015. A portion of the additional throughput is expected to be derived from the proposed development of the satellite MX and E2 Zones. Exploration continues on several other satellite zones, including the deeper D Zone, which has the potential to extend the Goldex mine's life. Total cash costs per ounce of gold produced at the Goldex mine are expected to be approximately $799 in 2014 compared with $782 in 2013.

Meadowbank Mine

In 2014, payable gold production at the Meadowbank mine is expected to be approximately 430,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Meadowbank mine is expected to be approximately 397,000 ounces. In the second half of 2013, higher than expected grades were mined in the Portage and Goose pits, resulting in higher than expected production. A re-interpretation of the Meadowbank mine's block models has resulted in a 16% improvement in expected reserve gold grade to 3.27 grams per tonne. The Company expects to continue to encounter higher grade mineralization in the first half of 2014, which it believes will be a key driver of production for the year. After 2014, production is expected to be driven by higher reserve grades and the ability to maintain throughput levels in excess of 11,000 tonnes per day. Total cash costs per ounce of gold produced at the Meadowbank mine are expected to be approximately $629 in 2014 compared with $774 in 2013.

Kittila Mine

In 2014, payable gold production at the Kittila mine is expected to be approximately 150,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Kittila mine is expected to be approximately 160,000 ounces. Steady production growth is expected at the Kittila mine over the next three years. In 2014, a gradual return to reserve grade is expected once the remaining higher grade portions of the Suuri pit pillar are extracted. The 750 tonnes per day

mill expansion is expected to increase throughput capacity at the mine to 3,750 tonnes per day and is expected to be completed in mid-2015. Increased mill throughput is expected to offset declines in reserve grade over the next three years. Total cash costs per ounce of gold produced at the Kittila mine are expected to be approximately $759 in 2014 compared with $601 in 2013.

Pinos Altos Mine

In 2014, payable gold production at the Pinos Altos mine is expected to be approximately 145,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Pinos Altos mine is expected to be approximately 160,000 ounces. The Company expects that strong operating performance in 2013 will continue over the next three years, supporting higher mill throughput. The $106.0 million Pinos Altos shaft sinking project remains on schedule for completion in 2015. Total cash costs per ounce of gold produced at the Pinos Altos mine are expected to be approximately $532 in 2014 compared with $412 in 2013, reflecting expectations of decreased production and lower metal prices for the mine's byproducts.

Creston Mascota deposit at Pinos Altos

In 2014, payable gold production at the Creston Mascota deposit at Pinos Altos is expected to be approximately 40,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the Creston Mascota deposit at Pinos Altos is expected to be approximately 40,000 ounces. Active leaching at the Creston Mascota deposit at Pinos Altos resumed in March 2013 after a temporary suspension, with production subsequently meeting Company expectations. Lower production is expected over the next three years due to lower anticipated ore grades. Construction on the Phase 3 leach pad is expected to be completed in March 2014. Production is expected to increase in the second half of 2014 as the planned installation of a new agglomerator is expected to increase crushed ore processing capabilities. Total cash costs per ounce of gold produced at the Creston Mascota deposit at Pinos Altos are expected to be approximately $754 in 2014 compared with $485 in 2013, reflecting expectations of lower metal prices for the mine's byproducts.

La India Project

The La India project in Sonora, Mexico, located approximately 79 kilometres from the Company's Pinos Altos mine, was acquired in November 2011 through the purchase of Grayd Resource Corporation, which included a 56,000 hectare land position in the Mulatos Gold belt. Commissioning of the mine commenced ahead of schedule in the third quarter of 2013.

Commercial production is expected to be achieved at the La India project in the first quarter of 2014. Pre-commercial production at the La India project in 2013 was 3,180 ounces of gold. In 2014, payable gold production at the La India mine is expected to be approximately 50,000 ounces. Over the 2014 to 2016 period, annual average payable gold production at the La India mine is expected to be approximately 77,000 ounces. Total cash costs per ounce of gold produced at the La India mine are expected to be approximately $743 in 2014.

Growth Summary

With the achievement of commercial production at the Kittila, Lapa and Pinos Altos mines in 2009, the Meadowbank mine in 2010, the Creston Mascota deposit at Pinos Altos and LaRonde mine extension in 2011, and the Goldex mine M and E Zones in October 2013, Agnico Eagle has transformed from a one mine operation to a six mine company over the last six years, culminating in record annual payable gold production of 1,099,335 ounces in 2013. As the Company continues its next growth phase from this expanded production platform, it expects to continue to deliver on its vision and strategy. Annual payable gold production is expected to increase to approximately 1,275,000 ounces in 2016, representing a 16.0% increase compared with 2013. The Company expects that the main contributors to targeted increases in payable gold production, mineral reserves and mineral resources will include:

- Continued conversion of Agnico Eagle's current mineral resources to mineral reserves
- Increased production from the higher grade orebody in the LaRonde mine extension
- The anticipated achievement of commercial production at the La India project in the first quarter of 2014
- The ramp up of operations at the Goldex mine's M and E Zones, which achieved commercial production on October 1, 2013

Financial Outlook

Revenue from Mining Operations and Production Costs

In 2014, the Company expects to continue to generate solid cash flow with payable gold production between 1,175,000 and 1,205,000 ounces, up from 1,099,335 ounces in 2013 due primarily to a full year of operations for the Goldex mine's M and E Zones which achieved commercial production on October 1, 2013, the anticipated achievement of commercial production at the La India project in the first quarter of 2014 and increased production from deeper areas of the LaRonde mine facilitated by the commissioning of a cooling plant in the fourth quarter of 2013.

The table below sets out actual payable production in 2013 and estimated payable production in 2014:

	2014 Estimate	2013 Actual
Gold (ounces)	1,175,000 - 1,205,000	1,099,335
Silver (thousands of ounces)	3,200	4,623
Zinc (tonnes)	7,830	19,814
Copper (tonnes)	5,126	4,835

In 2014, the Company is expecting total cash costs per ounce of gold produced at the LaRonde mine to be $671 compared with $763 in 2013. In calculating estimates of total cash costs per ounce of gold produced for the LaRonde mine, net silver, zinc and copper byproduct revenue is treated as a reduction to production costs. Therefore, production and price assumptions for byproduct metals play an important role in the LaRonde mine's total cash costs per ounce of gold produced estimate due to its significant byproduct production. In addition, the Pinos Altos mine generates significant silver byproduct production. An increase in byproduct metal prices above forecast levels would result in improved total cash costs per ounce of gold produced at these mines.

As production costs at the LaRonde, Lapa, Goldex, and Meadowbank mines are denominated primarily in Canadian dollars, production costs at the Kittila mine are denominated primarily in Euros and a portion of production costs at the Pinos Altos mine, the Creston Mascota deposit at Pinos Altos and the La India mine are denominated in Mexican pesos, the Canadian dollar/US dollar, Euro/US dollar and Mexican peso/US dollar exchange rates also impact the total cash costs per ounce of gold produced estimates.

The table below sets out the metal price and exchange rate assumptions used in deriving the estimated 2014 total cash costs per ounce of gold produced (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, 2014 through March 12, 2014:

	2014 Assumptions	Actual Market Average (January 1, 2014 — March 12, 2014)
Silver (per ounce)	$20.00	$20.48
Zinc (per tonne)	$2,000	$2,043
Copper (per tonne)	$7,100	$7,162
C$/US$ exchange rate (C$)	$1.11	$1.10
Euro/US$ exchange rate (Euros)	€0.74	€0.73
Mexican peso/US$ exchange rate (Mexican pesos)	13.25	13.25

See "Risk Profile — Metal Prices and Foreign Currencies" below in this MD&A for the estimated impact on 2014 total cash costs per ounce of gold produced of a 10% change in assumed metal prices and exchange rates.

Exploration and Corporate Development Expense

In 2014, Agnico Eagle expects to incur expenditures of $53.0 million on minesite, advanced project and greenfield exploration. Exploration expenditures are expected to be focused on Nunavut, Canada (the Meliadine project and IVR

property, located approximately 50 kilometers northwest of the Meadowbank mine), Quebec, Canada (the Akasaba West Property acquired on January 13, 2014), Mexico (the Tarachi property and La India project) and Finland. These exploration programs are designed to further evaluate deposits that could ultimately supplement the Company's existing production profile. Exploration is success driven and thus these estimates could change materially based on the success of the various exploration programs. When it is determined that a mining property can be economically developed as a result of established mineral reserves, the costs of drilling and development to further delineate the ore body on such a property are capitalized. In 2014, the Company expects to capitalize $23.0 million on drilling and development related to further delineating ore bodies and converting mineral resources into mineral reserves.

Other Expenses

General and administrative expenses are expected to decrease to about $92.5 million in 2014 compared with $115.8 million in 2013 due primarily to a lower non-cash Black-Scholes pricing of stock options granted by the Company in 2014. Provincial capital tax expense is expected to be nil in 2014 due to the elimination of the Ontario and Quebec provincial capital taxes in 2010. Amortization of property, plant and mine development is expected to increase to approximately $365.0 million in 2014 compared with $296.1 million in 2013. Interest expense is expected to increase to approximately $59.5 million in 2014 compared with $58.0 million in 2013 due primarily to increased amounts drawn under the Credit Facility. The Company's effective tax rate is expected to be approximately 42.5% in 2014.

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 $416.0 million in 2014. The Company expects to fund its 2014 capital expenditures through operating cash flow from the sale of its gold production and the associated byproduct metals. Significant components of the expected 2014 capital expenditures program include the following:

- $166.0 million in capitalized development expenditures relating to the Kittila mine ($65.0 million), Meliadine project ($42.0 million), Pinos Altos mine ($29.0 million), LaRonde mine ($13.0 million), Goldex mine ($13.0 million) and the La India mine ($4.0 million);
- $227.0 million in sustaining capital expenditures relating to the LaRonde mine ($68.0 million), Kittila mine ($56.0 million), Meadowbank mine ($34.0 million), Pinos Altos mine ($29.0 million), Lapa mine ($16.0 million), Goldex mine ($16.0 million), the Creston Mascota deposit at Pinos Altos ($6.0 million) and the La India mine ($2.0 million); and
- $23.0 million in capitalized drilling expenditures.

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 to fund acquisitions, Agnico Eagle may be required to issue debt or securities to satisfy cash requirements.

All-in Sustaining Costs per Ounce of Gold Produced

In 2013, all-in sustaining costs per ounce of gold produced was calculated as the aggregate of total cash costs per ounce of gold produced and sustaining capital expenditures, exploration and corporate development expenses (excluding greenfield exploration) and general and administrative expenses (net of stock options) per ounce of gold produced.

Based on the recommendations of the World Gold Council in 2013, the Company has modified its calculation of all-in sustaining costs per ounce of gold produced for 2014 as the aggregate of total cash costs per ounce of gold produced and sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and reclamation expenses per ounce of gold produced. All-in sustaining costs per ounce of gold produced are expected to be approximately $990 in 2014.

Risk Profile

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

The Company also mitigates some of its normal business risk through the purchase of insurance coverage. An Insurable Risk Management Policy, approved by the Board, governs the purchase of insurance coverage and restricts coverage to insurance companies of the highest credit quality. For a more complete list of the risk factors affecting the Company, please see "Risk Factors" in the AIF.

Metal Prices and Foreign Currencies

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

- Gold — $1,200 per ounce;
- Silver — $20 per ounce;
- Zinc — $2,000 per tonne;
- Copper — $7,100 per tonne;
- Canadian dollar/US dollar — C$1.11 per $1.00;
- Euro/US dollar — €0.74 per $1.00; and
- Mexican peso/US dollar — 13.25 Mexican pesos per $1.00.

Changes in the market price of gold can be attributed to numerous factors such as demand, global mine production levels, central bank purchases and sales and investor sentiment. Changes in the market prices of other metals can be attributed to factors such as demand and global mine production levels. Changes in exchange rates can be attributed to factors such as supply and demand for currencies and economic conditions in each country or currency area. In 2013, the ranges of metal prices and exchange rates were as follows:

- Gold: $1,181 — $1,696 per ounce, averaging $1,411 per ounce;
- Silver: $18 — $32 per ounce, averaging $24 per ounce;
- Zinc: $1,784 — $2,187 per tonne, averaging $1,909 per tonne;
- Copper: $6,637 — $8,267 per tonne, averaging $7,325 per tonne;
- Canadian dollar/US dollar: C$0.98 — C$1.07 per $1.00, averaging C$1.03 per $1.00;
- Euro/US dollar: €0.72 — €0.78 per $1.00, averaging €0.75 per $1.00; and
- Mexican peso/US dollar: 11.94 — 13.47 Mexican pesos per $1.00, averaging 12.77 Mexican pesos per $1.00.

The following table sets out the estimated impact on 2014 total cash costs per ounce of gold produced 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 the 2013 price ranges shown above, a 10% change in assumed metal prices and exchange rates is reasonably likely in 2014.

Changes in variable	Impact on Total Cash Costs per Ounce of Gold Produced
10% Silver	$ 6
10% Zinc	$ 1
10% Copper	$ 3
10% Canadian dollar/US dollar	$56
10% Euro/US dollar	$14
10% Mexican peso/US dollar	$ 5

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 the price of gold. 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. The Company enters 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 it does 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, diesel fuel. 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 drawdowns 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, 2013, the Company had drawn down $200.0 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, 2013, short-term investments amounted to $2.2 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.

Financial Instruments

The Company occasionally 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. Because derivative contracts are primarily used as economic hedges, changes in mark-to-market value may impact income. For a description of the accounting treatment of derivative contracts, please see "Critical Accounting Estimates – Financial Instruments" in this MD&A.

Operational Risk

The business of gold mining is generally subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected rock formations, changes in the regulatory environment, cave-ins, rock bursts, rock falls, ground conditions, pit wall failures, flooding and gold bullion losses. The occurrence of such events and circumstances may result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company carries

insurance to protect itself against certain risks of mining and processing in amounts that it considers to be adequate but which may not provide adequate coverage in certain unforeseen circumstances. The Company may also become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons, or the Company may become subject to liabilities which exceed policy limits. In these circumstances, the Company may be required to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

The Company's gold production and operating margin has diversified over the last six years, reflecting the transition from one mine to six mines at the end of 2013. However, the Meadowbank mine accounted for approximately 39.2% of the Company's payable gold production in 2013, and is expected to continue to account for a significant portion of payable gold production in future years.

The following table sets out estimated 2014 payable gold production by mine:

	Estimated Payable Gold Production (Ounces)	Estimated Payable Gold Production (%)
LaRonde mine	215,000	18
Lapa mine	80,000	7
Goldex mine	80,000	7
Meadowbank mine	430,000	36
Kittila mine	150,000	13
Pinos Altos mine	145,000	12
Creston Mascota deposit at Pinos Altos	40,000	3
La India mine	50,000	4
Total	1,190,000	100

Mining is a complex and unpredictable business and, therefore, actual payable gold production may differ from estimates. Adverse conditions affecting mining or milling may have a material adverse impact on the Company's financial performance and results of operations. The Company anticipates using revenue generated by its operations to finance the capital expenditures required at its mine projects.

The Company's payable gold production may fall below estimated levels as a result of occurrences such as cave-ins, rock falls, rock bursts, pit wall failures, fires or flooding or as a result of other operational problems such as a failure of a production hoist, an autoclave, a filter press or a grinding mill. Payable gold production may also be reduced if, during the course of mining or processing, unfavorable weather conditions, ground conditions or seismic activity are encountered, ore grades are lower than expected, the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment or dilution increases, electrical power is interrupted or heap leach processing results in containment discharge. The Company has failed to meet payable gold production forecasts in the past due to adverse conditions such as rock falls, production drilling challenges, lower than planned mill recoveries and grades, higher than expected dilution, mine structural issues and delays in the commencement of production and ramp up at new mines. In 2011, payable gold production was 985,460 ounces, significantly below estimates due primarily to the unexpected suspension of mining operations and payable gold production at the Goldex mine on October 19, 2011, a temporary production disruption at the Meadowbank mine due to a fire in its kitchen facilities, and lower than expected grades and throughput at the LaRonde mine. Although actual payable gold production of 1,043,811 ounces exceeded estimates in 2012, a movement of leached ore from the upper lifts of the Creston Mascota deposit at Pinos Altos phase one leach pad suggested that the integrity of the phase one leach pad liner had been compromised and caused the suspension of active leaching in the fourth quarter of 2012. Although actual payable gold production of 1,099,335 ounces exceeded the estimate of 1,060,000 ounces in 2013, the temporary suspension of active leaching at the Creston Mascota deposit at Pinos Altos continued through March 13, 2013 before operations resumed. Occurrences of this nature and other accidents, adverse conditions or operational problems in future years may result in the Company's failure to achieve current or future production estimates.

The LaRonde mine extension is one of the deepest operations in the Western Hemisphere, with an expected maximum depth of over 3 kilometers. The operations of the LaRonde mine extension rely on new infrastructure for hauling ore and materials to the surface, including a winze (or internal shaft) and a series of ramps linking mining deposits to the Penna Shaft that services current operations at the LaRonde mine. In 2012, challenges associated with heat and congestion in the LaRonde mine extension caused a delay in the expected ramp up in gold production. Although a new cooling plant began operating in December 2013, the depth of the operations could continue to pose significant challenges to the Company, such as geomechanical risks and ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives.

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

The figures for mineral reserves and mineral resources published by the Company are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. The estimates of mineral reserves and mineral resources have been determined based on, among other things, assumed metal prices, foreign exchange rates and operating costs. 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 record a material impairment loss on its investment in mining properties or delay or discontinue production or the development of new projects, resulting in net losses and reduced cash flow. Market price fluctuations of gold (or applicable byproduct metal prices), as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to the mineral reserve, such as the need for orderly development of orebodies or the processing of new or different grades, may impair the profitability of a mine in any particular reporting period.

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

The Company's operations include a mine in Finland and a mine in northern Mexico. A second project in northern Mexico, known as the La India project, is expected to achieve commercial production in the first quarter of 2014. These operations are exposed to various levels of political, economic and other risks and uncertainties that are different from those encountered at the Company's Canadian properties. These risks and uncertainties vary from country to country and may include: extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; restrictions on foreign exchange and repatriation; hostage taking; and changing political conditions and currency controls. In addition, the Company must comply with multiple and potentially conflicting regulations in Canada, the United States, Europe and Mexico, including export requirements, taxes, tariffs, import duties and other trade barriers, as well as health, safety and environmental requirements.

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

Regulatory Risk

The Company's mining and mineral processing operations, exploration activities and properties 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.

Controls Evaluation

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"). The Company's management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its ICFR and DC&P as at December 31, 2013. Based on this evaluation, management concluded that the Company's ICFR and DC&P were effective.

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, 2014 were exercised:

Common shares outstanding at March 12, 2014	174,233,738
Employee stock options	12,576,810
	186,810,548

Governance

Agnico Eagle's Sustainable Development Policy, approved by the Board of Directors in 2012, formally outlines the guiding principles and commitments to be upheld by the Company. The Sustainable Development Policy is based on four fundamental values of sustainable development at Agnico Eagle: respect for our employees; protection of the environment; safe operations; and respect for our communities.

Sustainable Development Management

In 2013, the Company continued the process of introducing sustainability into all aspects and stages of its business, from the corporate objectives and executive responsibility of 'maintaining high standards in sustainability' to exploration and acquisition activities, day to day operating and site closure plans. This integration will lead to employees taking greater ownership towards the achievement of responsible mining practices.

This process will be completed through the development and implementation of a formal Health, Safety and Environmental Management System, termed the Responsible Mining Management System ("RMMS"). The aim of the RMMS is to further promote a culture of accountability and leadership in managing health, safety, environmental and social acceptability matters. RMMS documentation will be supported by the software Intelex, which is widely used in the Canadian mining industry and is consistent with the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety Management System.

The RMMS will incorporate the Company's commitments as a signatory to the International Cyanide Management Code (the "Cyanide Code"). Agnico Eagle became a signatory to the Cyanide Code in September 2011 and is seeking to have the Kittila, Pinos Altos and Meadowbank mines audited and certified under the Cyanide Code by an independent third party within the three year deadline. Internal audits have been performed at each of these mines and action plans to resolve identified gaps in procedures are being implemented prior to the external audit.

The RMMS will also integrate the requirements of the Mining Association of Canada's industry leading Towards Sustainable Mining Initiative (the "TSM Initiative"), as well as the Global Reporting Initiative's sustainability reporting guidelines for the mining industry. In December 2010, Agnico Eagle became a member of the Mining Association of Canada and endorsed the TSM Initiative. The TSM Initiative was developed to help mining companies evaluate the quality, comprehensiveness and robustness of their management systems under six performance elements: crisis management;

energy and greenhouse gas emissions management; tailings management; biodiversity conservation management; health and safety; and aboriginal relations and community outreach. In 2013, the Company conducted an internal TSM Initiative analysis and program implementation at all of its divisions and will undergo a program internal audit in 2014.

Employee Health and Safety

Agnico Eagle's overall health and safety performance improved during 2013. A combined lost-time accident frequency rate of 1.7 was achieved, a 30% reduction from 2012 and substantially below the target rate of 2.8. This is the best lost-time accident frequency rate ever recorded by the Company. Extensive health and safety training was also provided to all employees during 2013.

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

In 2013, the Quebec Mining Association ("AMQ") acknowledged Agnico Eagle's strong performance in this area, recognizing 24 Agnico Eagle supervisors from the LaRonde, Lapa and Goldex mines for keeping their workers safe. The supervisors received AMQ security trophy awards for 50,000, 100,000 and 150,000 hours supervised without a lost-time accident.

Each of the Company's mining operations has its own Emergency Response Plan and has personnel trained to respond to safety, fire and environmental emergencies. Each mine also maintains the appropriate response equipment. In Mexico, the Company's emergency response team was called by local authorities on several occasions to help in emergency situations outside the minesite. In 2013, the corporate crisis management plan was updated to align with industry best practices and the TSM Initiative requirements.

The Pinos Altos mine won the Silver Helmet award at the 2013 Annual Safety Contest of the Mexican Chamber of Mines, for maintaining the best safety statistics for underground mines in Mexico with more than 500 workers during 2012. In 2013 the Pinos Altos Mine Rescue Team won the "Underground Mine Rescue" and the "BG-4 Breathing Apparatus" events during the 2013 National Mexican Mine Rescue Competition.

In May 2013, personnel from five of Quebec mines competed in mine rescue competitions. The Goldex Mine Rescue team won for their second time the Provincial Mine Rescue competition. They also took home trophies for "Best operating team" and "Best performance during the mission".

Community

The Company's ultimate goal, at each of its operations worldwide, is to hire as much as possible of its workforce, including management teams, directly from the local region in which the operation is located. In 2013 the overall company average for local hiring was 81%. The Company believes that providing employment is one of its most significant contributions it can make to the communities in which it operates.

Agnico Eagle also works closely with neighboring communities to develop alternative employment and business opportunities to help diversify local economies. For example, at the Pinos Altos mine in Mexico, the Company helped a group of local women start up a sewing cooperative to help fill the demand for clothing manufacturing from both the local mining industry and surrounding communities. The success of the clothing cooperative in Mexico led to the development of a similar program in Arviat, Nunavut. The Meadowbank mine has teamed up with the Arviat Kiluk sewing workshop, which will provide the Meadowbank mine with a range of commercial sewing services, including sewing repairs and work-wear. The Arviat Kiluk will also design and produce new promotional products with Agnico Eagle's logo, including sealskin vests, mitts and computer bags.

In 2012, the Company began a substantial three-year investment in an educational program known as Mining Matters' Aboriginal Education and Outreach Programs in the Kivalliq region of Nunavut. The goal of the program is to show young people that there are interesting jobs and careers for them in the north, and that the mining industry can be a key source of these opportunities.

In 2013, with the support of the Kivalliq Mine Training Society, the Meadowbank team has developed a unique upward mobility training program for Inuit employees. This program provides training and career path opportunities for Inuit with

limited education and work experience in the area of heavy equipment operators, mill operators and site services. Skills acquired through the program are easily transferable to other sectors of the Nunavut economy.

For the sixth year in a row, the Pinos Altos mine was certified as a Socially Responsible Company by the Mexican Centre for Philanthropy (Centro Mexicano para la Filantropía) and the Alliance for Social Responsibility of Enterprises (Alianza por la Responsabilidad Social Empresarial en México). This certification recognizes the excellence of the social responsibility practices at the Pinos Altos mine. Agnico Eagle Mexico was also recognized by the Canadian Chamber of Commerce in Mexico with the 2013 Outstanding Business Award (COBA) for Corporate Social Responsibility.

The Company continues to support a number of community health and educational initiatives in the region surrounding the Pinos Altos mine, including the establishment of a local sewing cooperative and donating material for the construction of new classrooms or for the repair of existing classrooms.

Environment

In 2013, three notices of infraction were received by the Company. Two of the notices of infraction were of an administrative nature, while the third involves an ongoing investigation relating to a seepage event from a waste rock pile.

The Kittila mine received an updated environmental permit in July 2013 and is appealing some of the requirements included in the permit. In 2013, construction was completed on the road between the community of Rankin Inlet and the Meliadine project. A Draft Environmental Impact Statement for the Meliadine project was prepared and submitted to the Nunavut Impact Review Board in January 2013.

The Creston Mascota deposit at Pinos Altos was audited in 2013 to obtain certification as an Industria Limpia (Clean Industry) by La Procuraduría Federal de Protección al Ambiente (the federal environmental protection agency in Mexico). This certification recognizes excellence in environmental management and has previously also been received by the Pinos Altos mine.

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, goodwill and asset retirement obligations. In making judgments about the carrying value of assets and liabilities, the Company uses estimates based on historical experience and 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 consolidated financial statements. Management has discussed the development and selection of the following critical accounting policies with the Audit Committee which has reviewed the Company's disclosure in this MD&A.

Mining Properties, Plant and Equipment and Mine Development Costs

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when production begins, using the units-of-production method, based on estimated proven and probable mineral 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 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 mining of 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 mine development costs used in commercial production on a units-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The units-of-production method defines the denominator as the total tonnage of proven and probable mineral reserves. Plant and equipment is amortized on a straight-line basis over its specifically identified useful life.

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 appropriate category 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 mineral reserves, the costs of drilling and development to further delineate the ore body on such property are capitalized. The establishment of proven and probable mineral reserves is based on results of final feasibility studies that 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 methodology described 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 operating mines 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 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 acquired and liabilities assumed 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. 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 each reporting unit's carrying amount. 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.

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 the Company's concentrate sales contracts with third-party smelters, final prices for the metals contained in the concentrate are determined based on the prevailing spot market metal prices on a specified future date, which is established as of 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.

Reclamation Costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of asset retirement obligations ("AROs") 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 AROs. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit to income, 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 operation of mining properties and 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 and rehabilitation, demolition of buildings and 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 proven and probable mineral 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 income.

Environmental remediation liabilities ("ERLs") 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 ERLs arising from past acts. ERL fair value is measured by discounting the expected related 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 ERL is incurred. On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of ERLs 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 ERL. Any change in the fair value of ERLs results in a corresponding charge or credit to income. Upon settlement of an ERL, Agnico Eagle records a gain or loss if the actual cost differs from the carrying amount of the ERL. Settlement gains/losses are recorded in income.

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

Income and Mining Taxes

Agnico Eagle follows the liability method of tax allocation for accounting for income taxes. Under this method of tax allocation, deferred income and mining tax assets and liabilities are measured using the enacted tax rates and laws expected to be in effect when the temporary 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 greater than fifty 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. The Company adjusts these mineral 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 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.

Financial Instruments

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 and may use such means to manage exposure to certain input costs. 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 statements of income (loss) and comprehensive income (loss) or in shareholders' equity as a component of accumulated other comprehensive loss, depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Financial instruments designated as hedges are tested for effectiveness on a quarterly basis. Gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Stock-Based Compensation

The Company's Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of income (loss) and comprehensive 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 the 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 (loss) 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 inventories or expensed, except for sustaining capital costs related to mining properties, plant and equipment or mine 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 (iii) and (vi) of the "Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold Produced by Mine" section of this MD&A for a discussion of stripping costs with regards to "total cash costs per ounce of gold produced".

Recently Issued Accounting Pronouncements and Developments

Under Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. Agnico Eagle has evaluated newly issued accounting standards that have not yet been adopted and does not expect them to significantly impact the Company's consolidated financial statements.

International Financial Reporting Standards

As permitted by both the SEC in the United States and the Canadian Securities Administrators ("CSA") in Canada, Agnico Eagle currently prepares and files its consolidated financial statements in accordance with US GAAP. Generally accepted accounting principles for Canadian publicly accountable enterprises became International Financial Reporting Standards ("IFRS") in 2011 and the SEC now accepts financial statements prepared in accordance with IFRS without reconciliation to US GAAP from foreign private issuers. Accordingly, Agnico Eagle has decided to convert its basis of accounting to IFRS to enhance the comparability of its financial statements to the Company's peers in the mining industry.

The Company has commenced the process of converting its basis of accounting from US GAAP to IFRS with a transition date of January 1, 2013. Agnico Eagle anticipates reporting under IFRS for interim and annual periods beginning in the third quarter of 2014, with comparative information restated under IFRS.

The adoption of IFRS may require the Company to make changes in accounting policies that may have an impact on its reported financial position and results of operations. Where accounting policy alternatives are available, Agnico Eagle's primary objective will be the selection of IFRS accounting policies that provide meaningful and transparent information to shareholders.

The Company has developed a detailed IFRS conversion plan which includes the following three phases and the key activities to be performed in each phase:

- **Assessment phase:** During this now completed phase, the Company established a steering committee and IFRS working group, developed a detailed project plan, designed and implemented internal controls over the IFRS conversion plan and evaluated the high level differences between US GAAP and IFRS that may have an impact on the Company.
- **Impact analysis and design phase:** This phase involves the detailed analysis and quantification of the differences between Agnico Eagle's accounting policies under US GAAP and IFRS, the selection of IFRS accounting policies, the assessment of the impact on financial information systems and the development of a strategy for capturing IFRS comparative financial information, the incorporation of IFRS accounting policy and process changes into the Company's internal controls, the assessment of contractual arrangements and budgeting processes for IFRS conversion impacts and the provision of technical training to key finance and other personnel. This phase is in process and is expected to be completed during the second quarter of 2014.
- **Implementation phase:** This phase involves the implementation of changes to the Company's accounting policies and business processes as identified through the impact analysis and design phase and the revision of the Company's Accounting Policies and Procedures Manual to reflect these changes. The implementation phase will culminate in the preparation of IFRS consolidated financial statements including first-time adoption reconciliations from US GAAP in the third quarter of 2014.

Significant identified differences between US GAAP and IFRS and available IFRS accounting policy choices that may have an impact on the Company's consolidated financial statements are outlined below. These differences should not be regarded as a complete list of changes that will result from the transition to IFRS, rather they encompass management's high level evaluation of significant differences between US GAAP and IFRS and available IFRS accounting policy choices as they currently exist. At this stage in the IFRS conversion plan, the Company has not quantified the anticipated impact of these differences on our consolidated financial statements nor has the Company selected the IFRS accounting policies it will adopt.

First-time adoption of IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that IFRS effective at the end of an entity's first IFRS reporting period be applied retrospectively, with specific mandatory exceptions and certain optional exemptions. In accordance with its IFRS conversion plan, Agnico Eagle's first IFRS reporting period will be the third quarter of 2014.

Impairment

Under US GAAP, a two-step approach is used for long-lived asset impairment testing whereby long-lived assets are first tested for recoverability based on their expected undiscounted cash flows. If a long-lived asset's expected undiscounted cash flow exceeds the recorded carrying amount, no impairment charge is required. If the expected undiscounted cash flow is lower than the recorded carrying amount, the long-lived assets are written down to their estimated fair value. US GAAP does not permit the reversal of impairment losses.

Under IFRS, IAS 36 Impairment of Assets ("IAS 36") prescribes a one-step approach for asset impairment testing and measurement whereby an asset's recoverable amount is compared directly against its recorded carrying amount. Under IAS 36, an asset's recoverable amount is determined as the higher of the estimated fair value less costs to sell or value in use (which is measured using discounted cash flows). If an asset's recoverable amount is less than the recorded carrying amount, an impairment charge is required. IAS 36 also requires the reversal of previously recorded impairment losses where circumstances have changed such that the impairments have been reduced.

The difference in the approach to asset impairment testing and measurement may result in more frequent impairment charges under IFRS, where asset carrying values previously supported under US GAAP on an undiscounted cash flow basis cannot be supported on a discounted cash flow basis. However, the impact of any additional asset impairments recorded under IFRS may be partially offset by the requirement to reverse previously recorded impairment losses where circumstances have changed.

Production stripping costs

Under US GAAP, the cost of removing overburden and waste materials to expose ore and access mineral deposits for extraction during the production phase of a surface mine ("production stripping costs") are accounted for as production costs and are included in the cost of the inventory produced during the period in which the stripping costs are incurred.

Under IFRS, IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") requires that production stripping costs relating to improved access to ore be capitalized as part of a non-current stripping activity asset if probable future economic benefits will be realized, the costs can be reliably measured and the component of an ore body for which access has been improved can be identified. To the extent that ore is extracted and inventory is produced in the current period, IFRIC 20 instead prescribes that production stripping costs be accounted for as part of the cost of the inventory produced.

The difference in approach to accounting for production stripping costs will result in a decrease in direct production costs and an increase in amortization expense relating to the recognition of non-current stripping activity assets under IFRS.

Exploration and evaluation

Under US GAAP, the Company accounts for exploration and evaluation ("E&E") expenditures as current period operating expenses until it is determined that a mining property can be economically developed as a result of established proven and probable reserves. Once proven and probable reserves are established based on the results of a final feasibility study, the costs of drilling and development to further delineate the ore body are capitalized.

IFRS 6 Exploration for and Evaluation of Mineral Resources ("IFRS 6") provides guidance related to expenditures incurred during the E&E phase. IFRS 6 requires entities to select and consistently apply an accounting policy that specifies which expenditures are capitalized as E&E assets. However, IFRS 6 provides no specific guidance as to when E&E expenditures are to be capitalized.

Agnico Eagle is in the process of defining the E&E phase within the context of IFRS 6 and developing an accounting policy that outlines the point at which specific types of E&E expenditures will be capitalized.

Revenue Recognition

Revenue recognition criteria under IAS 18 Revenue ("IAS 18") include the probability that economic benefits associated with the transaction will flow to the entity and that the revenue can be measured reliably. The Company does not expect that the point at which it recognizes revenue will change under IFRS.

Property, Plant and Equipment

Under IFRS, IAS 16 Property, Plant and Equipment requires the separate identification and measurement of significant individual components of property, plant and equipment, with individual components depreciated based on their individual useful lives. The Company identified significant individual components of property, plant and equipment under US GAAP in 2013 and will assess whether an adjustment relating to the retrospective application and depreciation of these components is required to its opening January 1, 2013 balance sheet under IFRS.

Mineral Reserve Data

Information with respect to the Company's mineral reserves has been approved by Daniel Doucet, P.Eng., Corporate Director, Reserve Development, a "qualified person" under the CSA's National Instrument 43-101 *Standards of Disclosure for Mineral Properties*. The Company's mineral reserve estimate was derived from internally generated data or audited reports.

The assumptions used for the mineral reserve estimates at all mines and projects reported in this MD&A as at December 31, 2013 are $1,200 per ounce gold, $18.00 per ounce silver, $0.82 per pound zinc, $3.00 per pound copper, $0.91 per pound lead and exchange rates of C$1.03 per US$1.00, €0.76 per US$1.00 and 12.75 Mexican pesos per $1.00. The assumptions used for mineral reserve estimates as at December 31, 2012 were based on three-year average prices. The Company applied assumptions below the preceding three-year average for its December 31, 2013 mineral reserve estimates to reflect a lower commodity price environment.

Proven and Probable Mineral Reserves by Property[(i)]	**Tonnes**	**Grade (Grams per Tonne)**	**Contained Gold (Ounces)[(ii)]**
Proven Reserves			
LaRonde mine	5,978,000	3.48	668,000
Lapa mine	1,011,000	5.99	195,000
Goldex mine	119,000	1.52	6,000
Meadowbank mine	1,128,000	2.88	104,000
Meliadine project	34,000	7.31	8,000
Kittila mine	1,104,000	4.27	151,000
Pinos Altos mine (includes the Creston Mascota deposit at Pinos Altos)	1,966,000	2.54	161,000
La India project	228,000	0.64	5,000
Total Proven Reserves	11,568,000	3.49	1,298,000
Probable Reserves			
LaRonde mine	18,149,000	5.50	3,212,000
Lapa mine	456,000	5.92	87,000
Goldex mine	7,485,000	1.52	367,000
Meadowbank mine	15,692,000	3.26	1,647,000
Meliadine project	11,943,000	7.38	2,833,000
Kittila mine	30,520,000	4.65	4,563,000
Pinos Altos mine (includes the Creston Mascota deposit at Pinos Altos)	26,738,000	2.45	2,105,000
La India project	26,868,000	0.87	753,000
Total Probable Reserves	137,850,000	3.51	15,567,000
Total Proven and Probable Mineral Reserves	149,418,000	3.51	16,865,000

Notes:

(i) Complete information on the verification procedures, the quality assurance program, quality control procedures, operating and capital cost assumptions, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A and definition of certain terms used herein may be found in: the AIF under the caption "Information on Mineral Reserves and Mineral Resources of the Company"; the 2005 LaRonde Mineral Resource & Mineral Reserve Estimate filed with Canadian securities regulatory authorities on SEDAR on March 23, 2005; the Technical Report on the Lapa Gold Project filed with Canadian securities regulatory authorities on SEDAR on June 8, 2006; the Technical Report on the December 31, 2009 Mineral Reserve and Mineral Resource Estimate and the Suuri Extension Project, Kittila Mine, Finland filed with the Canadian securities regulatory authorities on SEDAR on March 4, 2010; the Technical Report on the Mineral Resources and Mineral Reserves at Meadowbank Gold Mine, Nunavut, Canada as at December 31, 2011 filed with Canadian securities regulatory authorities on SEDAR on March 23, 2012; the Pinos Altos Gold-Silver Mining Project, Chihuahua State, Mexico, Technical Report on Mineral Resources and Reserves as of December 31, 2008 filed with Canadian securities regulatory authorities on March 25, 2009; the Technical Report on the December 31, 2010 Mineral Resource and Mineral Reserve Estimate, Meliadine Gold Project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR on March 8, 2011; the Technical Report on the June 30, 2012 Update of the Mineral Resources and Mineral Reserves, La India Gold Project, Municipality of Sahuaripa, Sonora, Mexico dated August 31, 2012 filed with Canadian securities regulatory authorities on SEDAR on October 12, 2012; the Technical Report on Restatement of the Mineral Resources at Goldex Mine, Quebec, Canada as at October 19, 2011 filed with Canadian securities regulatory authorities on SEDAR on December 5, 2011 and the Technical Report on Production of the M and E Zones at Goldex Mine dated October 14, 2012 filed with the Canadian securities regulatory authorities on SEDAR on November 1, 2012.

(ii) Total contained gold ounces does not include equivalent gold ounces for the byproduct metals contained in the mineral reserves.

Non-US GAAP Financial Performance Measures

This MD&A presents certain financial performance measures, including adjusted net income, total cash costs per ounce of gold produced, minesite costs per tonne and all-in sustaining costs per ounce of gold produced, that are not recognized measures under US GAAP. This data may not be comparable to data presented by other gold producers. Non-US GAAP financial performance measures should be considered together with other data prepared in accordance with US GAAP.

Adjusted Net Income

Adjusted net income 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 net income as recorded in the consolidated statements of income (loss) and comprehensive income (loss) for non-recurring, unusual and other items. The Company believes that this generally accepted industry measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted net income is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with US GAAP.

	Years Ended December 31,		
	2013	**2012**	**2011**
Net income (loss) for the year attributed to common shareholders	$(406,526)	$310,916	$(568,895)
Impairment loss on available-for-sale securities	34,272	12,732	8,569
Foreign currency translation (gain) loss	(7,188)	16,320	(1,082)
Stock options expense	25,008	33,792	42,594
Impairment loss (net of tax)	436,262	–	648,003
Loss on Goldex mine (net of tax)	–	–	197,285
Deferred tax charges (net)	47,194	–	(2,064)
Other	24,707	(2,077)	9,711
Adjusted net income for the year attributed to common shareholders	$ 153,729	$371,683	$ 334,121
Net income (loss) per share – basic	$ (2.35)	$ 1.82	$ (3.36)
Net income (loss) per share – diluted	$ (2.35)	$ 1.81	$ (3.36)
Adjusted net income per share – basic	$ 0.89	$ 2.17	$ 1.97
Adjusted net income per share – diluted	$ 0.89	$ 2.17	$ 1.97

Total Cash Costs per Ounce of Gold Produced and *Minesite Costs per Tonne*

The Company believes that total cash costs per ounce of gold produced and minesite costs per tonne are realistic indicators of operating performance and are useful in allowing year over year comparisons. However, both of these non-US GAAP generally accepted industry measures should be considered together with other data prepared in accordance with US GAAP. These measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP.

Total cash costs per ounce of gold produced is calculated by adjusting production costs as recorded in the consolidated statements of income (loss) and comprehensive income (loss) for byproduct revenues, unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management also uses this measure to monitor the performance of the Company's mining operations. As 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 can be impacted by fluctuations in

byproduct metal prices and exchange rates. Management compensates for these inherent limitations by using this measure 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 calculated by adjusting production costs as shown in the consolidated statements of income (loss) and comprehensive income (loss) for unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by tonnes of ore processed. As the total cash costs per ounce of gold produced measure can be impacted by fluctuations in byproduct metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations. Management is aware that this per tonne measure of performance can be impacted by fluctuations in production levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with US GAAP.

The Company reports total cash costs per ounce of gold produced and minesite costs per tonne using a common industry practice of deferring certain stripping costs that can be attributed to future production. The purpose of adjusting for these stripping costs is to enhance the comparability of total cash costs per ounce of gold produced and minesite costs per tonne to the Company's peers within the mining industry.

The following tables provide a reconciliation of total cash costs per ounce of gold produced and minesite costs per tonne to production costs as presented in the consolidated statements of income (loss) and comprehensive income (loss) in accordance with US GAAP.

Total Production Costs by Mine

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars)		
Production costs per the consolidated statements of income (loss)	$ 924,927	$ 897,712	$ 876,078
LaRonde mine	229,911	225,647	209,947
Lapa mine	69,532	73,376	68,599
Goldex mine	13,172	–	56,939
Meadowbank mine	363,894	347,710	284,502
Kittila mine[(i)]	80,287	98,037	110,477
Pinos Altos mine	130,129	128,618	131,044
Creston Mascota deposit at Pinos Altos[(ii)]	16,726	17,885	14,570
Total	$ 903,651	$ 891,273	$ 876,078

Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold Produced[iii] by Mine

LaRonde Mine – Total Cash Costs per Ounce of Gold Produced[iii]	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 229,911	$ 225,647	$ 209,947
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(82,057)	(131,750)	(194,000)
Inventory and other adjustments[iv]	(7,123)	107	(2,309)
Non-cash reclamation provision	(2,122)	(2,422)	(4,062)
Cash operating costs	$ 138,609	$ 91,582	$ 9,576
Gold production (ounces)	181,781	160,875	124,173
Total cash costs per ounce of gold produced ($ per ounce)[iii]	$ 763	$ 569	$ 77

Lapa Mine – Total Cash Costs per Ounce of Gold Produced[iii]	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 69,532	$ 73,376	$ 68,599
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	376	513	663
Inventory and other adjustments[iv]	(1,504)	(71)	631
Non-cash reclamation provision	(67)	191	(348)
Cash operating costs	$ 68,337	$ 74,009	$ 69,545
Gold production (ounces)	100,730	106,191	107,068
Total cash costs per ounce of gold produced ($ per ounce)[iii]	$ 678	$ 697	$ 650

Goldex Mine – Total Cash Costs per Ounce of Gold Produced[iii][v]	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 13,172	$ –	$ 56,939
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	26	–	395
Inventory and other adjustments[iv]	1,896	–	(2,778)
Non-cash reclamation provision	–	–	(173)
Cash operating costs	$ 15,094	$ –	$ 54,383
Gold production (ounces)	19,305	–	135,478
Total cash costs per ounce of gold produced ($ per ounce)[iii]	$ 782	$ –	$ 401

Meadowbank Mine – Total Cash Costs per Ounce of Gold Produced(iii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$363,894	$347,710	$284,502
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(1,471)	(1,651)	(546)
Inventory and other adjustments(iv)	(5,471)	4,582	(1,670)
Non-cash reclamation provision	(1,538)	(1,611)	(1,679)
Stripping costs(vi)	(22,305)	(14,806)	(9,746)
Cash operating costs	$333,109	$334,224	$270,861
Gold production (ounces)	430,613	366,030	270,801
Total cash costs per ounce of gold produced ($ per ounce)(iii)	$ 774	$ 913	$ 1,000

Kittila Mine – Total Cash Costs per Ounce of Gold Produced(i)(iii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 80,287	$ 98,037	$110,477
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	281	391	152
Inventory and other adjustments(iv)	4,561	1,564	(1,267)
Non-cash reclamation provision	(435)	(551)	(206)
Stripping costs(vi)	–	–	(3,018)
Cash operating costs	$ 84,694	$ 99,441	$106,138
Gold production (ounces)	141,032	175,878	143,560
Total cash costs per ounce of gold produced ($ per ounce)(iii)	$ 601	$ 565	$ 739

Pinos Altos Mine – Total Cash Costs per Ounce of Gold Produced(iii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$130,129	$128,618	$131,044
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(48,417)	(67,720)	(60,091)
Inventory and other adjustments(iv)	(884)	2,718	1,420
Non-cash reclamation provision	(297)	(205)	(907)
Stripping costs(vi)	(5,581)	(12,762)	(24,260)
Cash operating costs	$ 74,950	$ 50,649	$ 47,206
Gold production (ounces)	181,773	183,662	166,158
Total cash costs per ounce of gold produced ($ per ounce)(iii)	$ 412	$ 276	$ 284

Creston Mascota deposit at Pinos Altos – Total Cash Costs per Ounce of Gold Produced(ii)(iii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 16,726	$ 17,885	$ 14,570
Adjustments:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(520)	(1,758)	(562)
Inventory and other adjustments(iv)	517	(60)	451
Non-cash reclamation provision	(108)	(559)	(465)
Stripping costs(vi)	(1,052)	–	–
Cash operating costs	$ 15,563	$ 15,508	$ 13,994
Gold production (ounces)	32,120	47,615	38,222
Total cash costs per ounce of gold produced ($ per ounce)(iii)	$ 485	$ 326	$ 366

Reconciliation of Production Costs to Minesite Costs per Tonne(vii) by Mine

LaRonde Mine – Minesite Costs per Tonne(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$229,911	$225,647	$209,947
Adjustments:			
Inventory adjustment(viii)	(6,259)	984	(22)
Non-cash reclamation provision	(2,122)	(2,421)	(4,062)
Minesite operating costs	$221,530	$224,210	$205,863
Minesite operating costs (thousands of C$)	C$228,654	C$225,159	C$202,957
Tonnes of ore milled (thousands of tonnes)	2,319	2,359	2,406
Minesite costs per tonne (C$)(vii)	C$ 99	C$ 95	C$ 84

Lapa Mine – Minesite Costs per Tonne(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 69,532	$ 73,376	$ 68,599
Adjustments:			
Inventory adjustment(viii)	(1,217)	54	1,071
Non-cash reclamation provision	(67)	191	(348)
Minesite operating costs	$ 68,248	$ 73,621	$ 69,322
Minesite operating costs (thousands of C$)	C$ 70,621	C$ 73,813	C$ 68,403
Tonnes of ore milled (thousands of tonnes)	641	641	621
Minesite costs per tonne (C$)(vii)	C$ 110	C$ 115	C$ 110

Goldex Mine – Minesite Costs per Tonne(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 13,172	$ –	$ 56,939
Adjustments:			
Inventory adjustment(viii)	1,896	–	(2,407)
Non-cash reclamation provision	–	–	(173)
Minesite operating costs	$ 15,068	$ –	$ 54,359
Minesite operating costs (thousands of C$)	C$ 15,798	C$ –	C$ 53,208
Tonnes of ore milled (thousands of tonnes)	492	–	2,477
Minesite costs per tonne (C$)(vii)	C$ 32	C$ –	C$ 21

Meadowbank Mine – Minesite Costs per Tonne(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$363,894	$347,710	$284,502
Adjustments:			
Inventory adjustment(viii)	(5,220)	4,407	253
Non-cash reclamation provision	(1,538)	(1,610)	(1,679)
Stripping costs(vi)	(22,305)	(14,806)	(9,746)
Minesite operating costs	$334,831	$335,701	$273,330
Minesite operating costs (thousands of C$)	C$343,147	C$336,431	C$272,157
Tonnes of ore milled (thousands of tonnes)	4,143	3,821	2,978
Minesite costs per tonne (C$)(vii)	C$ 83	C$ 88	C$ 91

Kittila Mine – Minesite Costs per Tonne(i)(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 80,287	$ 98,037	$110,477
Adjustments:			
Inventory adjustment(viii)	4,561	1,569	(1,324)
Non-cash reclamation provision	(435)	(551)	(206)
Stripping costs(vi)	–	–	(3,018)
Minesite operating costs	$ 84,413	$ 99,055	$105,929
Minesite operating costs (thousands of €)	€ 64,102	€ 75,305	€ 76,817
Tonnes of ore milled (thousands of tonnes)	882	1,090	1,031
Minesite costs per tonne (€)(vii)	€ 73	€ 69	€ 75

Pinos Altos Mine – Minesite Costs per Tonne(vii)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$130,129	$128,618	$131,044
Adjustments:			
Inventory adjustment(viii)	(821)	2,815	146
Non-cash reclamation provision	(297)	(205)	(907)
Stripping costs(vi)	(5,581)	(12,762)	(24,260)
Minesite operating costs	$123,430	$118,466	$106,023
Tonnes of ore processed (thousands of tonnes)	2,725	2,862	2,956
Minesite costs per tonne (US$)(vii)	$ 45	$ 41	$ 36

Creston Mascota deposit at Pinos Altos – Minesite Costs per Tonne[(ii)(vii)]	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(thousands of United States dollars, except as noted)		
Production costs	$ 16,726	$ 17,885	$ 14,570
Adjustments:			
Inventory adjustment[(viii)]	515	(60)	(315)
Non-cash reclamation provision	(108)	(559)	(465)
Stripping costs[(vi)]	(1,052)	–	–
Minesite operating costs	$ 16,081	$ 17,266	$ 13,790
Tonnes of ore processed (thousands of tonnes)	1,024	1,454	1,553
Minesite costs per tonne (US$)[(vii)]	$ 16	$ 12	$ 9

Notes:

(i) Excludes the Kittila mine's results for the second quarter of 2013. Due to an extended maintenance shutdown, the Kittila mine only operated for 14 days during the second quarter of 2013. The Kittila mine incurred $18,159,000 in production costs during the second quarter of 2013, which were excluded from the calculation of total cash costs per ounce of gold produced and minesite costs per tonne.

(ii) Excludes results from the Creston Mascota deposit at Pinos Altos for the first quarter of 2013 and the fourth quarter of 2012 due to an unexpected movement of leached ore at the Phase One leach pad, resulting in the temporary suspension of active leaching between October 1, 2012 and March 13, 2013. The Creston Mascota deposit at Pinos Altos incurred $3,117,000 and $6,439,000 in production costs during the first quarter of 2013 and the fourth quarter of 2012, respectively, which were excluded from the calculation of total cash costs per ounce of gold produced and minesite costs per tonne.

(iii) Total cash costs per ounce of gold produced 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 recorded in the consolidated statements of income (loss) for byproduct revenues, unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by the number of ounces of gold produced. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is a useful comparison point between periods. Total cash costs per ounce of gold produced is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management also uses this measure to monitor the performance of the Company's mining operations. As 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 can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for these inherent limitations by using this measure 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.

(iv) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production not yet recognized as revenue.

(v) Excludes the Goldex mine's results for the third quarter of 2013. Initial non-commercial payable gold production of 1,505 ounces was achieved at the Goldex mine's M and E Zones during the third quarter of 2013. 2011 results relate to the Goldex mine's GEZ prior to the indefinite suspension of operations there on October 19, 2011 due to geotechnical concerns.

(vi) The Company reports total cash costs per ounce of gold produced and minesite costs per tonne using a common industry practice of deferring certain stripping costs that can be attributed to future production. The purpose of adjusting for these stripping costs is to enhance the comparability of total cash costs per ounce of gold produced and minesite costs per tonne to the Company's peers within the mining industry.

(vii) 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 statements of income (loss) for unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by tonnes of ore milled. As the total cash costs per ounce of gold produced measure can be impacted by fluctuations in byproduct metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations, eliminating the impact of 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 of performance can be impacted by fluctuations in processing levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with US GAAP.

(viii) This inventory adjustment reflects production costs associated with unsold concentrates.

All-in Sustaining Costs per Ounce of Gold Produced

All-in sustaining costs per ounce of gold produced, calculated beginning in 2013, 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 measure provides a realistic indicator of operating performance. However, this non-US GAAP measure should be considered together with other data prepared in accordance with US GAAP as it is not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP.

The following table provides a reconciliation of production costs to all-in sustaining costs per ounce of gold produced for 2013.

(United States dollars per ounce of gold produced, except where noted)	**Year Ended December 31, 2013**
Production costs per the consolidated statements of income (loss) (thousands of United States dollars)	$924,927
Adjusted production costs (thousands of United States dollars)(i)(ii)	$903,651
Adjusted gold production (ounces)(i)(ii)(iii)	1,087,354
Adjusted production costs(i)(ii)(iii)	$831
Adjustments:	
Byproduct metal revenues, net of smelting, refining and marketing charges	(121)
Inventory and other adjustments(iv)	(7)
Non-cash reclamation provision	(4)
Stripping costs(v)	(27)
Total cash costs per ounce of gold produced(vi)	672
Adjustments:	
Sustaining capital expenditures	184
Exploration and corporate development expenses (excluding greenfield exploration)	14
General and administrative expenses (net of stock options)	82
All-in sustaining costs per ounce of gold produced	$952

Notes:

(i) Excludes the Kittila mine's results for the second quarter of 2013. Due to an extended maintenance shutdown, the Kittila mine only operated for 14 days during the second quarter of 2013. The Kittila mine incurred $18,159,000 in production costs and produced 5,389 ounces of gold during the second quarter of 2013, which was excluded from the calculation of total cash costs per ounce of gold produced.

(ii) Excludes results from the Creston Mascota deposit at Pinos Altos for the first quarter of 2013 due to the temporary suspension of active leaching between October 1, 2012 and March 13, 2013 as a result of an unexpected movement of leached ore at the Phase One leach pad. The Creston Mascota deposit at Pinos Altos incurred $3,117,000 in production costs and produced 1,907 ounces of gold during the first quarter of 2013, which was excluded from the calculation of total cash costs per ounce of gold produced.

(iii) Excludes the Goldex mine's results for the third quarter of 2013 and the La India project's results for the fourth quarter of 2013. Initial non-commercial payable gold production of 1,505 ounces was achieved at the Goldex mine's M and E Zones during the third quarter of 2013. Initial non-commercial payable gold production of 3,180 ounces was achieved at the La India project during the fourth quarter of 2013.

(iv) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production not yet recognized as revenue.

(v) The Company reports total cash costs per ounce of gold produced using a common industry practice of deferring certain stripping costs that can be attributed to future production. The purpose of adjusting for these stripping costs is to enhance the comparability of total cash costs per ounce of gold produced to the Company's peers within the mining industry.

(vi) Total cash costs per ounce of gold produced 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 recorded in the consolidated statements of income (loss) for byproduct revenues, unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by the number of ounces of gold produced. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is a useful comparison point between periods. Total cash costs per ounce of gold produced is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management also uses this measure to monitor the performance of the Company's mining operations. As 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 can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for these inherent limitations by using this measure in conjunction with minesite costs per tonne 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.

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	Total 2013
Operating margin[(i)]:					
Revenues from mining operations	$ 420,422	$ 336,424	$ 444,320	$ 437,240	$1,638,406
Production costs	230,053	225,951	231,535	237,388	924,927
Total operating margin[(i)]	190,369	110,473	212,785	199,852	713,479
Operating margin[(i)] by mine:					
LaRonde mine	33,295	14,372	26,136	26,186	99,989
Lapa mine	21,788	16,643	15,859	17,345	71,635
Goldex mine[(ii)]	–	–	–	8,246	8,246
Meadowbank mine	36,503	32,382	82,906	75,788	227,579
Kittila mine	44,956	(112)	39,019	27,414	111,277
Pinos Altos mine	56,038	41,708	38,464	36,864	173,074
Creston Mascota deposit at Pinos Altos	(2,211)	5,480	10,401	8,009	21,679
Total operating margin[(i)]	190,369	110,473	212,785	199,852	713,479
Amortization of property, plant and mine development	70,071	70,128	76,054	79,825	296,078
Impairment loss	–	–	–	537,227	537,227
Exploration, corporate and other	71,690	63,805	57,940	57,421	250,856
Income (loss) before income and mining taxes	48,608	(23,460)	78,791	(474,621)	(370,682)
Income and mining taxes expense (recovery)	24,749	920	31,480	(21,305)	35,844
Net income (loss) for the period	$ 23,859	$ (24,380)	$ 47,311	$(453,316)	$ (406,526)
Net income (loss) per share – basic (US$)	$ 0.14	$ (0.14)	$ 0.27	$ (2.61)	$ (2.35)
Net income (loss) per share – diluted (US$)	$ 0.14	$ (0.14)	$ 0.27	$ (2.61)	$ (2.35)
Cash flows:					
Cash provided by operating activities	$ 146,072	$ 75,298	$ 80,982	$ 135,944	$ 438,296
Cash used in investing activities	$(141,479)	$ (218,282)	$(145,629)	$(139,083)	$ (644,473)
Cash (used in) provided by financing activities	$ (69,504)	$ 18,677	$ 68,745	$ 30,811	$ 48,729
Realized prices (US$):					
Gold (per ounce)	$ 1,611	$ 1,336	$ 1,333	$ 1,244	$ 1,366
Silver (per ounce)	$ 29	$ 19	$ 22	$ 20	$ 22
Zinc (per tonne)	$ 2,002	$ 1,753	$ 1,874	$ 1,958	$ 1,907
Copper (per tonne)	$ 7,570	$ 6,551	$ 7,330	$ 7,275	$ 7,160

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	Total 2013
Payable production[(iii)]:					
Gold (ounces):					
LaRonde mine	39,073	46,119	45,253	51,336	181,781
Lapa mine	26,868	23,178	24,361	26,323	100,730
Goldex mine[(ii)]	–	–	1,505	19,305	20,810
Meadowbank mine	81,818	91,873	133,489	123,433	430,613
Kittila mine	43,145	5,389	56,177	41,710	146,421
Pinos Altos mine	44,164	47,383	43,736	46,490	181,773
Creston Mascota deposit at Pinos Altos	1,907	10,147	11,307	10,666	34,027
La India project[(iv)]	–	–	–	3,180	3,180
Total gold (ounces)	236,975	224,089	315,828	322,443	1,099,335
Silver (thousands of ounces):					
LaRonde mine	611	424	571	496	2,102
Meadowbank mine	22	23	26	29	100
Kittila mine	2	–	2	2	6
Pinos Altos mine	613	605	600	548	2,366
Creston Mascota deposit at Pinos Altos	3	14	14	15	46
La India project[(iv)]	–	–	–	3	3
Total silver (thousands of ounces)	1,251	1,066	1,213	1,093	4,623
Zinc (tonnes)	8,239	3,455	3,648	4,472	19,814
Copper (tonnes)	1,082	1,280	1,241	1,232	4,835
Payable metal sold:					
Gold (ounces):					
LaRonde mine	39,588	46,953	47,185	50,763	184,489
Lapa mine	23,939	25,644	24,306	28,784	102,673
Goldex mine[(ii)]	–	–	–	16,991	16,991
Meadowbank mine	80,012	87,798	132,010	130,928	430,748
Kittila mine	44,340	12,752	48,027	43,442	148,561
Pinos Altos mine	44,523	48,770	44,554	45,117	182,964
Creston Mascota deposit at Pinos Altos	587	8,112	12,761	10,496	31,956
Total gold (ounces)	232,989	230,029	308,843	326,521	1,098,382

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	Total 2013
Silver (thousands of ounces):					
LaRonde mine	583	487	584	525	2,179
Meadowbank mine	22	23	26	28	99
Kittila mine	1	2	1	1	5
Pinos Altos mine	586	640	588	553	2,367
Creston Mascota deposit at Pinos Altos	–	14	16	14	44
Total silver (thousands of ounces)	1,192	1,166	1,215	1,121	4,694
Zinc (tonnes)	6,999	5,280	3,030	5,123	20,432
Copper (tonnes)	1,067	1,291	1,253	1,227	4,838

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	Total 2012
Operating margin[i]:					
Revenues from mining operations	$ 472,934	$ 459,561	$ 535,836	$ 449,383	$1,917,714
Production costs	215,035	219,906	220,408	242,363	897,712
Total operating margin[i]	257,899	239,655	315,428	207,020	1,020,002
Operating margin[i] by mine:					
LaRonde mine	63,266	29,342	45,625	35,363	173,596
Lapa mine	27,677	26,222	25,723	20,755	100,377
Meadowbank mine	48,772	72,715	104,258	36,170	261,915
Kittila mine	49,049	31,489	52,655	53,199	186,392
Pinos Altos mine	55,978	53,623	63,802	61,092	234,495
Creston Mascota deposit at Pinos Altos	13,157	26,264	23,365	441	63,227
Total operating margin[i]	257,899	239,655	315,428	207,020	1,020,002
Amortization of property, plant and mine development	64,553	66,310	68,318	72,680	271,861
Exploration, corporate and other	85,836	96,169	94,763	36,232	313,000
Income before income and mining taxes	107,510	77,176	152,347	98,108	435,141
Income and mining taxes expense	28,962	33,904	46,021	15,338	124,225
Net income for the period	$ 78,548	$ 43,272	$ 106,326	$ 82,770	$ 310,916
Net income per share – basic (US$)	$ 0.46	$ 0.25	$ 0.62	$ 0.48	$ 1.82
Net income per share – diluted (US$)	$ 0.46	$ 0.25	$ 0.62	$ 0.48	$ 1.81
Cash flows:					
Cash provided by operating activities	$ 196,497	$ 194,082	$ 199,464	$ 105,964	$ 696,007
Cash used in investing activities	$ (88,908)	$ (68,619)	$(121,837)	$ (96,792)	$ (376,156)
Cash (used in) provided by financing activities	$(132,078)	$ (29,258)	$ (55,406)	$ 14,136	$ (202,606)
Realized prices (US$):					
Gold (per ounce)	$ 1,684	$ 1,602	$ 1,695	$ 1,684	$ 1,667
Silver (per ounce)	$ 34	$ 26	$ 34	$ 31	$ 32
Zinc (per tonne)	$ 2,125	$ 1,901	$ 1,836	$ 1,906	$ 1,955
Copper (per tonne)	$ 9,006	$ 6,455	$ 9,046	$ 7,668	$ 8,083

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2012	**June 30, 2012**	**September 30, 2012**	**December 31, 2012**	**Total 2012**
Payable production[iii]:					
Gold (ounces):					
LaRonde mine	43,281	40,206	40,477	36,911	160,875
Lapa mine	28,499	28,157	24,914	24,621	106,191
Meadowbank mine	79,401	98,403	110,988	77,238	366,030
Kittila mine	46,758	35,228	48,619	45,273	175,878
Pinos Altos mine	43,292	45,307	46,131	48,932	183,662
Creston Mascota deposit at Pinos Altos	13,724	18,049	15,842	3,560	51,175
Total gold (ounces)	254,955	265,350	286,971	236,535	1,043,811
Silver (thousands of ounces):					
LaRonde mine	690	532	475	547	2,244
Meadowbank mine	18	26	26	21	91
Pinos Altos mine	494	513	608	622	2,237
Creston Mascota deposit at Pinos Altos	13	24	31	6	74
Total silver (thousand of ounces)	1,215	1,095	1,140	1,196	4,646
Zinc (tonnes)	12,978	9,558	7,379	8,722	38,637
Copper (tonnes)	1,326	1,004	982	814	4,126
Payable metal sold:					
Gold (ounces):					
LaRonde mine	43,745	39,886	37,466	37,726	158,823
Lapa mine	27,897	27,793	24,772	24,309	104,771
Meadowbank mine	74,614	93,299	116,341	79,752	364,006
Kittila mine	44,227	34,476	45,155	46,620	170,478
Pinos Altos mine	41,857	45,446	44,882	46,149	178,334
Creston Mascota deposit at Pinos Altos	10,288	20,927	16,383	4,052	51,650
Total gold (ounces)	242,628	261,827	284,999	238,608	1,028,062
Silver (thousands of ounces):					
LaRonde mine	718	482	467	566	2,233
Meadowbank mine	18	24	26	19	87
Pinos Altos mine	482	502	603	575	2,162
Creston Mascota deposit at Pinos Altos	11	23	32	8	74
Total silver (thousand of ounces)	1,229	1,031	1,128	1,168	4,556
Zinc (tonnes)	13,032	10,379	10,120	9,073	42,604
Copper (tonnes)	1,293	1,085	937	800	4,115

Notes:

(i) Operating margin is calculated as revenues from mining operations less production costs.

(ii) The Goldex mine's M and E Zones achieved commercial production on October 1, 2013.

(iii) Payable production is 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.

(iv) The La India project is expected to achieve commercial production in the first quarter of 2014.

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Revenues from mining operations	$1,638,406	$1,917,714	$1,821,799	$1,422,521	$ 613,762
Production costs	924,927	897,712	876,078	677,472	306,318
Operating margin	713,479	1,020,002	945,721	745,049	307,444
Amortization of property, plant and mine development	296,078	271,861	261,781	192,486	72,461
Impairment loss	537,227	–	907,681	–	–
Loss on Goldex mine	–	–	302,893	–	–
Exploration, corporate and other	250,856	313,000	251,994	117,360	126,945
Income (loss) before income and mining taxes	(370,682)	435,141	(778,628)	435,203	108,038
Income and mining taxes expense (recovery)	35,844	124,225	(209,673)	103,087	21,500
Net income (loss) for the year	$ (406,526)	$ 310,916	$ (568,955)	$ 332,116	$ 86,538
Attributed to non-controlling interest	$ –	$ –	$ (60)	$ –	$ –
Attributed to common shareholders	$ (406,526)	$ 310,916	$ (568,895)	$ 332,116	$ 86,538
Net income (loss) per share – basic (US$)	$ (2.35)	$ 1.82	$ (3.36)	$ 2.05	$ 0.55
Net income (loss) per share – diluted (US$)	$ (2.35)	$ 1.81	$ (3.36)	$ 2.00	$ 0.55
Cash provided by operating activities	438,296	$ 696,007	$ 667,185	$ 487,507	$ 118,139
Cash used in investing activities	(644,473)	$ (376,156)	$ (760,484)	$ (523,306)	$ (587,611)
Cash provided by (used in) financing activities	48,729	$ (202,606)	$ 178,822	$ (25,982)	$ 556,785
Dividends declared per common share	$ 0.66	$ 1.02	$ –	$ 0.64	$ 0.18
Capital expenditures	$ 577,789	$ 445,550	$ 482,831	$ 511,641	$ 657,175
Average gold price realized ($ per ounce)	$ 1,366	$ 1,667	$ 1,573	$ 1,250	$ 1,024
Average exchange rate (C$ per $)	C$ 1.0301	C$ 0.9994	C$ 0.9893	C$ 1.0301	C$ 1.1415
Weighted average number of common shares outstanding – basic (thousands)	172,893	171,250	169,353	162,343	155,942
Working capital and credit facility drawdown availability	$1,593,071	$1,795,495	$1,472,300	$1,491,471	$ 598,581
Total assets	$4,959,359	$5,256,119	$5,034,262	$5,500,351	$4,427,357
Long-term debt	$1,000,000	$ 830,000	$ 920,095	$ 650,000	$ 715,000
Shareholders' equity	$2,977,149	$3,410,212	$3,215,163	$3,665,450	$2,751,761

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Operating Summary					
LaRonde mine					
Revenues from mining operations	$ 329,900	$ 399,243	$ 398,609	$ 392,386	$ 352,221
Production costs	229,911	225,647	209,947	189,146	164,221
Operating margin	$ 99,989	$ 173,596	$ 188,662	$ 203,240	$ 188,000
Amortization of property, plant and mine development	60,595	47,912	31,089	30,404	28,392
Gross profit	$ 39,394	$ 125,684	$ 157,573	$ 172,836	$ 159,608
Tonnes of ore milled	2,319,132	2,358,499	2,406,342	2,592,252	2,545,831
Gold – grams per tonne	2.63	2.36	1.79	2.17	2.75
Gold production – ounces	181,781	160,875	124,173	162,806	203,494
Silver production – thousands of ounces	2,102	2,244	3,169	3,581	3,919
Zinc production – tonnes	19,814	38,637	54,894	62,544	56,186
Copper production – tonnes	4,835	4,126	3,216	4,224	6,671
Total cash costs per ounce of gold produced ($ per ounce basis):					
Production costs	$ 1,265	$ 1,403	$ 1,691	$ 1,162	$ 807
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	(451)	(819)	(1,562)	(1,180)	(699)
Inventory and other adjustments[(i)]	(39)	1	(19)	19	1
Non-cash reclamation provision	(12)	(16)	(33)	(8)	(6)
Total cash cost per ounce of gold produced[(ii)]	$ 763	$ 569	$ 77	$ (7)	$ 103
Minesite costs per tonne[(iii)]	C$ 99	C$ 95	C$ 84	C$ 75	C$ 72
Lapa mine					
Revenues from mining operations	$ 141,167	$ 173,753	$ 167,536	$ 150,917	$ 43,409
Production costs	69,532	73,376	68,599	66,199	33,472
Operating margin	$ 71,635	$ 100,377	$ 98,937	$ 84,718	$ 9,937
Amortization of property, plant and mine development	44,031	42,216	37,954	31,986	9,906
Gross profit	$ 27,604	$ 58,161	$ 60,983	$ 52,732	$ 31
Tonnes of ore milled	640,422	640,306	620,712	551,739	299,430
Gold – grams per tonne	6.06	6.48	6.62	8.26	7.29
Gold production – ounces	100,730	106,191	107,068	117,456	52,602
Total cash costs per ounce of gold produced ($ per ounce basis):					
Production costs	$ 690	$ 691	$ 641	$ 564	$ 636

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	4	5	6	5	–
Inventory and other adjustments(i)	(15)	(1)	6	(40)	115
Non-cash reclamation provision	(1)	2	(3)	–	–
Total cash costs per ounce of gold produced(ii)	$ 678	$ 697	$ 650	$ 529	$ 751
Minesite costs per tonne(iii)	C$ 110	C$ 115	C$ 110	C$ 114	C$ 140
Goldex mine					
Revenues from mining operations	$ 21,418	–	$ 217,662	$ 225,090	$ 142,493
Production costs	13,172	–	56,939	61,561	54,342
Operating margin	$ 8,246	–	$ 160,723	$ 163,529	$ 88,151
Amortization of property, plant and mine development	1,208	–	16,910	21,428	21,716
Gross profit	$ 7,038	–	$ 143,813	$ 142,101	$ 66,435
Tonnes of ore milled	527,654	–	2,476,515	2,781,564	2,614,645
Gold – grams per tonne	1.35	–	1.79	2.21	1.98
Gold production – ounces	20,810	–	135,478	184,386	148,849
Total cash cost per ounce of gold produced ($ per ounce basis)(iv):					
Production costs	$ 682	–	$ 420	$ 333	$ 365
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	2	–	3	4	–
Inventory and other adjustments(i)	98	–	(21)	(1)	3
Non-cash reclamation provision	–	–	(1)	(1)	(1)
Total cash costs per ounce of gold produced(ii)	$ 782	–	$ 401	$ 335	$ 367
Minesite costs per tonne(iii)(iv)	C$ 32	C$ –	C$ 21	C$ 22	C$ 23
Meadowbank mine					
Revenues from mining operations	$ 591,473	$ 609,625	$ 434,051	$ 318,351	$ –
Production costs	363,894	347,710	284,502	182,533	–
Operating margin	$ 227,579	$ 261,915	$ 149,549	$ 135,818	$ –
Amortization of property, plant and mine development	120,348	114,114	112,624	55,604	–
Gross profit	$ 107,231	$ 147,801	$ 36,925	$ 80,214	$ –

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Tonnes of ore milled	4,142,840	3,820,911	2,977,722	2,000,792	–
Gold – grams per tonne	3.43	3.17	3.02	4.34	–
Gold production – ounces	430,613	366,030	270,801	265,659	–
Silver production – thousands of ounces	100	91	60	46	–
Total cash costs per ounce of gold produced ($ per ounce basis):					
Production costs	$ 845	$ 950	$ 1,051	$ 690	$ –
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	(2)	(5)	(2)	(2)	–
Inventory and other adjustments[i]	(13)	13	(6)	26	–
Non-cash reclamation provision	(4)	(4)	(7)	(5)	–
Stripping costs[v]	(52)	(41)	(36)	(16)	–
Total cash costs per ounce of gold produced[ii]	$ 774	$ 913	$ 1,000	$ 693	$ –
Minesite costs per tonne[iii][v]	C$ 83	C$ 88	C$ 91	C$ 95	C$ –
Kittila mine					
Revenues from mining operations	$ 209,723	$ 284,429	$ 225,612	$ 160,140	$ 61,457
Production costs	98,446	98,037	110,477	87,740	42,464
Operating margin	$ 111,277	$ 186,392	$ 115,135	$ 72,400	$ 18,993
Amortization of property, plant and mine development	27,410	30,091	26,574	31,488	10,909
Gross profit	$ 83,867	$ 156,301	$ 88,561	$ 40,912	$ 8,084
Tonnes of ore milled	934,224	1,090,365	1,030,764	960,365	563,238
Gold – grams per tonne	5.40	5.68	5.11	5.41	5.02
Gold production – ounces	146,421	175,878	143,560	126,205	71,838
Silver production – thousands of ounces	6	–	–	–	–
Total cash costs per ounce of gold produced ($ per ounce basis)[vi]:					
Production costs	$ 569	$ 557	$ 770	$ 695	$ 648

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	3	2	1	2	–
Inventory and other adjustments(i)	32	9	(10)	(38)	24
Non-cash reclamation provision	(3)	(3)	(1)	(2)	(4)
Stripping costs(v)	–	–	(21)	–	–
Total cash costs per ounce of gold produced(ii)	$ 601	$ 565	$ 739	$ 657	$ 668
Minesite costs per tonne(iii)(v)(vi)	€ 73	€ 69	€ 75	€ 66	€ 54
Pinos Altos mine					
Revenues from mining operations	$ 303,203	$ 363,113	$ 321,074	$ 175,637	$ 14,182
Production costs	130,129	128,618	131,044	90,293	11,819
Operating margin	$ 173,074	$ 234,495	$ 190,030	$ 85,344	$ 2,363
Amortization of property, plant and mine development	35,268	31,051	31,387	21,577	1,524
Gross profit	$ 137,806	$ 203,444	$ 158,643	$ 63,767	$ 839
Tonnes of ore processed	2,725,703	2,862,309	2,955,844	2,318,266	227,394
Gold – grams per tonne	2.20	2.17	1.95	1.95	1.08
Gold production – ounces	181,773	183,662	166,158	130,431	16,189
Silver production – thousands of ounces	2,366	2,237	1,824	1,185	116
Total cash costs per ounce of gold produced ($ per ounce basis):					
Production costs	$ 716	$ 700	$ 789	$ 692	$ 1,227
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	(266)	(369)	(362)	(192)	(65)
Inventory and other adjustments(i)	(5)	15	8	22	(556)
Non-cash reclamation provision	(2)	(1)	(5)	(6)	(10)
Stripping costs(v)	(31)	(69)	(146)	(91)	–
Total cash costs per ounce of gold produced(ii)	$ 412	$ 276	$ 284	$ 425	$ 596
Minesite costs per tonne(iii)(v)	$ 45	$ 41	$ 36	$ 35	$ 28
Creston Mascota deposit at Pinos Altos					
Revenues from mining operations	$ 41,522	$ 87,551	$ 57,255	$ –	$ –
Production costs	19,843	24,324	14,570	–	–
Operating margin	$ 21,679	$ 63,227	$ 42,685	$ –	$ –
Amortization of property, plant and mine development	7,218	6,477	5,602	–	–
Gross profit	$ 14,461	$ 56,750	$ 37,083	$ –	$ –

FIVE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2013	2012	2011	2010	2009
Tonnes of ore processed	1,276,159	1,532,364	1,553,563	–	–
Gold – grams per tonne	1.43	1.74	1.51	–	–
Gold production – ounces	34,027	51,175	38,222	–	–
Silver production – thousands of ounces	46	74	27	–	–
Total cash costs per ounce of gold produced ($ per ounce basis)(vii):					
Production costs	$ 521	$ 376	$ 381	$ –	$ –
Adjustments:					
Byproduct metal revenues, net of smelting, refining and marketing charges	(16)	(37)	(15)	–	–
Inventory and other adjustments(i)	16	(1)	12	–	–
Non-cash reclamation provision	(3)	(12)	(12)	–	–
Stripping costs(v)	(33)	–	–	–	–
Total cash costs per ounce of gold produced(ii)	$ 485	$ 326	$ 366	$ –	$ –
Minesite costs per tonne(iii)(v)(vii)	$ 16	$ 12	$ 9	$ –	$ –

Notes:

(i) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production not yet recognized as revenue.

(ii) Total cash costs per ounce of gold produced 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 recorded in the consolidated statements of income (loss) for byproduct revenues, unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by the number of ounces of gold produced. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is a useful comparison point between periods. Total cash costs per ounce of gold produced is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management also uses this measure to monitor the performance of the Company's mining operations. As 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 can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for these inherent limitations by using this measure 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.

(iii) 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 statements of income (loss) for unsold concentrate inventory production costs, non-cash reclamation provisions, deferred stripping costs and other adjustments, and then dividing by tonnes of ore milled. As the total cash costs per ounce of gold produced measure can be impacted by fluctuations in byproduct metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations, eliminating the impact of 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 of performance can be impacted by fluctuations in processing levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with US GAAP.

(iv) Excludes the Goldex mine's results for the third quarter of 2013. Initial non-commercial payable gold production of 1,505 ounces was achieved at the Goldex mine's M and E Zones during the third quarter of 2013. Results for 2009 through 2011 relate to the Goldex mine's GEZ prior to the indefinite suspension of operations there on October 19, 2011 due to geotechnical concerns.

(v) The Company reports total cash costs per ounce of gold produced and minesite costs per tonne using a common industry practice of deferring certain stripping costs that can be attributed to future production. The purpose of adjusting for these stripping costs is to enhance the comparability of total cash costs per ounce of gold produced and minesite costs per tonne to the Company's peers within the mining industry.

(vi) Excludes the Kittila mine's results for the second quarter of 2013. Due to an extended maintenance shutdown, the Kittila mine only operated for 14 days during the second quarter of 2013. The Kittila mine incurred $18,159,000 in production costs during the second quarter of 2013, which were excluded from the calculation of total cash costs per ounce of gold produced and minesite costs per tonne.

(vii) Excludes results from the Creston Mascota deposit at Pinos Altos for the first quarter of 2013 and the fourth quarter of 2012 due to an unexpected movement of leached ore at the Phase One leach pad, resulting in the temporary suspension of active leaching between October 1, 2012 and March 13, 2013. The Creston Mascota deposit at Pinos Altos incurred $3,117,000 and $6,439,000 in production costs during the first quarter of 2013 and the fourth quarter of 2012, respectively, which were excluded from the calculation of total cash costs per ounce of gold produced and minesite costs per tonne.

AGNICO EAGLE

Annual Audited Consolidated Financial Statements

(Prepared in accordance with United States GAAP)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors (the "Board") and Shareholders of Agnico Eagle Mines Limited:

We have audited Agnico Eagle Mines Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 (the "COSO criteria"). Agnico Eagle Mines Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management certification report on internal control over financial reporting. Our responsibility is to express an opinion on Agnico Eagle Mines Limited's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Agnico Eagle Mines Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013 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, 2013 and December 31, 2012, and the consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 21, 2014

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, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, the Company's management used the criteria outlined by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* issued in 1992. Based on its assessment, management concluded that, as of December 31, 2013, 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, 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada
March 21, 2014

By /s/ SEAN BOYD

Sean Boyd
Vice Chairman, President and
Chief Executive Officer

By /s/ DAVID SMITH

David Smith
Senior Vice-President, Finance and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board and Shareholders of Agnico Eagle Mines Limited:

We have audited the accompanying consolidated balance sheets of Agnico Eagle Mines Limited as of December 31, 2013 and December 31, 2012, and the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Agnico Eagle Mines Limited at December 31, 2013 and December 31, 2012 and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013 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), Agnico Eagle Mines Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 21, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Agnico Eagle Mines Limited ("Agnico Eagle" or the "Company") are expressed in thousands of United States dollars ("US dollars", "US$" or "$"), except where noted, and have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Certain information in the consolidated financial statements is presented in Canadian dollars ("C$"). As 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. Inventory amounts are reduced based on average cost or in the case of supplies, the lower of average cost and replacement 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 twelve months. Stockpiles, ore on leach pads and inventories not expected to be processed or used within the next twelve months are classified as long term.

Ore 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 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 calculated by subtracting the estimated future processing and selling costs from the estimated revenue from the ore, which is based on the estimated tonnage 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 certain exceptions. Due to the structure of certain ore bodies, a significant amount of drilling and blasting may be undertaken in the early years of a mine's life, which can result 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.

Major development expenditures, including stripping costs to prepare unique and identifiable areas outside the current mining area for future production that are considered to be pre-production mine development, are capitalized.

Concentrates and dore bars

Concentrate and dore bar inventories consist of concentrates and dore bars for which legal title has not yet passed to third-party smelters. Concentrate 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 units-of-production method, based on estimated proven and probable mineral 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 mining of 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 mine development costs used in commercial production on a units-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The units-of-production method defines the denominator as the total tonnage of proven and probable mineral reserves. Plant and equipment is amortized on a straight-line basis over its specifically identified useful life.

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 appropriate category 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 mineral reserves, the costs of drilling and development to further delineate the ore body on such property are capitalized. The establishment of proven and probable mineral reserves is based on results of final feasibility studies that 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 methodology described 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 operating mines and development properties include estimates of recoverable ounces of gold based on 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 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 acquired and liabilities assumed 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. 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 each reporting unit's carrying amount. 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

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 and may use such means to manage exposure to certain input costs. 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 statements of income (loss) and comprehensive income (loss) or in shareholders' equity as a component of accumulated other comprehensive 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 determined based on the prevailing spot market metal prices on a specified future date, which is established as of 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 period 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 period, with the exception of amortization, which is translated at historical exchange rates. Exchange gains and losses are included in income, except for gains and losses on foreign currency contracts used to hedge specific future commitments in foreign currencies. Gains and losses on these contracts are accounted for as a component of the related hedge transactions.

Reclamation costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of asset retirement obligations ("AROs") 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 AROs. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit to income, 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 operation of mining properties and 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 and rehabilitation, demolition of buildings and 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 proven and probable mineral 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 income.

Environmental remediation liabilities ("ERLs") 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 ERLs arising from past acts. ERL fair value is measured by discounting the expected related 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 ERL is incurred. On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of ERLs 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 ERL. Any change in the fair value of ERLs results in a corresponding charge or credit to income. Upon settlement of an ERL, Agnico Eagle records a gain or loss if the actual cost differs from the carrying amount of the ERL. Settlement gains/losses are recorded in income.

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

Income and mining taxes

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

Stock-based compensation

The Company's Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to 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) and comprehensive 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 (loss) 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 (loss) 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 occur at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of options or warrants plus the future period compensation expense on options granted are assumed to be used to purchase common shares at the average market price during the period; and
- the incremental number of common shares is (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 (loss) per share calculation.

Pension costs and obligations and post-retirement benefits

In Canada, Agnico Eagle maintains a defined contribution plan covering all of its employees (the "Basic Plan"). The Basic 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 (the "Supplemental Plan"). Under the Supplemental Plan, an additional 10% of the designated executives' income is 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 inventories or expensed, except for sustaining capital costs related to mining properties, plant and equipment or mine development.

OTHER ACCOUNTING DEVELOPMENTS

Recently adopted accounting pronouncements

Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued relating to disclosure on offsetting financial instrument and derivative financial instrument assets and liabilities. Under the updated guidance, entities are required to disclose gross information and net information about both instruments and transactions eligible for offset in the consolidated balance sheets and instruments and transactions subject to an agreement similar to a master netting arrangement. The Company adopted this updated guidance, effective for the fiscal year beginning January 1, 2013. See notes 4 and 15 for disclosure on offsetting financial instrument and derivative financial instrument assets and liabilities.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Loss

In February 2013, ASC guidance was issued relating to the reporting of amounts reclassified out of accumulated other comprehensive loss. Under the updated guidance, entities are required to provide information about the amounts reclassified out of accumulated other comprehensive loss by component and by consolidated statement of income (loss) line item, as required under US GAAP. The Company adopted this updated guidance, effective for the fiscal year beginning January 1, 2013. See the Company's consolidated statements of income (loss) and comprehensive income (loss) for reporting of amounts reclassified out of accumulated other comprehensive loss.

Recently Issued Accounting Pronouncements and Developments

Under Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. Agnico Eagle has evaluated newly issued accounting standards that have not yet been adopted and does not expect them to significantly impact the Company's consolidated financial statements.

International Financial Reporting Standards

As permitted by both the SEC in the United States and the Canadian Securities Administrators ("CSA") in Canada, Agnico Eagle currently prepares and files its consolidated financial statements in accordance with US GAAP. Generally accepted accounting principles for Canadian publicly accountable enterprises became International Financial Reporting Standards ("IFRS") in 2011 and the SEC now accepts financial statements prepared in accordance with IFRS without reconciliation to US GAAP from foreign private issuers. Accordingly, Agnico Eagle has decided to convert its basis of accounting to IFRS to enhance the comparability of its financial statements to the Company's peers in the mining industry.

The Company has commenced the process of converting its basis of accounting from US GAAP to IFRS with a transition date of January 1, 2013. Agnico Eagle anticipates reporting under IFRS for interim and annual periods beginning in the third quarter of 2014, with comparative information restated under IFRS.

The adoption of IFRS may require the Company to make changes in accounting policies that may have an impact on its reported financial position and results of operations. Where accounting policy alternatives are available, Agnico Eagle's primary objective will be the selection of IFRS accounting policies that provide meaningful and transparent information to shareholders.

The Company has developed a detailed IFRS conversion plan which includes the following three phases and the key activities to be performed in each phase:

- **Assessment phase:** During this now completed phase, the Company established a steering committee and IFRS working group, developed a detailed project plan, designed and implemented internal controls over the IFRS conversion plan and evaluated the high level differences between US GAAP and IFRS that may have an impact on the Company.
- **Impact analysis and design phase:** This phase involves the detailed analysis and quantification of the differences between Agnico Eagle's accounting policies under US GAAP and IFRS, the selection of IFRS accounting policies, the assessment of the impact on financial information systems and the development of a strategy for capturing IFRS comparative financial information, the incorporation of IFRS accounting policy and process changes into the Company's internal controls, the assessment of contractual arrangements and budgeting processes for IFRS conversion impacts and the provision of technical training to key finance and other personnel. This phase is in process and is expected to be completed during the second quarter of 2014.
- **Implementation phase:** This phase involves the implementation of changes to the Company's accounting policies and business processes as identified through the impact analysis and design phase and the revision of the Company's Accounting Policies and Procedures Manual to reflect these changes. The implementation phase will culminate in the preparation of IFRS consolidated financial statements including first-time adoption reconciliations from US GAAP in the third quarter of 2014.

Significant identified differences between US GAAP and IFRS and available IFRS accounting policy choices that may have an impact on the Company's consolidated financial statements are outlined below. These differences should not be regarded as a complete list of changes that will result from the transition to IFRS, rather they encompass management's high level evaluation of significant differences between US GAAP and IFRS and available IFRS accounting policy choices as they currently exist. At this stage in the IFRS conversion plan, the Company has not quantified the anticipated impact of these differences on our consolidated financial statements nor has the Company selected the IFRS accounting policies it will adopt.

First-time adoption of IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that IFRS effective at the end of an entity's first IFRS reporting period be applied retrospectively, with specific mandatory exceptions and certain optional exemptions. In accordance with its IFRS conversion plan, Agnico Eagle's first IFRS reporting period will be the third quarter of 2014.

Impairment

Under US GAAP, a two-step approach is used for long-lived asset impairment testing whereby long-lived assets are first tested for recoverability based on their expected undiscounted cash flows. If a long-lived asset's expected undiscounted cash flow exceeds the recorded carrying amount, no impairment charge is required. If the expected undiscounted cash flow is lower than the recorded carrying amount, the long-lived assets are written down to their estimated fair value. US GAAP does not permit the reversal of impairment losses.

Under IFRS, IAS 36 Impairment of Assets ("IAS 36") prescribes a one-step approach for asset impairment testing and measurement whereby an asset's recoverable amount is compared directly against its recorded carrying amount. Under IAS 36, an asset's recoverable amount is determined as the higher of the estimated fair value less costs to sell or value in use (which is measured using discounted cash flows). If an asset's recoverable amount is less than the recorded carrying amount, an impairment charge is required. IAS 36 also requires the reversal of previously recorded impairment losses where circumstances have changed such that the impairments have been reduced.

The difference in the approach to asset impairment testing and measurement may result in more frequent impairment charges under IFRS, where asset carrying values previously supported under US GAAP on an undiscounted cash flow basis cannot be supported on a discounted cash flow basis. However, the impact of any additional asset impairments recorded under IFRS may be partially offset by the requirement to reverse previously recorded impairment losses where circumstances have changed.

Production stripping costs

Under US GAAP, the cost of removing overburden and waste materials to expose ore and access mineral deposits for extraction during the production phase of a surface mine ("production stripping costs") are accounted for as production costs and are included in the cost of the inventory produced during the period in which the stripping costs are incurred.

Under IFRS, IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") requires that production stripping costs relating to improved access to ore be capitalized as part of a non-current stripping activity asset if probable future economic benefits will be realized, the costs can be reliably measured and the component of an ore body for which access has been improved can be identified. To the extent that ore is extracted and inventory is produced in the current period, IFRIC 20 instead prescribes that production stripping costs be accounted for as part of the cost of the inventory produced.

The difference in approach to accounting for production stripping costs will result in a decrease in direct production costs and an increase in amortization expense relating to the recognition of non-current stripping activity assets under IFRS.

Exploration and evaluation

Under US GAAP, the Company accounts for exploration and evaluation ("E&E") expenditures as current period operating expenses until it is determined that a mining property can be economically developed as a result of established proven and probable reserves. Once proven and probable reserves are established based on the results of a final feasibility study, the costs of drilling and development to further delineate the ore body are capitalized.

IFRS 6 Exploration for and Evaluation of Mineral Resources ("IFRS 6") provides guidance related to expenditures incurred during the E&E phase. IFRS 6 requires entities to select and consistently apply an accounting policy that specifies which expenditures are capitalized as E&E assets. However, IFRS 6 provides no specific guidance as to when E&E expenditures are to be capitalized.

Agnico Eagle is in the process of defining the E&E phase within the context of IFRS 6 and developing an accounting policy that outlines the point at which specific types of E&E expenditures will be capitalized.

Revenue Recognition

Revenue recognition criteria under IAS 18 Revenue ("IAS 18") include the probability that economic benefits associated with the transaction will flow to the entity and that the revenue can be measured reliably. The Company does not expect that the point at which it recognizes revenue will change under IFRS.

Property, Plant and Equipment

Under IFRS, IAS 16 Property, Plant and Equipment requires the separate identification and measurement of significant individual components of property, plant and equipment, with individual components depreciated based on their individual useful lives. The Company identified significant individual components of property, plant and equipment under US GAAP in 2013 and will assess whether an adjustment relating to the retrospective application and depreciation of these components is required to its opening January 1, 2013 balance sheet under 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 2013 consolidated financial statements.

AGNICO EAGLE MINES LIMITED
CONSOLIDATED BALANCE SHEETS

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

	As at December 31,	
	2013	2012
ASSETS		
Current		
Cash and cash equivalents	$ 139,101	$ 298,068
Short-term investments	2,217	8,490
Restricted cash (note 14)	28,723	25,450
Trade receivables (notes 1 and 4)	67,300	67,750
Inventories:		
Ore stockpiles	39,941	52,342
Concentrates and dore bars	58,543	69,695
Supplies	253,160	222,630
Income taxes recoverable (note 9)	18,682	19,313
Available-for-sale securities (notes 2(b) and 4)	74,581	44,719
Fair value of derivative financial instruments (notes 4 and 15)	5,590	2,112
Other current assets (note 2(a))	116,993	92,977
Total current assets	804,831	903,546
Other assets (note 2(c))	66,394	55,838
Goodwill (notes 10 and 19)	39,017	229,279
Property, plant and mine development (note 3)	4,049,117	4,067,456
	$4,959,359	$5,256,119
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 11)	$ 173,374	$ 185,329
Reclamation provision (note 6(a))	3,452	16,816
Dividends payable	–	37,905
Interest payable (note 5)	13,803	13,602
Income taxes payable (note 9)	7,523	10,061
Capital lease obligations (note 13(a))	12,035	12,955
Fair value of derivative financial instruments (notes 4 and 15)	467	277
Total current liabilities	210,654	276,945
Long-term debt (note 5)	1,000,000	830,000
Reclamation provision and other liabilities (note 6)	178,236	127,735
Deferred income and mining tax liabilities (note 9)	593,320	611,227
SHAREHOLDERS' EQUITY		
Common shares (notes 7(a), 7(b) and 7(c)):		
Outstanding – 174,181,163 common shares issued, less 227,188 shares held in trust	3,294,007	3,241,922
Stock options (note 8(a))	174,470	148,032
Warrants (note 7(b))	–	24,858
Contributed surplus	37,254	15,665
Retained earnings (deficit)	(513,441)	7,046
Accumulated other comprehensive loss (note 7(d))	(15,141)	(27,311)
Total shareholders' equity	2,977,149	3,410,212
	$4,959,359	$5,256,119

Contingencies and commitments (notes 6, 9, 12, 13(b) and 21)

On behalf of the Board:

Sean Boyd CPA, CA, Director

Mel Leiderman CPA, CA, 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,		
	2013	2012	2011
REVENUES			
Revenues from mining operations (note 1)	$1,638,406	$1,917,714	$1,821,799
COSTS, EXPENSES AND OTHER INCOME			
Production[(i)]	924,927	897,712	876,078
Exploration and corporate development	44,236	109,500	75,721
Amortization of property, plant and mine development (note 3)	296,078	271,861	261,781
General and administrative (note 16)	115,800	119,085	107,926
Impairment loss on available-for-sale securities (notes 2(b) and 4)	34,272	12,732	8,569
Provincial capital tax	(1,504)	4,001	9,223
Interest expense (note 5)	57,999	57,887	55,039
Interest and sundry expense	8,824	2,389	5,188
(Gain) loss on derivative financial instruments (note 15)	(1,509)	819	(3,683)
Gain on sale of available-for-sale securities (note 2(b))	(74)	(9,733)	(4,907)
Impairment loss (note 18)	537,227	–	907,681
Loss on Goldex mine (note 17)	–	–	302,893
Foreign currency translation (gain) loss	(7,188)	16,320	(1,082)
Income (loss) before income and mining taxes	(370,682)	435,141	(778,628)
Income and mining taxes expense (recovery) (note 9)	35,844	124,225	(209,673)
Net income (loss) for the year	$ (406,526)	$ 310,916	$ (568,955)
Attributed to non-controlling interest	$ –	$ –	$ (60)
Attributed to common shareholders	$ (406,526)	$ 310,916	$ (568,895)
Net income (loss) per share – basic (note 7(e))	$ (2.35)	$ 1.82	$ (3.36)
Net income (loss) per share – diluted (note 7(e))	$ (2.35)	$ 1.81	$ (3.36)
Cash dividends declared per common share (note 7(a))	$ 0.66	$ 1.02	$ –
COMPREHENSIVE INCOME (LOSS)			
Net income (loss) for the year	$ (406,526)	$ 310,916	$ (568,955)
Other comprehensive income (loss):			
Available-for-sale securities and other investments:			
Unrealized loss	(22,553)	(27,029)	(35,444)
Reclassification to impairment loss on available-for-sale securities (notes 2(b) and 4)	34,272	12,732	8,569
Reclassification to realized gain on sale of available-for-sale securities (note 2(b))	(74)	(9,733)	(4,907)
Derivative financial instruments (note 15):			
Unrealized (loss) gain	(284)	6,882	(5,863)
Reclassification to production costs	(117)	(2,738)	1,459
Pension benefits (note 6(b)):			
Unrealized gain (loss)	375	531	(1,595)
Reclassification to general and administrative expense	637	617	540
Income tax expense (recovery) impact of reclassification items (note 9)	(137)	558	(556)
Income tax expense (recovery) impact of other comprehensive income (loss) items (note 9)	51	(2,025)	2,301
Other comprehensive income (loss) for the year	12,170	(20,205)	(35,496)
Comprehensive income (loss) for the year	$ (394,356)	$ 290,711	$ (604,451)
Attributed to non-controlling interest	$ –	$ –	$ (60)
Attributed to common shareholders	$ (394,356)	$ 290,711	$ (604,391)

Note:

(i) Exclusive of amortization, which is shown separately.

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Common Shares Outstanding							
	Shares	Amount	Stock Options	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest
Balance December 31, 2010	168,720,355	$3,078,217	$ 78,554	$ 24,858	$ 15,166	$ 440,265	$ 28,390	$ –
Shares issued under employee stock option plan (note 8(a))	308,688	18,094	(4,396)	–	–	–	–	–
Stock options (note 8(a))	–	–	43,536	–	–	–	–	–
Shares issued under the incentive share purchase plan (note 8(b))	360,833	19,229	–	–	–	–	–	–
Shares issued under dividend reinvestment plan	176,110	10,130	–	–	–	–	–	–
Shares issued for purchase of mining property (notes 7(c) and 10)	1,250,477	56,146	–	–	–	–	–	–
Non-controlling interest addition upon acquisition (note 10)	–	–	–	–	–	–	–	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
Shares issued under employee stock option plan (note 8(a))	416,275	$ 22,968	$ (4,759)	$ –	$ –	$ –	$ –	$ –
Stock options (note 8(a))	–	–	35,097	–	–	–	–	–
Shares issued under the incentive share purchase plan (note 8(b))	507,235	21,671	–	–	–	–	–	–
Shares issued under dividend reinvestment plan	444,555	18,907	–	–	–	–	–	–
Shares issued for purchase of mining property (notes 7(c) and 10)	68,941	2,447	–	–	499	–	–	–
Non-controlling interest eliminated upon acquisition (note 10)	–	–	–	–	–	–	–	(12,191)
Net income for the year	–	–	–	–	–	310,916	–	–
Dividends declared ($1.02 per share) (note 7(a))	–	–	–	–	–	(174,849)	–	–
Other comprehensive loss for the year	–	–	–	–	–	–	(20,205)	–
Restricted share unit plan (note 8(c))	(147,872)	(5,452)	–	–	–	–	–	–
Balance December 31, 2012	172,102,870	$3,241,922	$148,032	$ 24,858	$ 15,665	$ 7,046	$(27,311)	$ –
Shares issued under employee stock option plan (note 8(a))	213,500	$ 9,765	$ (3,292)	$ –	$ –	$ –	$ –	$ –
Stock options (note 8(a))	–	–	29,730	–	–	–	–	–
Shares issued under incentive share purchase plan (note 8(b))	812,946	23,379	–	–	–	–	–	–
Shares issued under dividend reinvestment plan	858,107	25,837	–	–	–	–	–	–
Warrant expiry (note 7(b))	–	–	–	(24,858)	21,589	–	–	–
Net loss for the year	–	–	–	–	–	(406,526)	–	–
Dividends declared ($0.66 per share) (note 7(a))	–	–	–	–	–	(114,118)	–	–
Other comprehensive income for the year	–	–	–	–	–	–	12,170	–
Restricted share unit plan (note 8(c))	(33,448)	(6,896)	–	–	–	157	–	–
Balance December 31, 2013	173,953,975	$3,294,007	$174,470	$ –	$ 37,254	$(513,441)	$(15,141)	$ –

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars, US GAAP basis)

	Year Ended December 31,		
	2013	**2012**	**2011**
Operating activities			
Net income (loss) for the year	$(406,526)	$ 310,916	$(568,955)
Add (deduct) items not affecting cash:			
Amortization of property, plant and mine development (note 3)	296,078	271,861	261,781
Deferred income and mining taxes (note 9)	(16,550)	72,145	(275,773)
Gain on sale of available-for-sale securities (note 2(b))	(74)	(9,733)	(4,907)
Stock-based compensation (note 8)	44,904	47,632	51,873
Impairment loss on available-for-sale securities (note 2(b))	34,272	12,732	8,569
Impairment loss (note 18)	537,227	–	907,681
Loss on Goldex mine (note 17)	–	–	302,893
Foreign currency translation (gain) loss	(7,188)	16,320	(1,082)
Other	23,817	16,048	22,992
Adjustment for settlement of environmental remediation	(9,081)	(21,449)	(7,616)
Changes in non-cash working capital balances:			
Trade receivables	450	8,149	37,050
Income taxes	717	13,304	(29,867)
Inventories	(23,232)	(44,145)	(43,066)
Other current assets	(23,447)	18,909	(25,838)
Accounts payable and accrued liabilities	(12,695)	(20,928)	31,837
Interest payable	(376)	4,246	(387)
Cash provided by operating activities	438,296	696,007	667,185
Investing activities			
Additions to property, plant and mine development (note 3)	(577,789)	(445,550)	(482,831)
Acquisition of Urastar Gold Corporation, net (note 10)	(10,051)	–	–
Acquisition of Grayd Resource Corporation (note 10)	–	(9,322)	(163,047)
Decrease (increase) in short-term investments	6,273	(1,920)	5
Net proceeds from sale of available-for-sale securities (note 2(b))	171	73,358	9,435
Purchase of available-for-sale securities and warrants (note 2(b))	(59,804)	(2,713)	(91,115)
(Increase) decrease in restricted cash (note 14)	(3,273)	9,991	(32,931)
Cash used in investing activities	(644,473)	(376,156)	(760,484)
Financing activities			
Dividends paid	(126,266)	(118,121)	(98,354)
Repayment of capital lease obligations (note 13(a))	(10,605)	(12,063)	(13,092)
Sale-leaseback financing (note 13(a))	10,928	–	–
Proceeds from long-term debt (note 5)	290,000	315,000	475,000
Repayment of long-term debt (note 5)	(120,000)	(605,000)	(205,000)
Notes issuance (note 5)	–	200,000	–
Long-term debt financing costs (note 5)	–	(3,133)	(2,545)
Repurchase of common shares for restricted share unit plan (note 8(c))	(19,000)	(12,031)	(3,723)
Common shares issued	23,672	32,742	26,536
Cash provided by (used in) financing activities	48,729	(202,606)	178,822
Effect of exchange rate changes on cash and cash equivalents	(1,519)	1,376	(1,636)
Net (decrease) increase in cash and cash equivalents during the year	(158,967)	118,621	83,887
Cash and cash equivalents, beginning of year	298,068	179,447	95,560
Cash and cash equivalents, end of year	$ 139,101	$ 298,068	$ 179,447
Supplemental cash flow information			
Interest paid	$ 58,152	$ 52,213	$ 52,833
Income and mining taxes paid	$ 56,478	$ 56,962	$ 110,889

See accompanying notes

1. TRADE RECEIVABLES AND REVENUES FROM MINING OPERATIONS

Agnico Eagle is a gold mining company with mining operations in Canada, Mexico and Finland. 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 primarily generated by production at the LaRonde mine in Canada (silver, zinc and copper) and the Pinos Altos mine in Mexico (silver).

Revenues are generated from operations in Canada, Mexico and Finland. 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 significantly 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.

	Year Ended December 31,		
	2013	**2012**	**2011**
Revenues from mining operations:			
Gold	$1,500,354	$1,712,665	$1,563,760
Silver	100,895	140,221	171,725
Zinc	16,685	45,797	70,522
Copper	20,653	19,019	14,451
Lead[(i)]	(181)	12	1,341
	$1,638,406	$1,917,714	$1,821,799

Note:

(i) In 2013, lead revenues of $0.9 million were nettled against lead concentrate direct fees of $1.1 million. Revenues from other metals contained in lead concentrate are included in their respective categories in the above table.

In 2013, precious metals (gold and silver) accounted for 98% of Agnico Eagle's revenues from mining operations (2012 – 97%; 2011 – 95%). The remaining revenues from mining operations consisted of net byproduct metals revenues. In 2013, these net byproduct metals revenues as a percentage of total revenues from mining operations were 1% from zinc (2012 – 2%; 2011 – 4%) and 1% from copper (2012 – 1%; 2011 – 1%).

2. OTHER ASSETS

(a) *Other current assets*

	As at December 31,	
	2013	2012
Federal, provincial and other sales taxes receivable	$ 71,053	$ 36,400
Prepaid expenses	35,396	36,119
Insurance receivable	1,369	6,553
Receivables from employees	780	1,800
Retirement compensation arrangement plan refundable tax receivable	–	4,044
Other	8,395	8,061
	$116,993	$ 92,977

(b) *Available-for-sale securities*

The Company's investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry. The cost basis of available-for-sale securities is determined using the average cost method and they are carried at fair value. Detail on the Company's available-for-sale securities holdings is set out below:

	As at December 31,	
	2013	2012
Available-for-sale securities in an unrealized gain position:		
Cost (net of impairments)	$30,583	$ 4,352
Unrealized gains in accumulated other comprehensive loss	11,530	1,902
Estimated fair value	42,113	6,254
Available-for-sale securities in an unrealized loss position:		
Cost (net of impairments)	39,933	48,047
Unrealized losses in accumulated other comprehensive loss	(7,465)	(9,582)
Estimated fair value	32,468	38,465
Total estimated fair value of available-for-sale securities	**$74,581**	**$44,719**

In 2013, the Company received proceeds of \$0.2 million (2012 – \$73.4 million; 2011 – \$9.4 million) and recognized a gain before income taxes of \$0.1 million (2012 – \$9.7 million; 2011 – \$4.9 million) on the sale of certain available-for-sale securities.

2. OTHER ASSETS (Continued)

During the course of the year, certain available-for-sale securities 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. During the year ended December 31, 2013, the Company recorded a $34.3 million (2012 – $12.7 million; 2011 – $8.6 million) impairment loss on certain available-for-sale securities that were determined to be other-than-temporarily impaired.

At December 31, 2013, the fair value of available-for-sale securities in an unrealized loss position was $32.5 million (December 31, 2012 – $38.5 million) with total unrealized losses in accumulated other comprehensive loss of $7.5 million (December 31, 2012 – $9.6 million). Based on an evaluation of the severity and duration of the impairment of these available-for-sale securities (less than three months) and on the Company's intent to hold the investments for a period of time sufficient for a recovery of fair value, the Company does not consider these available-for-sale securities to be other-than-temporarily impaired as at December 31, 2013.

(c) *Other assets*

	As at December 31,	
	2013	**2012**
Deferred financing costs, less accumulated amortization of $11,420 (December 31, 2012 – $8,888)	$12,644	$15,836
Long-term ore in stockpile[(i)]	46,191	32,711
Other	7,559	7,291
	$66,394	$55,838

Note:

(i) Due to the ore body structures at the Pinos Altos, Kittila and Meadowbank mines, the Creston Mascota deposit at Pinos Altos and the La India project, a significant amount of drilling and blasting was undertaken early in their mine lives, resulting in long-term ore in stockpile. At December 31, 2013, long-term ore in stockpile was valued at $2.5 million (December 31, 2012 – $4.1 million) at the Pinos Altos mine, $26.7 million (December 31, 2012 – $7.7 million) at the Kittila mine, $7.8 million (December 31, 2012 – $10.2 million) at the Meadowbank mine, $8.2 million (December 31, 2012 – $10.7 million) at the Creston Mascota deposit at Pinos Altos and $1.0 million (December 31, 2012 – nil) at the La India project.

3. PROPERTY, PLANT AND MINE DEVELOPMENT

	As at December 31, 2013			As at December 31, 2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Mining properties	$1,361,867	$ 89,700	$1,272,167	$1,356,227	$ 86,839	$1,269,388
Plant and equipment	2,286,887	662,394	1,624,493	2,538,328	617,826	1,920,502
Mine development costs	1,038,564	239,898	798,666	918,482	237,967	680,515
Construction in progress:						
Meliadine project	192,413	–	192,413	133,840	–	133,840
La India project	161,378	–	161,378	32,553	–	32,553
Goldex mine M and E Zones[(i)]	–	–	–	30,658	–	30,658
	$5,041,109	$ 991,992	$4,049,117	$5,010,088	$942,632	$4,067,456

Note:

(i) Upon achieving commercial production at the Goldex mine M and E Zones in October 2013, related costs accumulated in construction in progress were reclassified to mine development costs within property, plant and mine development.

3. PROPERTY, PLANT AND MINE DEVELOPMENT (Continued)

Geographic Information:

	As at December 31,	
	2013	2012
Northern Business:		
Canada	$2,312,166	$2,543,171
Finland	763,711	704,031
Southern Business:		
Mexico	962,971	809,556
United States	10,269	10,698
Total	$4,049,117	$4,067,456

In 2013, Agnico Eagle capitalized $2.5 million (2012 – $1.3 million) and expensed $1.4 million (2012 – $1.2 million) of computer software expenditures. The unamortized capitalized cost for computer software at December 31, 2013 was $6.8 million (December 31, 2012 – $5.7 million).

The unamortized capitalized cost for leasehold improvements at December 31, 2013 was $3.3 million (December 31, 2012 – $3.4 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 line item of the consolidated statements of income (loss) and comprehensive income (loss).

4. FAIR VALUE MEASUREMENT

ASC 820 – *Fair Value Measurement and Disclosure* defines fair value, establishes a framework for measuring fair value under US GAAP, and requires expanded disclosures about fair value measurements including the following three fair value hierarchy levels:

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.

4. FAIR VALUE MEASUREMENT (Continued)

The following table sets out the Company's financial assets and liabilities measured at fair value as at December 31, 2013 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trade receivables[(i)]	$ –	$67,300	$ –	$ 67,300
Available-for-sale securities[(ii)]	74,581	–	–	74,581
Fair value of derivative financial instruments[(iii)]	–	5,590	–	5,590
	$74,581	$72,890	$ –	$147,471
Financial liabilities:				
Fair value of derivative financial instruments[(iii)]	$ –	$ 467	$ –	$ 467

The following table sets out the Company's financial assets and liabilities measured at fair value as at December 31, 2012 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trade receivables[(i)]	$ –	$67,750	$ –	$ 67,750
Available-for-sale securities[(ii)]	44,719	–	–	44,719
Fair value of derivative financial instruments[(iii)]	–	2,112	–	2,112
	$44,719	$69,862	$ –	$114,581
Financial liabilities:				
Fair value of derivative financial instruments[(iii)]	$ –	$ 277	$ –	$ 277

Notes:

(i) Trade receivables from provisional invoices for concentrate sales are valued using quoted forward rates derived from observable market data based on the month of expected settlement (classified within Level 2 of the fair value hierarchy).

(ii) Available-for-sale securities are recorded at fair value using quoted market prices (classified within Level 1 of the fair value hierarchy).

(iii) Derivative financial instruments are recorded at fair value using external broker-dealer quotations (classified within Level 2 of the fair value hierarchy).

In the event that a decline in the fair value of an investment in available-for-sale securities 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 investee data, the length of time and the extent to which the fair value has been less than cost, the financial condition of the investee and the near-term prospects of the individual investment. New evidence may become available in future periods which would affect this assessment and thus could result in

4. FAIR VALUE MEASUREMENT (Continued)

material impairment charges with respect to those investments in available-for-sale securities for which the cost basis exceeds its fair value.

As at December 31, 2013, the Company recorded impairment losses related to property, plant and mine development and goodwill (see note 18 for details). The estimated fair values of property, plant and mine development and goodwill used in determining the impairment losses followed the discounted cash flow approach. The total impairment loss recorded during 2013 was $436.3 million, net of tax (2012 – nil; 2011 – $644.9 million). The discounted cash flow approach uses significant unobservable inputs and is therefore considered a Level 3 fair value measurement under the fair value hierarchy.

5. LONG-TERM DEBT

Credit Facility

On June 22, 2010, the Company amended and restated one of its two unsecured revolving bank credit facilities (the "Credit Facility") and terminated its other unsecured revolving bank credit facility, increasing the amount available from an aggregate of $900.0 million to $1,200.0 million.

On July 20, 2012, the Company further amended the Credit Facility, extending the maturity date from June 22, 2016 to June 22, 2017 and amending pricing terms.

At December 31, 2013, the Credit Facility was drawn down by $200.0 million (December 31, 2012 – $30.0 million). Amounts drawn down, together with outstanding letters of credit under the Credit Facility, resulted in Credit Facility availability of $998.9 million at December 31, 2013.

2012 Notes

On July 24, 2012, the Company closed a $200.0 million private placement of guaranteed senior unsecured notes (the "2012 Notes") which, on issuance, had a weighted average maturity of 11.0 years and a weighted average yield of 4.95%.

The following table sets out details of the individual series of the 2012 Notes:

	Principal	Interest Rate	Maturity Date
Series A	$100,000	4.87%	7/23/2022
Series B	100,000	5.02%	7/23/2024
	$200,000		

2010 Notes

On April 7, 2010, the Company closed a $600.0 million private placement of guaranteed senior unsecured notes (the "2010 Notes") which, on issuance, had a weighted average maturity of 9.84 years and a weighted average yield of 6.59%.

5. LONG-TERM DEBT (Continued)

The following table sets out details of the individual series of the 2010 Notes:

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

Covenants

Payment and performance of Agnico Eagle's obligations under the Credit Facility, 2012 Notes and 2010 Notes is guaranteed by each of its significant subsidiaries and certain of its other subsidiaries (the "Guarantors").

The Credit Facility contains covenants that limit, among other things, the ability of the Company to incur additional indebtedness, make distributions in certain circumstances and sell material assets.

The 2012 Notes and 2010 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 mining and the ability of the Guarantors to incur indebtedness.

The Credit Facility, 2012 Notes and 2010 Notes also require the Company to maintain a total net debt to EBITDA ratio below a specified maximum value as well as a minimum tangible net worth.

The Company was in compliance with all covenants contained in the Credit Facility, 2012 Notes and 2010 Notes as at December 31, 2013.

Interest on long-term debt

For the year ended December 31, 2013, total interest expense was $58.0 million (2012 – $57.9 million; 2011 – $55.0 million) and total cash interest payments were $58.2 million (2012 – $52.2 million; 2011 – $52.8 million). In 2013, cash interest on the Credit Facility was $1.8 million (2012 – $3.6 million; 2011 – $1.7 million), cash standby fees on the Credit Facility were $4.8 million (2012 – $4.2 million; 2011 – $8.6 million) and cash interest on the 2010 Notes and 2012 Notes was $49.4 million (2012 – $39.5 million; 2011 – $39.5 million). In 2013, interest expenditures of $3.5 million (2012 – $1.5 million; 2011 – $1.0 million) were capitalized to construction in progress.

The Company's weighted average interest rate on all of its long-term debt as at December 31, 2013 was 5.37% (December 31, 2012 – 6.02%; December 31, 2011 – 5.02%).

6. RECLAMATION PROVISION AND OTHER LIABILITIES

Reclamation provision and other liabilities consist of the following:

	As at December 31,	
	2013	2012
Reclamation provision (note 6(a))	$150,849	$101,753
Long-term portion of capital lease obligations (note 13(a))	11,843	12,108
Pension benefits (note 6(b))	15,278	13,734
Other	266	140
Total	$178,236	$127,735

(a) Reclamation provision

Agnico Eagle's reclamation provision includes both asset retirement obligations and environmental remediation liabilities. Reclamation provision estimates are based on current legislation, third party estimates, management's estimates and feasibility study calculations.

The following table reconciles the beginning and ending carrying amounts of the Company's asset retirement obligations:

	2013	2012
Asset retirement obligations – long-term, beginning of year	$ 89,720	$86,386
Asset retirement obligations – current, beginning of year	4,630	–
Current year additions and changes in estimate, net	44,898	1,495
Current year accretion	4,624	5,068
Liabilities settled	(853)	(254)
Foreign exchange revaluation	(3,678)	1,655
Reclassification from long-term to current, end of year	(1,029)	(4,630)
Asset retirement obligations – long-term, end of year	$138,312	$89,720

Due to the suspension of mining operations on the Goldex Extension Zone ("GEZ") at the Goldex mine on October 19, 2011 (see note 17 for details), Agnico Eagle recognized an environmental remediation liability. The

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

following table reconciles the beginning and ending carrying amounts of the Goldex mine's environmental remediation liability:

	2013	2012
Environmental remediation liability – long-term, beginning of year	$12,033	$ 19,057
Environmental remediation liability – current, beginning of year	12,186	26,069
Current year additions and changes in estimate, net	1,005	(36)
Liabilities settled	(9,045)	(21,450)
Foreign exchange revaluation	(1,219)	579
Reclassification from long-term to current, end of year	(2,423)	(12,186)
Environmental remediation liability – long-term, end of year	$12,537	$ 12,033

(b) 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, 2013, projected to December 31, 2013 and covering the period through June 30, 2014.

The components of Agnico Eagle's net pension benefits expense relating to the Executives Plan are as follows:

	Year Ended December 31,		
	2013	2012	2011
Service cost – benefits earned during the year	$ 457	$ 650	$ 996
Interest cost on projected benefit obligation	431	489	663
Amortization of net transition asset	164	169	171
Prior service cost	25	26	26
Loss due to settlement	–	2,921	–
Recognized net actuarial loss	379	340	245
Net pension benefits expense	$1,456	$4,595	$2,101

Assets for the Executives Plan consist of deposits on hand with regulatory authorities that are refundable when benefit payments are made or on the ultimate wind-up of the plan. The accumulated benefit obligation for the Executives Plan at December 31, 2013 was $9.6 million (December 31, 2012 – $9.7 million).

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

The funded status of the Executives Plan for 2013 and 2012 is as follows:

	2013	2012
Reconciliation of the market value of plan assets:		
Fair value of plan assets, beginning of year	$ 2,373	$ 2,952
Agnico Eagle's contribution	374	839
Benefit payments	(244)	(520)
Settlements	–	(961)
Effect of exchange rate changes	(157)	63
Fair value of plan assets, end of year	2,346	2,373
Reconciliation of projected benefit obligation:		
Projected benefit obligation, beginning of year	10,818	14,370
Service cost	456	650
Interest cost	431	489
Net actuarial loss	573	675
Benefit payments	(244)	(520)
Settlements	–	(5,148)
Effect of exchange rate changes	(736)	302
Projected benefit obligation, end of year	11,298	10,818
Deficiency of plan assets compared with projected benefit obligation	$ (8,952)	$ (8,445)

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

The Executives Plan is comprised of the following net amounts recognized in the consolidated balance sheets:

	As at December 31,	
	2013	**2012**
Accrued employee benefit liability	$5,733	$5,008
Accumulated other comprehensive loss:		
Transition obligation	159	341
Prior service cost	24	52
Net actuarial loss	3,036	3,044
Net liability	$8,952	$8,445
Assumptions:		
Weighted average discount rate – net periodic pension cost	4.00%	4.45%
Weighted average discount rate – projected benefit obligation	4.90%	4.00%
Weighted average rate of compensation increase	3.00%	3.00%
Estimated average remaining service life for the plan (in years)[(i)]	5.0	6.0

Note:

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

Executives Plan components expected to be recognized in accumulated other comprehensive loss in 2014:

Transition obligation	$159
Prior service cost	24
Net actuarial loss	476
	$659

6. RECLAMATION PROVISION AND OTHER LIABILITIES (Continued)

Estimated benefit payments from the Executives Plan over the next ten years are set out below:

Year ended December 31,:	Estimated Executives Plan Benefit Payments
2014	$ 109
2015	$ 107
2016	$ 105
2017	$ 103
2018	$ 102
2019 – 2023	$5,295

In addition to the Executives Plan, the Company maintains the Basic Plan and the Supplemental Plan. Under the Basic Plan, Agnico Eagle contributes 5% of certain employees' base employment compensation to a defined contribution plan. In 2013, $12.5 million (2012 – $11.9 million; 2011 – $10.7 million) was contributed to the Basic Plan. Effective January 1, 2008, the Company adopted the Supplemental Plan for designated executives at the level of Vice-President or above. The Supplemental Plan is funded by the Company through notional contributions equal to 10% of the designated executive's earnings for the year (including salary and short-term bonus). In 2013, the Company made $1.2 million (2012 – $0.8 million; 2011 – $0.9 million) in notional contributions 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. As at December 31, 2013, Agnico Eagle's issued common shares totaled 174,181,163 (December 31, 2012 – 172,296,610), less 227,188 common shares held by a trust in connection with the Company's restricted share unit ("RSU") plan (December 31, 2012 – 193,740 common shares held in trust). 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 its consolidated financial statements (see note 8(c) for details).

In 2013, the Company declared dividends on its common shares of $0.66 per share (2012 – $1.02 per share; 2011 – nil per share).

(b) *Private placements and warrants*

On December 3, 2008, the Company closed a private placement of 9.2 million units, with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitled 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 4.0 million warrants. The net proceeds of the private placement were approximately $281.0 million, after deducting share issue costs of $8.8 million. The warrants expired unexercised on December 3, 2013.

7. SHAREHOLDERS' EQUITY (Continued)

(c) Issuance of common shares on take-over bid

On November 18, 2011, the Company issued 1,250,477 common shares with a market value of $56.1 million in connection with the acquisition of 94.77% of the outstanding shares of Grayd Resource Corporation ("Grayd") under a take-over bid. On January 23, 2012, the Company issued an additional 68,941 common shares with a market value of $2.4 million in connection with the compulsory acquisition of the remaining outstanding shares of Grayd it did not already own (see note 10 for details).

(d) Accumulated other comprehensive loss

The following table sets out the changes in accumulated other comprehensive loss by component for the year ended December 31, 2013:

	Cumulative Translation Adjustment	Available-for-sale Securities and Other Investments	Derivative Financial Instruments	Pension Benefits	Total
Accumulated other comprehensive (loss) income, December 31, 2012	$ (16,206)	$ (7,680)	$ 72	$ (3,497)	$(27,311)
Unrealized other comprehensive (loss) gain	–	(22,553)	(284)	375	(22,462)
Income tax expense (recovery) impact	–	–	150	(99)	51
Reclassifications from accumulated other comprehensive (loss) income to the Consolidated Statements of Income (Loss)	–	34,198	(117)	637	34,718
Income tax expense (recovery) impact	–	–	31	(168)	(137)
Other comprehensive income (loss) for the year	–	11,645	(220)	745	12,170
Accumulated other comprehensive (loss) income, December 31, 2013	$ (16,206)	$ 3,965	$ (148)	$ (2,752)	$(15,141)

7. SHAREHOLDERS' EQUITY (Continued)

The following table sets out the changes in accumulated other comprehensive loss by component for the year ended December 31, 2012:

	Cumulative Translation Adjustment	Available-for-sale Securities and Other Investments	Derivative Financial Instruments	Pension Benefits	Total
Accumulated other comprehensive (loss) income, December 31, 2011	$ (16,206)	$ 16,350	$ (2,913)	$ (4,337)	$ (7,106)
Unrealized other comprehensive (loss) gain	–	(27,029)	6,882	531	(19,616)
Income tax recovery impact	–	–	(1,885)	(140)	(2,025)
Reclassifications from accumulated other comprehensive (loss) income to the Consolidated Statements of Income (Loss)	–	2,999	(2,738)	617	878
Income tax expense (recovery) impact	–	–	721	(163)	558
Other comprehensive income (loss) for the year	–	(24,030)	2,985	840	(20,205)
Accumulated other comprehensive (loss) income, December 31, 2012	$ (16,206)	$ (7,680)	$ 72	$ (3,497)	$(27,311)

(e) Net income (loss) per share

The following table sets out the weighted average number of common shares used in the calculation of basic and diluted net income (loss) per share:

	Year Ended December 31,		
	2013	2012	2011
Weighted average number of common shares outstanding – basic	172,892,654	171,250,179	169,352,896
Dilutive impact of shares related to RSU plan	–	235,436	–
Weighted average number of common shares outstanding – diluted	172,892,654	171,485,615	169,352,896

Diluted net income (loss) per share has been calculated using the treasury stock method. In applying the treasury stock method, employee stock 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 impact is 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 have been anti-dilutive as a result of the net loss recorded for the year. Consequently, diluted net loss per share was calculated in the same manner as basic net loss per share in 2011. In 2012, 7,742,151 employee stock options and all warrants were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive. In 2013, the impact of any additional shares issued under the employee stock option plan or related to the RSU plan would have been anti-dilutive as a result of the net loss recorded for the

7. SHAREHOLDERS' EQUITY (Continued)

year. Consequently, diluted net loss per share was calculated in the same manner as basic net loss per share in 2013.

8. STOCK-BASED COMPENSATION

(a) Employee Stock Option Plan ("ESOP")

The Company's ESOP provides for the granting of stock options to directors, officers, employees and service providers to purchase common shares. Under the ESOP, stock options are granted at the fair market value of the underlying shares on the day prior to the date of grant. The number of common shares that may be reserved for issuance to any one person pursuant to stock options (under the ESOP or otherwise), warrants, share purchase plans or other arrangements may not exceed 5% of the Company's common shares issued and outstanding at the date of grant.

On April 24, 2001, the Compensation Committee of the Board of Directors adopted a policy pursuant to which stock options granted after that date have a maximum term of five years. In 2011, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP by 3,000,000 to 23,300,000. In 2012 and 2013 the shareholders approved a further 2,500,000 and 2,000,000 common shares for issuance under the ESOP, respectively.

Of the 2,803,000 stock options granted under the ESOP in 2013, 700,750 stock options vested immediately. The remaining stock options, all of which expire in 2018, vest in equal installments on each anniversary date of the grant over a three year period. Of the 3,257,000 stock options granted under the ESOP in 2012, 814,250 stock options vested immediately. The remaining stock options, all of which expire in 2017, vest in equal installments on each anniversary date of the grant over a three year period. Of the 2,630,785 stock options granted under the ESOP in 2011, 657,696 stock options vested immediately. The remaining stock options, all of which expire in 2016, vest in equal installments on each anniversary date of the grant over a three year period. Upon the exercise of stock options under the ESOP, the Company issues new common shares to settle the obligation.

The following summary sets out activity with respect to Agnico Eagle's outstanding stock options:

	2013		2012		2011	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	10,587,126	C$ 56.60	8,959,051	C$ 62.88	6,762,704	C$ 56.94
Granted	2,803,000	52.13	3,257,000	36.99	2,630,785	76.12
Exercised	(213,500)	37.06	(416,275)	43.51	(308,688)	43.62
Forfeited	(540,206)	58.15	(731,000)	59.72	(125,750)	67.47
Expired	(1,352,885)	54.67	(481,650)	47.49	–	–
Outstanding, end of year	11,283,535	C$ 56.02	10,587,126	C$ 56.60	8,959,051	C$ 62.88
Options exercisable at end of year	7,248,295		6,510,464		5,178,172	

8. STOCK-BASED COMPENSATION (Continued)

The following table sets out 2013 activity with respect to Agnico Eagle's non-vested stock options:

	2013	
	Number of Stock Options	Weighted Average Grant Date Fair Value
Non-vested, beginning of year	4,076,662	C$13.33
Granted	2,803,000	11.21
Vested	(2,661,216)	12.84
Forfeited (non-vested)	(183,206)	11.38
Non-vested, end of year	4,035,240	C$11.44

Cash received for stock options exercised in 2013 was $8.0 million (2012 – $18.2 million; 2011 – $13.6 million).

The total intrinsic value of stock options exercised in 2013 was C$3.1 million (2012 – C$3.6 million; 2011 – C$8.0 million).

The weighted average grant date fair value of stock options granted in 2013 was C$11.21 (2012 – C$8.29; 2011 – C$17.05). The total grant date fair value of stock options vested during 2013 was $34.2 million (2012 – $41.0 million; 2011 – $46.7 million).

The following table summarizes information about Agnico Eagle's stock options outstanding and exercisable at December 31, 2013:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
C$33.39 – C$59.71	7,341,556	2.81 years	C$48.28	3,851,056	C$50.50
C$60.72 – C$83.08	3,941,979	1.14 years	70.43	3,397,239	69.46
C$33.39 – C$83.08	11,283,535	2.23 years	C$56.02	7,248,295	C$59.39

The weighted average remaining contractual term of stock options exercisable at December 31, 2013 was 1.6 years.

The Company has reserved for issuance 11,283,535 common shares in the event that these stock options are exercised.

The number of common shares available for the granting of stock options under the ESOP as at December 31, 2013, December 31, 2012 and December 31, 2011 was 4,807,876, 3,717,785, and 3,262,135, respectively.

8. STOCK-BASED COMPENSATION (Continued)

Subsequent to the year ended December 31, 2013, on January 2, 2014, 3,177,500 stock options were granted under the ESOP, of which 794,375 stock options vested immediately. The remaining stock options, all of which expire in 2019, vest in equal installments on each anniversary date of the grant over a three year period.

Agnico Eagle estimated the fair value of stock options under the Black-Scholes option pricing model using the following weighted average assumptions:

	2013	2012	2011
Risk-free interest rate	1.50%	1.26%	1.95%
Expected life of stock options (in years)	2.6	2.8	2.5
Expected volatility of Agnico Eagle's share price	35.0%	37.5%	34.70%
Expected dividend yield	1.82%	2.14%	0.89%

The Company uses historical volatility to estimate the expected volatility of Agnico Eagle's share price. The expected term of stock options granted is derived from historical data on employee exercise and post-vesting employment termination experience.

The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2013 was nil.

The total compensation expense for the ESOP recorded in the general and administrative line item of the consolidated statements of income (loss) and comprehensive income (loss) for 2013 was $26.4 million (2012 – $33.8 million; 2011 – $42.2 million). The total compensation cost related to non-vested stock options not yet recognized is $21.2 million as at December 31, 2013 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, $3.3 million was capitalized as part of the property, plant and mine development line item of the consolidated balance sheets in 2013 (2012 – $1.3 million; 2011 – $1.4 million).

(b) Incentive Share Purchase Plan

On June 26, 1997, the Company's 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.

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 common shares subscribed for under the Purchase Plan are issued by the Company. The total compensation cost recognized in 2013 related to the Purchase Plan was $7.8 million (2012 – $7.2 million; 2011 – $6.4 million).

In 2013, 812,946 common shares were subscribed for under the Purchase Plan (2012 – 507,235; 2011 – 360,833) for a value of $23.4 million (2012 – $21.7 million; 2011 – $19.2 million). In May 2008, the Company's shareholders approved an increase in the maximum number of common shares reserved for issuance under the Purchase Plan to 5,000,000 from 2,500,000. As at December 31, 2013, Agnico Eagle has reserved for issuance 829,907 common shares (2012 – 1,642,853; 2011 – 2,150,088) under the Purchase Plan.

8. STOCK-BASED COMPENSATION (Continued)

(c) Restricted Share Unit Plan

In 2009, the Company implemented the RSU plan for certain employees. Effective January 1, 2012, the RSU plan was amended to include directors and senior executives of the Company.

A deferred compensation balance is recorded for the total grant date value on the date of each RSU plan grant. The deferred compensation balance is recorded as a reduction of shareholders' equity and is amortized as compensation expense over the applicable vesting period.

In 2013, the Company funded the RSU plan by transferring $19.0 million (2012 – $12.0 million; 2011 – $3.7 million) to an employee benefit trust (the "Trust") that then purchased shares of the Company in the open market. The Trust is funded once per year during the first quarter of each year. For accounting purposes, the Trust is treated as a variable interest entity and consolidated in the accounts of the Company. The common shares purchased and held by the Trust are treated as not outstanding for the basic earnings per share ("EPS") calculations but are included in the basic EPS calculations once they have vested. All of the non-vested common shares held by the Trust are included in the diluted EPS calculations, unless the impact is anti-dilutive.

Compensation expense related to the RSU plan was $12.1 million in 2013 (2012 – $6.6 million; 2011 – $3.3 million). Compensation expense related to the RSU plan is included as part of the production, general and administrative and exploration and corporate development line items of the consolidated statements of income (loss) and comprehensive income (loss), consistent with the classification of other elements of compensation expense for those employees who held RSUs.

Subsequent to the year ended December 31, 2013, 293,041 RSUs were granted under the RSU plan which vest in 2017.

9. INCOME AND MINING TAXES

Income and mining taxes expense (recovery) is comprised of the following geographic components:

	Year Ended December 31,		
	2013	2012	2011
Current income and mining taxes:			
Canada	$ 7,934	$ 8,750	$ 62,382
Mexico	29,968	33,531	3,496
Finland	14,492	9,799	222
	52,394	52,080	66,100
Deferred income and mining taxes:			
Canada	(95,344)	26,041	(341,038)
Mexico	93,665	25,284	54,996
Finland	(14,871)	20,820	10,269
	(16,550)	72,145	(275,773)
Income and mining taxes	$ 35,844	$124,225	$(209,673)

9. INCOME AND MINING TAXES (Continued)

Cash income and mining taxes paid in 2013 were $56.5 million (2012 – $57.0 million; 2011 – $110.9 million).

The income and mining taxes expense (recovery) is different from the amount that would have been calculated by applying the Canadian statutory income tax rate as a result of the following:

	2013	2012	2011
Combined federal and composite provincial tax rates	26.3%	26.3%	27.8%
Increase (decrease) in tax rates resulting from:			
Provincial mining duties	1.4	3.6	5.9
Tax law changes	(13.6)	–	(2.7)
Impact of foreign tax rates	2.4	(1.5)	(0.2)
Permanent differences	(25.1)	1.0	(1.6)
Valuation allowances	(0.9)	1.2	(0.3)
Impact of changes in income tax rates	(0.2)	(2.1)	(2.0)
Actual rate as a percentage of pre-tax income	(9.7)%	28.5%	26.9%

The following table sets out the components of Agnico Eagle's deferred income and mining tax liabilities (assets):

	Liabilities (Assets) as at December 31,	
	2013	2012
Mining properties	$ 808,449	$ 761,508
Net operating and capital loss carryforwards	(129,019)	(102,005)
Mining duties	(68,728)	(36,158)
Reclamation provisions	(44,242)	(42,688)
Valuation allowance	26,860	30,570
Deferred income and mining tax liabilities	$ 593,320	$ 611,227

All of Agnico Eagle's deferred income and mining tax assets and liabilities are 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 applicable consolidated balance sheet dates. For Canadian income tax purposes, for December 31, 2008 and subsequent years, the Company elected to use the US dollar as its functional currency.

The Company operates in different jurisdictions and, accordingly, it is subject to income and other taxes under the various tax regimes in the countries in which it operates. The tax rules and regulations in many countries are highly complex and subject to interpretation. The Company may be subject in the future to a review of its historic income and other tax filings

9. INCOME AND MINING TAXES (Continued)

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 set out below:

	2013	2012	2011
Unrecognized tax benefits, beginning of year	$10,867	$ 1,200	$1,630
Additions (reductions)	–	9,667	(430)
Unrecognized tax benefit, end of year	$10,867	$10,867	$1,200

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 year.

The Company is subject to taxes in Canada, Mexico and Finland, each with varying statutes of limitations. The 2007 through 2013 taxation years generally remain subject to examination.

10. ACQUISITIONS

Urastar Gold Corporation

On May 16, 2013, the Company completed the acquisition of all of the issued and outstanding common shares of Urastar Gold Corporation ("Urastar") pursuant to a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) for cash consideration of $10.1 million. The Urastar acquisition was accounted for as a business combination and goodwill of $9.8 million was recognized on the Company's consolidated balance sheets.

The transaction costs associated with the acquisition totaling $0.7 million were expensed through the general and administrative line item of the consolidated statements of income (loss) and comprehensive income (loss) during the year ended December 31, 2013.

10. ACQUISITIONS (Continued)

The following table sets out 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	$10,127
Fair value of assets acquired and liabilities assumed:	
Mining properties	$ 1,994
Goodwill	9,802
Cash and cash equivalents	76
Trade receivables	731
Other current assets	12
Plant and equipment	2
Accounts payable and accrued liabilities	(791)
Other liabilities	(1,573)
Deferred tax liability	(126)
Net assets acquired	$10,127

The Company believes that goodwill for the Urastar 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 mineral reserves and mineral 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 the Company assuming the acquisition of Urastar described above had occurred as of January 1, 2012 are detailed below. On a *pro forma* basis, there would have been no effect on the Company's consolidated revenues.

	Year Ended December 31, 2013	Year Ended December 31, 2012
	Unaudited	
Pro forma net income (loss) for the period	$(409,020)	$307,274
Pro forma net income (loss) per share – basic	$ (2.37)	$ 1.79

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

10. ACQUISITIONS (Continued)

issued and outstanding common shares of Grayd. 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, under the 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 Agnico Eagle common shares issued from treasury.

Transaction costs associated with the acquisition totalling $3.8 million were expensed through the interest and sundry expense (income) line item of the consolidated statements of income (loss) and comprehensive income (loss) during the fourth quarter of 2011. The Company has accounted for the purchase of Grayd as a business combination.

The following table sets out 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 common 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 mineral reserves and mineral 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.

10. ACQUISITIONS (Continued)

Pro forma results of operations for Agnico Eagle assuming the acquisition of Grayd described above had occurred as of January 1, 2011 are set out below. On a *pro forma* basis, there would have been no effect on Agnico Eagle's consolidated revenues:

	Year Ended December 31, 2011
	Unaudited
Pro forma net loss attributed to common shareholders	$(582,762)
Pro forma net loss per share – basic	$ (3.42)

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 common 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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2013	2012
Trade payables	$ 80,242	$ 89,289
Wages payable	35,881	35,752
Accrued liabilities	16,366	27,372
Other liabilities	40,885	32,916
	$173,374	$185,329

In 2013 and 2012, the other liabilities balance consisted primarily 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, 2013, the total amount of these guarantees was $174.3 million.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Certain of the Company's properties are subject to royalty arrangements. The following are the most significant royalty arrangements:

The Company has a royalty agreement with the Finnish government relating to the Kittila mine. Starting 12 months after Kittila mine operations commenced, the Company is required to pay 2.0% 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 certain properties in the Abitibi area. The type of royalty agreements include, but are not limited to, net profits interest royalties and net smelter return royalties, with percentages ranging from 2.5% to 5.0%.

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 royalties and net smelter return royalties, with percentages ranging from 2.5% to 3.5%.

The Company regularly enters into various earn-in and shareholder agreements, often with commitments to pay net smelter return and other royalties.

The Company had the following purchase commitments as at December 31, 2013:

	Purchase Commitments
2014	$13,023
2015	8,373
2016	5,832
2017	4,290
2018	4,290
Thereafter	7,272
Total	$43,080

13. LEASES

(a) Capital leases

The Company has entered into 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 5.9% and the average length of the contracts is 4.7 years.

All of the sale-leaseback agreements have end of lease clauses that qualify as bargain purchase options that the Company expects to execute. As at December 31, 2013, the total gross amount of assets recorded under sale-leaseback capital leases amounted to $37.6 million (2012 – $33.9 million).

The Company has agreements with third party providers of mobile equipment that are used at the Meadowbank mine. These arrangements represent capital leases in accordance with the guidance in ASC 840-30 – *Capital Leases*. The leases for mobile equipment at the Meadowbank mine are for five years and the effective annual interest rate on these leases is 5.5%.

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, 2013:

	Minimum Capital Lease Payments
2014	$12,776
2015	5,678
2016	2,268
2017	2,268
2018	2,268
Thereafter	–
Total minimum lease payments	25,258
Less amount representing interest	1,380
Present value of net minimum lease payments	$23,878

The Company's capital lease obligations are comprised of the following:

	As at December 31,	
	2013	2012
Total future lease payments	$25,258	$26,668
Less: interest	1,380	1,605
	23,878	25,063
Less: current portion	12,035	12,955
Long-term portion of capital lease obligations	$11,843	$12,108

At December 31, 2013, the gross amount of assets recorded under capital leases, including sale-leaseback capital leases was $51.8 million (2012 – $51.0 million; 2011 – $56.9 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 line item of the consolidated statements of income (loss) and comprehensive 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

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, 2013 are as follows:

	Minimum Operating Lease Payments
2014	$1,783
2015	1,032
2016	822
2017	816
2018	836
Thereafter	2,470
Total	$7,759

The portion of operating leases relating to rental expense was $1.6 million in 2013 (2012 – $1.1 million; 2011 – $0.9 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 $6.9 million be restricted as at December 31, 2013 (December 31, 2012 – $4.7 million).

As part of the Company's tax planning, $32.0 million was contributed to a qualified environmental trust ("QET") in December 2011 to fulfill the requirement of financial security for costs related to the environmental remediation of the Goldex mine. During the year ended December 31, 2013, $2.8 million (2012 – $12.0 million) was withdrawn from the QET to fund the environmental remediation expenditures. As at December 31, 2013, $16.8 million (December 31, 2012 – $20.7 million) remained in the QET.

On December 30, 2013, the Company deposited $5.0 million into a restricted account in connection with a Subscription Agreement to acquire 5,000 shares of Tocqueville Bullion Reserve, Ltd. at a price of $1,000 per share. The acquisition was completed subsequent to year end on January 2, 2014.

15. FINANCIAL INSTRUMENTS

From time to time, Agnico Eagle has entered into financial instruments with financial institutions in order to hedge underlying cash flow and fair value exposure arising from changes in commodity prices, interest rates, equity prices or foreign currency exchange rates.

Currency risk management

In 2013 and 2012, 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.

15. FINANCIAL INSTRUMENTS (Continued)

Agnico Eagle generates almost all of its revenues in US dollars. The Company's Canadian operations, which include the LaRonde, Goldex, Lapa and Meadowbank mines and the Meliadine project have Canadian dollar requirements for capital, operating and exploration expenditures.

The Company uses foreign exchange hedges to reduce the variability in expected future cash flows arising from changes in foreign currency exchange rates. The hedged items represent a portion of the Canadian dollar denominated cash outflows arising from Canadian dollar denominated expenditures in 2013.

As at December 31, 2013, the Company had outstanding foreign exchange zero cost collars with a cash flow hedging relationship that did qualify for hedge accounting under ASC 815 – *Derivatives and Hedging*. The purchase of US dollar put options was financed through selling US dollar call options at a higher level such that the net premium payable to the different counterparties by the Company was nil. At December 31, 2013, the zero cost collars hedged $60.0 million of 2014 expenditures and the Company recognized mark-to-market adjustments in accumulated other comprehensive loss.

Amounts deferred in accumulated other comprehensive loss are reclassified to the production costs line item on the consolidated statements of income (loss) and comprehensive income (loss), as applicable, when the hedged transaction has occurred. Mark-to-market gains (losses) related to foreign exchange derivative financial instruments are 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 2013 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 at December 31, 2013. The call option premiums were recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss).

Commodity price risk management

The Company uses intra-quarter zinc, copper and silver derivative financial instruments associated with the timing of sales of the related products that were recognized in the (gain) loss on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss). There were no zinc, copper or silver intra-quarter derivative financial instruments outstanding at December 31, 2013 or December 31, 2012.

To mitigate the risks associated with fluctuating diesel fuel prices, the Company uses derivative financial instrument contracts to hedge the price on a portion of diesel fuel costs associated with the Meadowbank mine's diesel fuel exposure as it relates to operating costs. Financial contracts that expired in 2013 and totaled 10.5 million gallons of heating oil were entered into at an average price of $2.99 per gallon, which is approximately 55.0% of the Meadowbank mine's expected 2013 diesel fuel operating costs. These contracts did qualify for hedge accounting and the related market-to-market adjustments prior to settlement were recognized in accumulated other comprehensive loss. All heating oil derivative financial instrument contracts settled in 2013.

Amounts deferred in accumulated other comprehensive loss are reclassified to the production costs line item on the consolidated statements of income (loss) and comprehensive income (loss), as applicable, when the derivative financial instrument has settled. Mark-to-market gains (losses) related to heating oil derivative financial instruments are based on broker-dealer quotations that utilize period end forward pricing to calculate fair value.

As at December 31, 2013 and 2012, 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(d), accumulated other comprehensive loss.

15. FINANCIAL INSTRUMENTS (Continued)

The following table provides a summary of the amounts recognized in the (gain) loss on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss):

	Year Ended December 31,		
	2013	2012	2011
Premiums realized on written foreign exchange call options	$3,375	$1,505	$4,995
Realized loss on foreign exchange forwards	–	–	(1,407)
Realized gain on zinc derivative financial instruments	60	430	3,419
Realized gain on copper derivative financial instruments	–	63	79
Realized loss on silver derivative financial instruments	–	–	(3,403)
Mark-to-market gain on derivative equity contracts[(i)]	1,389	–	–
Mark-to-market loss on warrants[(i)]	(488)	(1,294)	–
Realized loss on warrants	(2,827)	–	–
Realized loss on heating oil derivative financial instruments	–	(1,523)	–
Gain (loss) on derivative financial instruments	$1,509	$(819)	$3,683

Note:

(i) Mark-to-market gains and losses on financial instruments that did not qualify for hedge accounting are recognized through the (gain) loss on derivative financial instruments line item of the consolidated statements of income (loss) and comprehensive income (loss) and through the other line item of the consolidated statements of cash flow.

Agnico Eagle's exposure to interest rate risk at December 31, 2013 relates to its cash and cash equivalents, short-term investments and restricted cash totaling $170.0 million (2012 – $332.0 million) and the Credit Facility. The Company's short-term investments and cash equivalents have a fixed weighted average interest rate of 0.53% (2012 – 0.47%).

The fair values of Agnico Eagle's current financial assets and liabilities approximate their carrying values as at December 31, 2013.

16. GENERAL AND ADMINISTRATIVE

As a result of 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 recognized an insurance receivable of $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) in the first quarter of 2011.

During the subsequent months of 2011, the Company received $2.4 million of insurance proceeds and had a remaining insurance receivable of $8.8 million recorded in the other current assets line item of the consolidated balance sheets as at December 31, 2011. During the year ended December 31, 2012, the Company received $2.2 million of insurance proceeds and had a remaining insurance receivable of $6.6 million as at December 31, 2012. During the year ended December 31, 2013, the Company received $5.2 million of insurance proceeds and had a remaining insurance receivable of $0.7 million as at December 31, 2013.

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 above the GEZ of the Goldex mine deposit had failed. This rock failure was thought to extend between the top of the deposit and surface. As a result, this structure allowed an increase in ground water to flow into the mine.

As at September 30, 2011, Agnico Eagle had 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 mineral reserves at the Goldex mine, other than the ore stockpiled on surface, were reclassified as mineral resources effective September 30, 2011.

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) for the year ended December 31, 2011	$302,893

The environmental remediation liability for the anticipated costs of remediation associated with the suspension of operations at the Goldex mine has required 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.

In July 2012, the Company's Board approved the development of the M and E Zones at the Goldex mine. The operations in the GEZ remain suspended indefinitely.

18. IMPAIRMENT LOSS

As at December 31, 2013

As at December 31, 2013, the Company identified the continued decline in the market price of gold as an indicator of potential impairment for the Company's long-lived assets and goodwill. As a result of the identification of this indicator, the Company evaluated its long-lived assets and goodwill for impairment on an asset group and reporting unit basis, respectively, using updated assumptions and estimates.

18. IMPAIRMENT LOSS (Continued)

The following impairment losses were recorded as at December 31, 2013 as a result of the impairment evaluation:

	As at December 31, 2013			
	Pre-impairment Carrying Value	**Impairment Loss**	**Post-impairment Carrying Value**	**Impairment Loss (net of tax)**
Property, plant and mine development:				
Meadowbank mine	$732,499	$(269,269)	$463,230	$(194,511)
Lapa mine	136,766	(67,894)	68,872	(41,687)
	$869,265	$(337,163)	$532,102	$(236,198)
Goodwill:				
Meliadine project	$200,064	$(200,064)	$–	$(200,064)
		$(537,227)		$(436,262)

Estimated fair values for the Meadowbank mine and Lapa mine were calculated by discounting the estimated future net cash flows using discount rates of 6.5% and 5.5% (in nominal terms), respectively, commensurate with their individual estimated levels of risk. These calculations were based on estimates of future production levels applying gold prices of $1,238 to $1,300 per ounce (in real terms), foreign exchange rates of US$0.90:C$1.00 to US$0.93:C$1.00, inflation rates of 2.0% and capital, operating and reclamation costs based on updated life-of-mine plans. Average gold recovery rates applied were 92.3% and 78.3% for the Meadowbank mine and Lapa mine, respectively.

Estimated after-tax discounted future net cash flows of reporting units with goodwill were calculated as at December 31, 2013. These calculations were based on estimates of future production levels applying long-term gold prices of $1,238 to $1,300 per ounce (in real terms), foreign exchange rates of US$0.90:C$1.00 to US$0.93:C$1.00, inflation rates of 2.0% and capital, operating and reclamation costs based on updated life-of-mine plans. The average gold recovery rate applied to the Meliadine project was 95.1%. A discount rate of 8.0% was used to calculate the estimated after-tax discounted future net cash flows of the Meliadine project reporting unit, commensurate with its individual estimated level of risk.

Discount rates were based on each asset group's weighted average cost of capital, of which the two main components are the cost of equity and the after-tax cost of debt. Cost of equity was calculated based on the capital asset pricing model, incorporating the risk-free rate of return based on Government of Canada marketable bond yields as at the valuation date, the Company's beta coefficient adjustment to the market equity risk premium based on the volatility of the Company's return in relation to that of a comparable market portfolio, plus a size premium and Company-specific risk factor. Cost of debt was determined by applying an appropriate market indication of the Company's borrowing capabilities and the corporate income tax rate applicable to each asset group's jurisdiction.

Management's estimate of future net 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 goodwill. This may have a material effect on the Company's consolidated financial statements.

As at December 31, 2011

As at 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 mineral reserves and resources,

18. IMPAIRMENT LOSS (Continued)

the projected operating costs in light of the persistently high operating costs experienced since commencement of commercial operations, metallurgical performance and gold price. These served as inputs into pit optimizations to determine which reserves and resources could be economically mined and be considered as mineable mineral reserves. As a result of these factors, an updated mine plan with a shorter mine life was developed and cash flows calculated, resulting in the following impairment losses being recorded as at December 31, 2011:

	As at December 31, 2011			
	Pre-impairment Carrying Value	Impairment Loss	Post-impairment Carrying Value	Impairment Loss (net of tax)
Property, plant and mine development:				
Meadowbank mine	$1,670,838	$(907,681)	$763,157	$(644,903)

The estimated fair value of the Meadowbank mine was calculated as at December 31, 2011 by discounting the estimated future net cash flows using a 7.0% discount rate (in nominal terms), commensurate with the estimated level of risk. This calculation was based on estimates of future gold production applying long-term gold prices of $1,250 to $1,553 per ounce (in real terms), foreign exchange rates of US$0.92:C$1.00 to US$0.97:C$1.00, an inflation rate of 2.0%, increased cost estimates based on revised operating levels and an average gold recovery of 92.9%. Future expected operating costs, capital expenditures and asset retirement obligations were based on the updated life-of-mine plan.

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 consolidated financial statements.

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 that represent more than 10% of the combined revenue, profit or loss or total assets of all operating segments. Each of the Company's significant operating mines and projects are considered to be separate segments. Certain operating segments that do not meet the quantitative thresholds are still disclosed when the Company believes that the information is useful. Segment results for 2012 and 2011 have been retrospectively revised to reflect organizational changes in 2013 that created three business units consisting of the Northern business unit, the Southern business unit, and the Exploration business unit. However, under this revised organizational structure the Chief Executive Officer also reviews segment income (defined as revenues from mining operations less production costs, exploration and corporate development and impairment losses) on a mine-by-mine basis. The following are the Company's reportable segments organized according to their relationship with the Company's three business units and reflect how the Company manages its business and how it classifies its operations for planning and measuring performance:

Northern Business:	LaRonde mine, Lapa mine, Goldex mine, Meadowbank mine, Meliadine project and Kittila mine
Southern Business:	Pinos Altos mine, Creston Mascota deposit at Pinos Altos and La India project
Exploration:	United States Exploration office, Europe Exploration office, Canada Exploration offices and Latin America Exploration office

The accounting policies of the reportable segments are the same as those described in the accounting policies note. There are no transactions between the reportable segments affecting revenue. Production costs for the reportable segments are net of intercompany transactions.

19. SEGMENTED INFORMATION (Continued)

Corporate and other (including Urastar) assets and specific income and expense items are set out separately below.

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. The Goldex mine achieved commercial production on October 1, 2013.

Year ended December 31, 2013	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Impairment Loss	Segment Income (Loss)
Northern Business:					
LaRonde mine	$ 329,900	$(229,911)	$ —	$ —	$ 99,989
Lapa mine	141,167	(69,532)	—	(67,894)	3,741
Goldex mine	21,418	(13,172)	—	—	8,246
Meadowbank mine	591,473	(363,894)	—	(269,269)	(41,690)
Meliadine project	—	—	—	(200,064)	(200,064)
Kittila mine	209,723	(98,446)	—	—	111,277
Total Northern Business	$1,293,681	$(774,955)	$ —	$(537,227)	$ (18,501)
Southern Business:					
Pinos Altos mine	$ 303,203	$(130,129)	$ —	$ —	$ 173,074
Creston Mascota deposit at Pinos Altos	41,522	(19,843)	—	—	21,679
Total Southern Business	$ 344,725	$(149,972)	$ —	$ —	$ 194,753
Exploration	$ —	$ —	$(44,236)	$ —	$ (44,236)
Segment income (loss)	$1,638,406	$(924,927)	$(44,236)	$(537,227)	$ 132,016

Segment income	$ 132,016
Corporate and other:	
Foreign currency translation gain	7,188
Amortization of property, plant and mine development	(296,078)
Interest and sundry expense	(8,824)
Gain on sale of available-for-sale securities	74
Gain on derivative financial instruments	1,509
General and administrative	(115,800)
Impairment loss on available-for-sale securities	(34,272)
Provincial capital tax	1,504
Interest expense	(57,999)
Loss before income and mining taxes	$(370,682)

19. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2012	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Segment Income (Loss)
Northern Business:				
LaRonde mine	$ 399,243	$(225,647)	$ —	$173,596
Lapa mine	173,753	(73,376)	—	100,377
Goldex mine	—	—	(37,627)	(37,627)
Meadowbank mine	609,625	(347,710)	—	261,915
Kittila mine	284,429	(98,037)	—	186,392
Total Northern Business	$1,467,050	$(744,770)	$ (37,627)	$684,653
Southern Business:				
Pinos Altos mine	$ 363,113	$(128,618)	$ —	$234,495
Creston Mascota deposit at Pinos Altos	87,551	(24,324)	—	63,227
Total Southern Business	$ 450,664	$(152,942)	$ —	$297,722
Exploration	$ —	$ —	$ (71,873)	$ (71,873)
Segment income (loss)	$1,917,714	$(897,712)	$(109,500)	$910,502

Segment income	$ 910,502
Corporate and other:	
Foreign currency translation loss	(16,320)
Amortization of property, plant and mine development	(271,861)
Interest and sundry expense	(2,389)
Gain on sale of available-for-sale securities	9,733
Loss on derivative financial instruments	(819)
General and administrative	(119,085)
Impairment loss on available-for-sale securities	(12,732)
Provincial capital tax	(4,001)
Interest expense	(57,887)
Income before income and mining taxes	$ 435,141

19. SEGMENTED INFORMATION (Continued)

Year ended December 31, 2011	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Loss on Goldex Mine	Impairment Loss	Segment (Loss) Income
Northern Business:						
LaRonde mine	$ 398,609	$(209,947)	$ —	$ —	$ —	$ 188,662
Lapa mine	167,536	(68,599)	—	—	—	98,937
Goldex mine	217,662	(56,939)	—	(302,893)	—	(142,170)
Meadowbank mine	434,051	(284,502)	—	—	(907,681)	(758,132)
Kittila mine	225,612	(110,477)	—	—	—	115,135
Total Northern Business	$1,443,470	$(730,464)	$ —	$(302,893)	$(907,681)	$(497,568)
Southern Business:						
Pinos Altos mine	$ 321,074	$(131,044)	$ —	$ —	$ —	$ 190,030
Creston Mascota deposit at Pinos Altos	57,255	(14,570)	—			42,685
Total Southern Business	$ 378,329	$(145,614)	$ —	$ —	$ —	$ 232,715
Exploration	$ —	$ —	$(75,721)	$ —	$ —	$ (75,721)
Segment income (loss)	$1,821,799	$(876,078)	$(75,721)	$(302,893)	$(907,681)	$(340,574)

Segment loss	$(340,574)
Corporate and other:	
Foreign currency translation gain	1,082
Amortization of property, plant and mine development	(261,781)
Interest and sundry expense	(5,188)
Gain on sale of available-for-sale securities	4,907
Gain on derivative financial instruments	3,683
General and administrative	(107,926)
Impairment loss on available-for-sale securities	(8,569)
Provincial capital tax	(9,223)
Interest expense	(55,039)
Loss before income and mining taxes	$(778,628)

19. SEGMENTED INFORMATION (Continued)

	Total Assets as at December 31,	
	2013	**2012**
Northern Business:		
LaRonde mine	$ 878,719	$ 849,304
Lapa mine	78,293	168,712
Goldex mine	120,601	56,819
Meadowbank mine	711,387	1,005,890
Meliadine project	877,923	1,015,485
Kittila mine	870,332	837,002
Total Northern Business	$3,537,255	$3,933,212
Southern Business:		
Pinos Altos mine	$ 537,560	$ 610,217
Creston Mascota deposit at Pinos Altos	86,185	68,735
La India project	512,450	377,049
Total Southern Business	1,136,195	1,056,001
Exploration	19,838	19,225
Corporate and other	266,071	247,681
Total	$4,959,359	$5,256,119

19. SEGMENTED INFORMATION (Continued)

	Capital Expenditures Year Ended December 31,		
	2013	2012	2011
Northern Business:			
LaRonde mine	$ 84,292	$ 75,214	$ 90,735
Lapa mine	22,738	18,475	18,397
Goldex mine	65,063	26,822	42,232
Meadowbank mine	76,811	105,095	116,860
Meliadine project	61,412	83,343	73,944
Kittila mine	83,770	60,036	86,514
Total Northern Business	$394,086	$368,985	$428,682
Southern Business:			
Pinos Altos mine	$ 42,835	$ 24,212	$ 32,407
Creston Mascota deposit at Pinos Altos	17,582	5,777	7,559
La India project	116,786	39,236	—
Total Southern Business	$177,203	$ 69,225	$ 39,966
Exploration	$ —	$ 55	$ 8,561
Corporate and other	$ 6,500	$ 7,285	$ 5,622
Total	$577,789	$445,550	$482,831

19. SEGMENTED INFORMATION (Continued)

The following table sets out the changes in the carrying amount of goodwill by segment:

	Meliadine project	La India project	Corporate and other	Total
Cost				
Balance at January 1, 2013	$ 200,064	$ 29,215	$ –	$ 229,279
Purchase of Urastar Gold Corporation (note 10)	–	–	9,802	9,802
Balance at December 31, 2013	$ 200,064	$ 29,215	$ 9,802	$ 239,081
Accumulated impairment				
Balance at January 1, 2013	$ –	$ –	$ –	$ –
Impairment loss	(200,064)	–	–	(200,064)
Balance at December 31, 2013	$(200,064)	$ –	$ –	$(200,064)
Carrying amount	$ –	$ 29,215	$ 9,802	$ 39,017

20. SUBSEQUENT EVENTS

On January 13, 2014, the Company executed an Asset Purchase Agreement with Alexandria Minerals Corporation ("AMC") to purchase the Akasaba West Property in Quebec, Canada for cash consideration of C$5.0 million. Agnico Eagle assumes pre-existing underlying royalty obligations under the Asset Purchase Agreement relating to specific Akasaba West Property mining claims ranging from a 2% net smelter returns production royalty to a 20% net proceeds of production royalty. The Company also entered into a 2% Net Smelter Return Royalty ("Royalty") Agreement with AMC on January 13, 2014 relating to all Akasaba West Property mineral and metal production after 210,000 ounces of gold has been produced. The Company has the right to purchase one-half of the Royalty from AMC at any time for cash consideration of C$7.0 million.

On January 28, 2014, the Company purchased common shares and warrants in a mining industry entity for total consideration of C$9.3 million.

On February 12, 2014, Agnico Eagle announced that the Board approved the payment of a quarterly cash dividend of $0.08 per common share, payable on March 17, 2014 to holders of record of the common shares of the Company on March 3, 2014.

21. SECURITIES CLASS ACTION LAWSUITS

On November 7, 2011 and November 22, 2011, the Company and certain current and former senior officers, some of whom also are or were directors of the Company, 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.*, respectively, which were filed in the United States District Court for the Southern District of New York. On February 6, 2012, the Court ordered that the two complaints be consolidated under the caption *In re Agnico-Eagle Mines Ltd. Securities Litigation*, and lead counsel was appointed. On April 6, 2012, a Consolidated Complaint was issued against the Company and certain of its current and former senior officers and directors. The Consolidated Complaint alleges that the Company had violated

21. SECURITIES CLASS ACTION LAWSUITS (Continued)

federal securities law in connection with its disclosure related to the Goldex mine. The Consolidated Complaint seeks, among other things, damages on behalf of persons who purchased or acquired securities of the Company during the period July 28, 2010 to October 19, 2011. The Consolidated Complaint has not been certified as a class action, and the Company intends to vigorously defend it. On January 14, 2013, Judge Oetken granted the Company's motion to dismiss the Consolidated Complaint and all claims therein and denied the plaintiffs' request for leave to amend the Consolidated Complaint. On February 12, 2013, the plaintiffs filed a Notice of Appeal to the United States Court for Appeals for the Second Circuit. The appeal was heard on September 23, 2013, and on October 3, 2013 the Court of Appeals for the Second Circuit affirmed the decision below dismissing the Consolidated Complaint. The time for the plaintiffs to file a petition for a writ of certiorari, requesting a review by the United States Supreme Court, has expired and the judgment dismissing the plaintiffs' Consolidated Complaint is now final and no longer appealable.

On March 8, 2012 and April 10, 2012, a Notice of Action and Statement of Claim (collectively, the "Ontario Claim") were issued by William Leslie, AFA Livforsakringsaktiebolag and certain other entities against the Company and certain of its current and former officers, some of whom also are or were directors of the Company. On September 27, 2012, the plaintiffs issued a Fresh as Amended Statement of Claim. The Fresh as Amended Statement of Claim alleges that the Company's public disclosure concerning water flow issues at its Goldex mine was misleading. The Ontario Claim was issued by the plaintiffs on behalf of all persons and entities who acquired securities of the Company during the period March 26, 2010 to October 19, 2011, excluding persons resident or domiciled in the Province of Quebec at the time they purchased or acquired such securities. The plaintiffs seek, among other things, damages of C$250.0 million and to certify the Ontario Claim as a class action. On April 17, 2013 an Order was granted on consent certifying a class action proceeding and granting leave for the claims under Section 138 of the *Securities Act* (Ontario) to proceed. The Company intends to vigorously defend the action on the merits.

On April 12, 2012, two senior officers of the Company, who also are or were directors of the Company, were served with a Motion for Leave to Institute a Class Action and for the Appointment of a Representative Plaintiff (the "Quebec Motion"). The action is on behalf of all persons and entities with fewer than 50 employees resident in Quebec who acquired securities of the Company between March 26, 2010 and October 19, 2011. The proposed class action is for damages of C$100.0 million arising as a result of allegedly misleading disclosure by the Company concerning its operations at the Goldex mine. On October 15, 2012, the plaintiffs served an amended Quebec Motion seeking leave to commence an action under the *Securities Act* (Quebec) in addition to seeking authorization to institute a class action. On October 1, 2013, the Quebec court certified the class action on terms identical to those set out in the consent Order granted in Ontario on April 17, 2013. No date has been set for the hearing to argue the class action on the merits. The Company intends to vigorously defend the action on the merits.

Officers

Sean Boyd
President and Chief Executive Officer

David Smith
Senior Vice-President, Finance, and Chief Financial Officer

Donald G. Allan
Senior Vice-President, Corporate Development

Alain Blackburn
Senior Vice-President, Exploration

Picklu Datta
Senior Vice-President, Treasury and Finance

Louise Grondin
Senior Vice-President, Environment and Sustainable Development

Tim Haldane
Senior Vice-President, Operations – USA and 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

Jean Robitaille
Senior Vice-President, Business Strategy and Technical Services

Yvon Sylvestre
Senior Vice-President, Operations – Canada and Europe

Luis Felipe Medina Aguirre
Vice-President, Mexico

Lino Cafazzo
Vice-President, Information Technology

Brian Christie
Vice-President, Investor Relations

Mathew Cook
Vice-President, Controller

Paul Cousin
Vice-President, Metallurgy

Patrice Gilbert
Vice-President, Health, Safety and Community

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 Phillips & 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, May 2, 2014, at 11:00 a.m.
Sheraton Centre Toronto Hotel
(Dominion Ballroom)
123 Queen Street West
Toronto, Ontario, Canada
M5H 2M9

CORPORATE HEAD OFFICE

Agnico Eagle Mines Limited
145 King Street East, Suite 400
Toronto, Ontario, Canada
M5C 2Y7
(416) 947-1212

facebook.com/agnicoeagle

twitter.com/agnicoeagle

info@agnicoeagle.com
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AGNICO EAGLE'S FIVE PILLARS

At Agnico Eagle, our efforts are supported by our Five Pillars: Trust, Respect, Equality, Family and Responsibility. These pillars define who we are and guide us in everything we do. They are a vital link to our history, central to our culture and an essential element to our success.

AGNICO EAGLE

Agnico Eagle Mines Limited
145 King Street East, Suite 400
Toronto, Ontario, Canada M5C 2Y7
agnicoeagle.com