2016 ANNUAL REPORT

Focused on Our Future

Proud of Our Past

AGNICO EAGLE

Corporate Profile

Agnico Eagle Mines Limited is a senior Canadian gold mining company that has produced precious metals since 1957. Our eight mines are located in Canada, Finland and Mexico, with exploration and development activities in each of these regions, as well as in the United States and Sweden. The Company employs more than 8,300 people.

Agnico Eagle and our shareholders have full exposure to gold prices due to our long-standing policy of no forward gold sales. We have declared a cash dividend every year since 1983.

Celebrating 60 Years of Excellence

Over the past 60 years, Agnico Eagle has undergone a remarkable transformation – from our earliest days as a small silver producer into one of the largest gold companies in the world operating on two continents. To learn more about our mining roots, please visit www.agnicoeagle.com/English/60th-anniversary

Online Annual Report

We strive to provide our stakeholders with timely, accurate and accessible information about our business activities. To learn more about our commitments, achievements and progress, view our online annual report at www.agnicoeagle.com/English/investor-relations

On the cover: Focused on Our Future – Natasha Nagyougalik is a heavy equipment operator at our Meadowbank mine. Nunavut has the potential to be a strategic operating platform for Agnico Eagle with the ability to generate strong production and cash flows over several decades.

Proud of Our Past – Agnico Eagle's roots began in Cobalt, Ontario when Cobalt Consolidated Mining Company reorganized and renamed itself Agnico Mines Limited, forging its name from the chemical symbols for silver (Ag), nickel (Ni) and cobalt (Co).

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Agnico Eagle is poised to enter one of the most exciting periods of growth in the Company's history. Starting in 2020, we expect to produce more than 2 million ounces of gold each year from our portfolio of existing mines. Taking centre stage in this next phase of growth will be Nunavut, which is an emerging high quality, long life, production platform for Agnico Eagle. Over the next two years we plan to complete the construction of a new mine at Meliadine and develop the Amaruq satellite deposit at Meadowbank.

60 Years of Agnico Eagle

As Agnico Eagle celebrates its 60th anniversary, we take stock of what we have built with the support of our employees, communities and business partners.

1957

In the beginning

Cobalt Consolidated Mining Company reorganizes and renames itself Agnico Mines Limited, forging its name from the chemical symbols for silver (Ag), nickel (Ni) and cobalt (Co).

1957

To view more on our 60th anniversary, visit: www.agnicoeagle.com/English/60th-anniversary

1972

Agnico Mines Limited merges with Eagle Gold Mines Limited to create Agnico Eagle Mines Limited.

Shares of the new company begin trading on the Toronto Stock Exchange under the ticker symbol AGE. Begins trading on the US NASDAQ under the symbol AEAGF.

1988

Gold production begins at Dumagami mines with the first gold pour in June.

1990

Mining activities cease at the Silver division in Cobalt due to low silver prices.

1994

Agnico Eagle begins trading on the New York Stock Exchange with the trading symbol AEM.

2000

Agnico Eagle acquires the high-grade Lapa gold deposit, located near LaRonde in northwestern Quebec.

2005 – 2007

Agnico Eagle acquires Riddarhyttan Resources AB, owner of the Suurikuusikko gold deposit in Finland.

Agnico Eagle changes its trading symbol on the Toronto Stock Exchange from AGE to AEM.

Agnico Eagle acquires the Pinos Altos project in Mexico.

Agnico Eagle acquires Cumberland Resources and the Meadowbank gold project in Nunavut, northern Canada.

Proud of Our Past:
Mr. Paul Penna (centre) with employees Fidel Dubuc (left) and Roger Boulanger (right) at the Eagle mine in Joutel, Quebec.

We have consistently generated superior returns to our shareholders while remaining committed to our core values of trust, respect, equality, family and responsibility.

2008 – 2010

Gold production begins at the Goldex mine in Canada, Kittila mine in Finland, the Lapa mine in Canada, the Pinos Altos mine in Mexico and the Meadowbank mine in Nunavut, northern Canada.

Agnico Eagle acquires Comaplex Minerals and the Meliadine gold project near Rankin Inlet, Nunavut.

2016

In April, the LaRonde mine celebrates pouring its 5 millionth ounce of gold since its startup in 1988.

2017

In February, Agnico Eagle approves the development of the Amaruq satellite deposit at Meadowbank and construction of the Meliadine project in Nunavut. Both projects are expected to start production in the third quarter of 2019.

Agnico Eagle celebrates its 60th Anniversary on October 25!

2017

2011

Agnico Eagle acquires Grayd Resources and the La India and Tarachi properties in Sonora, northern Mexico.

2012

For the first time ever, the Company produces more than one million ounces of gold in a single year.

2014

Agnico Eagle and Yamana Gold Inc. acquire Osisko Mining Corp., and create a 50:50 partnership that owns and operates the Canadian Malartic mine in Quebec.

Agnico Eagle acquires Cayden Resources Inc. for the advanced stage El Barqueño gold project in the Guachinango gold district in Jalisco State, Mexico.

Focused on Our Future:
Norman Eecherk is the second Inuit employee at the Meadowbank mine to complete the apprenticeship program and obtained a Red Seal certification as an industrial mechanic.

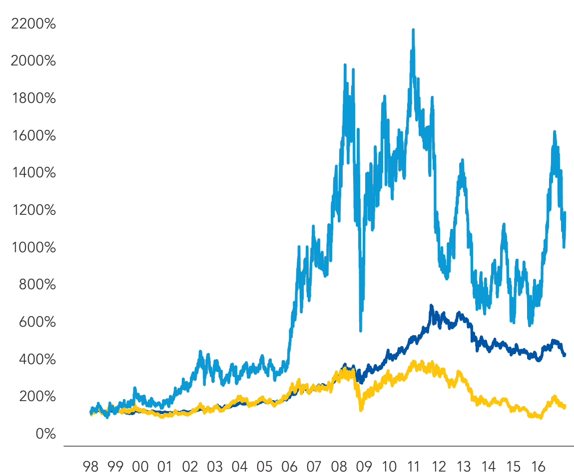
Strong Performance

Annual Dividend Declared
(per share)

Agnico Eagle has now declared a cash dividend every year since 1983.

*Assuming the Board of Directors continues to declare dividends of $0.10 per quarter.

Gold Price Remains Strong in Our Operating Currencies



Source: Bloomberg

All dollar amounts in this report are in US$ unless otherwise indicated	2016	2015	2014
Operating			
Payable gold production (ounces)	1,662,888	1,671,340	1,429,288
Total cash costs per ounce[1]	$ 573	$ 567	$ 637
Average realized gold price per ounce	1,249	1,156	1,261
Financial (millions, except per share amounts)			
Revenue from mining operations	$ 2,138.2	$ 1,985.4	$ 1,896.8
Net income for the year	158.8	24.6	83.0
Net income per share – basic	0.71	0.11	0.43
Annualized dividend declared per share	0.36	0.32	0.32

1 Total cash costs per ounce is a Non-GAAP measure and unless otherwise specified is reported on a by-product basis. For further information see "Note Regarding Certain Measures of Performance".

SEAN BOYD
Vice-Chairman and
Chief Executive Officer

Fellow Shareholders

For the fifth consecutive year, Agnico Eagle has exceeded our production forecast and beat our cost guidance. This positions us well to complete the development of our growth projects over the next two years.

2017 is a year of both celebration and reflection for Agnico Eagle. It marks 60 years of profitable growth, global expansion and value creation for our company. Throughout our years in business, we have consistently generated superior returns for our shareholders, while enhancing the employee experience and making significant contributions to our communities.

2017 also marks the closing of one chapter in our journey and the start of another. After five years of planning and preparation, we are ready to embark on the next phase of growth for Agnico Eagle. That growth will be mainly self-funded and will enable us to achieve our goal of producing 2 million ounces of gold annually in 2020.

What has led to this level of success for Agnico Eagle for over 60 years?

The hallmarks of our success have been our discipline and our resiliency. Our discipline has helped us maintain a strong balance sheet, grow production per share and generate above average returns. It has allowed us to remain flexible and to take advantage of opportunities when they arise, as we prudently manage risk. Our resiliency also sets us apart from our peers. We are resilient because, over time, our Board of Directors has trusted us to build a stronger and better company and our employees have remained committed to us, always going the extra mile to ensure our success.

Over the past 20 years, with their support, Agnico Eagle has evolved from a company with revenues of $50 million, a share price of $5, EBITDA of $4 million and a market capitalization of $200 million; into a company that today has revenues of over $2 billion, a share price of $55, EBITDA of $956 million and a market capitalization of $12 billion.

We have also evolved from a regionally focused gold mining business into an internationally recognized and sophisticated business. Our goal has long been to build a great business – not just a great gold business – one that generates superior returns while remaining committed to our core values of trust, respect, equality, family and responsibility.

In just over seven years, we have expanded from one gold mine in Quebec with 350 employees to eight mines in Mexico, Canada and Finland, with over 8,300 employees. Our success in delivering sustainable and profitable growth was noted in the *2016 Harvard Business Review*'s list of the world's 100 best-performing companies – which ranked Agnico Eagle 55th based on results over time using both financial and ESG (environmental, social, governance) rankings – the highest of the four Canadian companies ranked and one of only four mining companies included on the list.

As we celebrate 60 years of success in business, I want to thank our employees and our Board of Directors for their guidance, commitment and support. Together, **we are proud of our past and focused on our future.**

Proud of Our Past

Since the completion of our last phase of growth in 2011, we have grown Agnico Eagle's output by almost 60%, reduced our costs, increased our margins, and invested cash in the future of our business. Those investments have included buying assets, reducing our net debt, expanding our drill programs, grass roots exploration, advancing our key projects and investing in our people.

In 2016, we achieved our operating goals and key development milestones. For the fifth year in a row, our operations exceeded their production targets. In May, we received the necessary permitting to advance development of our Meliadine property in Nunavut and we continued to expand and upgrade the gold resources at our Amaruq deposit. Exploration work at Barsele, Sisar, El Barqueño and Canadian Malartic's Odyssey properties yielded strong results. Financially, our operations performance was below guidance and we continued to lower our net debt.

Our strong performance between 2012 and 2016 has laid the groundwork for the next phase of growth at Agnico Eagle. Over the next three years, we plan to increase our output from roughly 1.6 million ounces of gold to 2 million ounces of gold annually.

We will achieve this growth by remaining focused on Agnico Eagle's high quality, low risk growth strategy. Our growth will come from properties we own and from mines that are already producing, leveraging off the skills we already have and executed by people who are seasoned leaders in our business.

Taking centre stage in the next phase of growth will be Nunavut, which is an emerging high quality production platform for our company. With Agnico Eagle's unique logistical advantages and expertise, we remain the dominant player in Canada's north.

Focused on Our Future

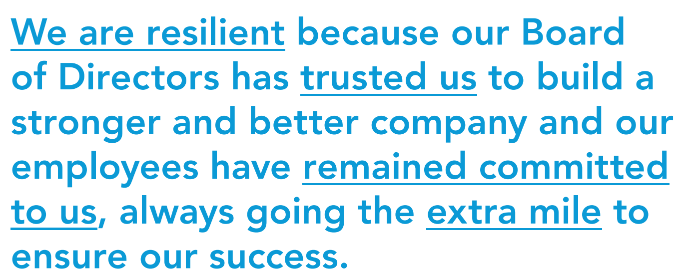
What does the future hold for Agnico Eagle? While ongoing uncertainty in the world, whether financial or political, will make the markets difficult to predict over the next few years, we feel confident of the following:

- Our Nunavut footprint will continue to expand. In 2016 alone, Amaruq's mineral resource grew by 29%, while the Meliadine deposit is expected to produce more than 5 million ounces of gold over an estimated 14 year mine life. In both cases, current plans contemplate mining approximately half of the known gold mineralization, so upside is possible. As we go forward, we anticipate Agnico Eagle will have additional operating bases and that we will be able to leverage our skills to find and develop new assets and generate superior returns for our shareholders.
- We will continue to build trust with our host communities by setting, and delivering on, high standards of community and sustainability performance. This is especially important in the sensitive Nunavut environment but holds true for all of our operations. We are committed to being a good neighbour and to receiving social acceptance from our stakeholder communities in order to advance our development projects.
- The key to our future will most certainly be our people. As we develop the next generation of leaders for our company, we remain committed to employing the best and the brightest who can bring the next generation of mines into being. Not only will it take innovation and skill, it will take leaders who can both manage the risk and see the opportunity in a new deposit or an emerging mining region. These are the people who will ultimately generate value for our company well into the future.

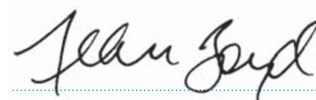
For 2017, we anticipate another year of solid production and the advancement of our key development projects. We will focus on executing our next phase of growth and keeping our project pipeline full, while simultaneously optimizing and innovating at our current asset base, in order to remain competitive.

In conclusion, I would like to recognize the contributions of Mr. Tim Haldane, Senior Vice-President, Operations – U.S.A and Latin America, who retired in February of this year. Under Tim's leadership and guidance, Mexico has become a key strategic region for us, greatly contributing to the Company's excellent operating performance. On behalf of everyone at Agnico Eagle, we thank Tim for his leadership, commitment and, above all, his friendship.

Over the past 60 years, we have created a world-class business for our shareholders. And with our new growth plans, we are excited about the opportunity to build on that success for you in the future while continuing to build shareholder value over the long term.



CEO Sean Boyd has been a part of Agnico Eagle since 1985.



SEAN BOYD
Vice-Chairman and Chief Executive Officer

March 13, 2017

Delivering on Expectations

2016 TARGETS	WHAT WE DELIVERED	2017 TARGETS
1,525,000 ounces of gold production. (Guidance upgraded twice during 2016)	**Achieved.** Annual gold production of 1,662,888 ounces.	1,555,000 ounces of gold production.
Maintain gold reserves at approximately 10 to 15 times annual gold production rate.	**Achieved.** Gold reserves increased by 5% to 19.9 million ounces, which remains in the range of approximately 10 to 15 times annual gold production.	Maintain gold reserves at approximately 10 to 15 times annual gold production rate.
Total cash costs per ounce of gold produced of $590 to $630.	**Achieved.** Total cash costs per ounce of gold produced of $573 per ounce.	Total cash costs per ounce of gold produced of $595 to $625.
All-in sustaining costs per ounce of gold produced of $850 to $890.	**Achieved.** All-in-sustaining costs per ounce of gold produced of $824 per ounce.	All-in sustaining costs per ounce of gold produced of $850 to $900.
Increase operating cash flow per share.	**Achieved.** Annual cash flow from operations of $3.50 per share as compared to $2.85 per share in 2015.	Increase operating cash flow per share.
Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities.	**Achieved.** We made investments in Cartier Resources Inc., G4G Capital Corp., Pershimco/Orla, and Belo Sun.	Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities.
Combined accident frequency (lost time and restricted work) below a rate of 1.40 for Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and leading performance indicators.	**Achieved.** 1.04 combined accident frequency, a 15% reduction from our performance in 2015.	Combined accident frequency below a rate of 1.25 for Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and leading performance indicators.
No fines or penalties for environmental failures.	**Not Achieved.**[1]	No fines or penalties for environmental failures.
Zero category 3, 4 or 5 environmental incidents.	**Not Achieved.**[2]	Zero category 3, 4 or 5 environmental incidents.

1 The LaRonde mine received an infraction notice from the Quebec Ministry of Sustainable Development, Environment and the Fight against Climate Change for failing to report an incident within 24 hours. The incident occurred on the Saturday night of the Labour Day long weekend and was not reported until the following Tuesday.

2 Two category 3 events occurred during the year: 1) Approximately 1,190 litres of fuel spilled at the Meliadine project site in Nunavut when a contractor operator was filling a fuel truck holding tank. Due to the winter conditions, the operator took shelter briefly inside the truck cabin leaving the filling operation unattended which led to the overflow. Immediate action was taken to stop the fuel pump and contain the spill. All contaminated material and soil was collected and transferred to Meliadine's licensed land farm. The incident was reported to the authorities and refresher training on the procedure was given to the employee. 2) A contractor's tractor-trailer hauling containers to the Meadowbank mine slid off the road while trying to climb a hill and encountered slow traffic ahead. The tractor rolled on its side resulting in about 300 litres of diesel fuel that spilled, causing a small amount of ammonium nitrate bags in the containers to open and spill on to the frozen ground. Immediate action was taken to contain the fuel. All contaminated material was collected and removed to the Meadowbank mine for proper management and disposal. An investigation was conducted and the root cause identified as a problem in the preventive maintenance of the tractor trailer which was revised as a result. The incident was declared to the authorities.

Operational Overview

2016 Highlights

1.66 million ounces of gold produced

4.8 million ounces of silver produced

25% increase in our quarterly dividend

For a full overview of our operations, visit: www.agnicoeagle.com/English/operations-and-development-projects/operations

At Agnico Eagle's flagship LaRonde mine, approximately 87% of the ore is expected to come from the higher grade lower mine area (below the 248 level) in 2017.

Agnico Eagle's mission is to build a high-quality, easy to understand business — one that generates superior long-term returns for our shareholders, creates a great place to work for our employees, and contributes positively to the communities in which we operate.

Our operations exceeded their production targets in 2016, with better than expected costs, allowing us to increase our guidance to the market for the fifth year in a row.

In 2016, payable gold production totaled 1,662,888 ounces of gold, with total cash costs per ounce of $573. In 2017, payable gold production is expected to be approximately 1,555,000 ounces, while total cash costs per ounce are expected to be between $595 and $625.

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Operations At-a-Glance

Agnico Eagle operates eight mines located in Canada, Mexico, and Finland.

		LOCATION	MINE TYPE	2016 PRODUCTION (GOLD OZ)	GOLD RESERVES (000S OZ GOLD)	TOTAL CASH COSTS ($ OZ)	MINE LIFE*
CANADA							
1	**LaRonde**	Between Rouyn-Noranda & Val-d'Or, Quebec	Underground	305,788	3,053	501	8 years
2	**Goldex**	Val-d'Or, Quebec	Underground	120,704	886	532	9 years
3	**Lapa**	Abitibi Region, Quebec	Underground	73,930	38	732	1 year
4	**Canadian Malartic (50%)**	Malartic, Quebec	Open Pit	292,514	3,548	606	10 years
5	**Meadowbank**	Kivalliq Region, Nunavut	Open Pit	312,214	711	715	8 years**
EUROPE							
6	**Kittila**	Kittila, Finland	Underground	202,508	4,479	699	18 years
MEXICO							
7	**Pinos Altos and Creston Mascota Complex**	Chihuahua State, Northern Mexico	Underground & Open Pit	192,772 + 47,296	1,424 + 102	356 + 516	7 years
8	**La India**	Sonora, Mexico	Open Pit	115,162	1,020	395	6 years

*Based on current Life of Mine plans.
**Includes production from Amaruq's Whale Tail pit.

The Goldex mine maintained strong operating performance in 2016.

Agnico Eagle is committed to delivering on growth expectations and maintaining high performance standards, while providing a safe and healthy workplace, with minimum environmental impacts, and within accepting communities.

LaRonde Mines Higher Grades, Delivers Strong Production and Cost Performance

In 2016, LaRonde produced 305,788 ounces of gold with total cash costs per ounce of $501. This compares to 267,921 ounces of gold produced at total cash costs per ounce of $590 in 2015. Total cash costs per ounce decreased due to higher gold production from the higher gold grades found in the lower areas of the mine and higher by-product metal revenues.

Canadian Malartic Achieves Record Production and Mill Throughput

Canadian Malartic continued to set new production records in 2016. Agnico Eagle's share of production was 292,514 ounces of gold at total cash costs per ounce of $606. This compares to 285,809 ounces of gold produced at total cash costs of $596 in 2015. Total cash costs per ounce increased due to higher throughput levels and unplanned maintenance on the leach tank, ball mill and crusher components in the process plant, along with higher contracting costs and increased royalty costs as a result of the higher production levels.

Lapa Extends Production into 2017

Production was expected to show a gradual decline moving into the fourth quarter of 2016 but continued through the year end. Lapa produced 73,930 ounces of gold in 2016 at total cash costs per ounce of $732. This compares to 90,967 ounces of gold produced at total cash costs per ounce of $590 in 2015. Total cash costs per ounce increased due to lower production and higher development costs associated with new mining zones as the mine winds down.

Lapa is currently expected to operate until the end of the first quarter of 2017, with production coming from the Zone Deep East and Zone 7 Deep areas. Evaluations are underway on opportunities to continue production into the second quarter of 2017.

Goldex Boosts Production, Deep 1 Development Remains on Track

Goldex produced 120,704 ounces of gold in 2016 at total cash costs per ounce of $532. This compares to 115,426 ounces of gold produced at total cash costs per ounce of $538 in 2015. Total cash costs per ounce were reduced due to higher production.

Commissioning of the Deep 1 project remains on budget and on schedule for early 2018. Underground excavation for the Rail-Veyor is nearing completion and installation is progressing as planned. Underground development of the sub-levels for mining is continuing and surface infrastructure has been installed.

Agnico Eagle acquired the Akasaba West gold-copper deposit in January 2014. Located less than 30 kilometres from Goldex, the Akasaba West deposit could create flexibility and synergies for the Company's operations in the Abitibi region by utilizing extra milling capacity at both Goldex and LaRonde, while reducing overall costs. The project is currently going through a provincial and federal environmental review process and permitting activities are expected to continue until 2018. The Company expects to begin sourcing open pit ore in 2019.

Strong performance was driven by higher gold and record silver production during the year.

Meadowbank Evaluates Options to Extend Production through 2018

Meadowbank produced 312,214 ounces of gold at total cash costs per ounce of $715. This compares to 381,804 ounces of gold produced at total cash costs per ounce of $613 in 2015. Total cash costs per ounce increased due to lower production and throughput as the mine approaches depletion. Opportunities are being investigated to potentially extend production at the Vault pit through year-end 2018. In addition, production from the new Whale Tail pit is expected to begin in 2019.

Kittila Posts Record Production and Mill Throughput

Kittila's strong mine and mill performance continued, mainly a result of increased development leading to improved ore access and strong mining productivity. In 2016, Kittila produced 202,508 ounces of gold at total cash costs per ounce of $699. This compares to 177,374 ounces of gold produced at total cash costs per ounce of $709 in 2015. Total cash costs per ounce decreased due to higher year-over-year production at the mine.

Pinos Altos Delivers Record Silver Production

Strong performance was driven by higher gold and record silver production during the year. Pinos Altos produced 192,772 ounces of gold at total cash costs per ounces of $356 in 2016. This compares to 192,974 ounces of gold produced at total cash costs per ounce of $387 in 2015. Total cash costs per ounce decreased cash costs due to higher gold and silver production, along with favourable foreign exchange rates.

The Pinos Altos shaft project was completed and commissioned in mid-June, with ramp up to design capacity of 6,000 tonnes per day achieved in July, allowing for better matching of the mine and mill capacities. Work also began on developing Phase III of the heap leach pad.

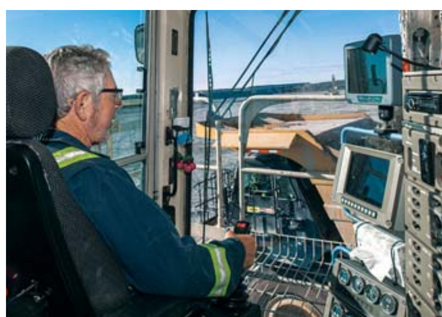
Creston Mascota Could Potentially Extend Mine Life

Creston Mascota produced 47,296 ounces of gold in 2016 at total cash costs per ounce of $516. This compares to 54,703 ounces of gold at total cash costs per ounce of $430 in 2015. Total cash costs per ounce increased primarily due to lower production.

Work on the Phase IV leach pad was completed in late 2016 and stacking of material is expected to begin in early 2017. Additionally, exploration drilling yielded favourable results from the Bravo, Madrono and Cubiro Zones, which has the potential to extend the life of the Creston Mascota heap leach facility and provide additional feed to the Pinos Altos mill.

La India Increases Mineral Reserves and Mineral Resources

La India posted strong performance during the year, producing 115,162 ounces of gold at total cash costs per ounce of $395. This compares to 104,362 ounces of gold produced at total cash costs per ounce of $436 in 2015. Total cash costs per ounce decreased due to higher gold and silver production from the site.



The Meadowbank mine is exploring opportunities to potentially extend production at the Vault pit through year-end 2018.

Agnico Eagle's Kittila mine in Finland is the largest primary gold producer in Europe and hosts the Company's largest mineral reserves.

Health, Safety, Environmental Management

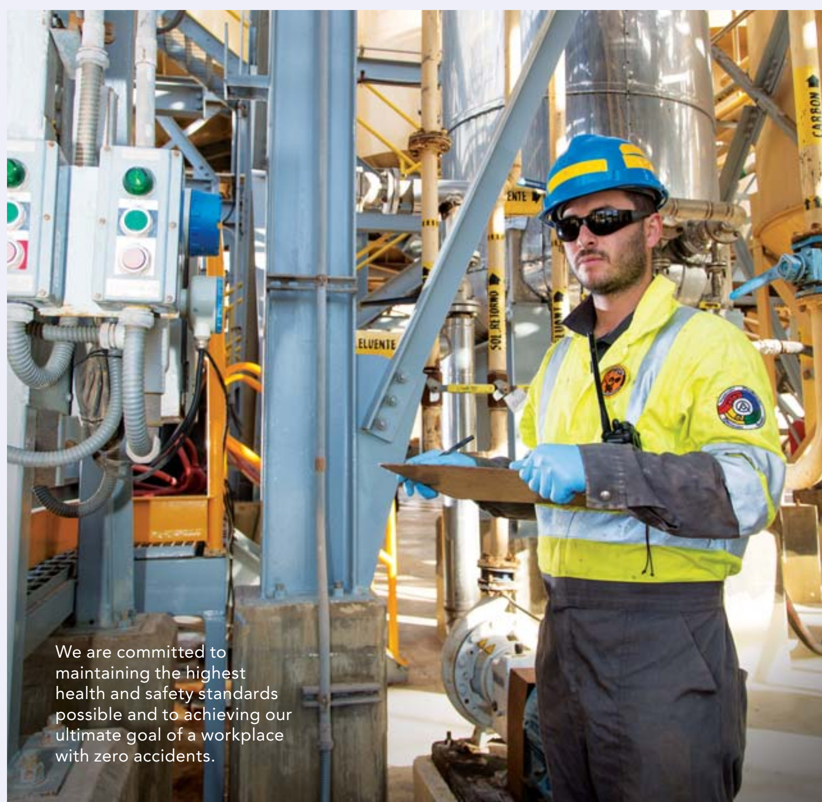
We were challenged during the year by the fatality of an employee of a local contractor at our Kittila mine. Despite this tragedy, our operations posted record safety performance with the fewest lost-time accidents since we began compiling global statistics 10 years ago and with three of our operations (Creston Mascota, La India and Lapa) achieving triple zero performance – no lost-time accidents, no light-duty assignments and no fatalities.

Our combined lost-time accident (LTA) and restricted work frequency rate was 1.04 – a 15% reduction from our performance in 2015 and below our target rate of 1.40. This is the sixth year in a row we have posted our lowest ever combined LTA rate.

Agnico Eagle's overall greenhouse gas (GHG) emissions totaled 400,410 tonnes of CO_2 equivalent in 2016, a 2% decrease from 2015 (407,471 tonnes of CO_2 equivalent), mainly due to a reduction of diesel use at La India as they completed two construction projects (a new road and heap leach expansion) in 2015. Our average overall GHG intensity decreased by 6% to 0.0189 (2015=0.0200) CO_2 equivalent per tonne of ore processed, which is also related to the diesel use reductions at La India.

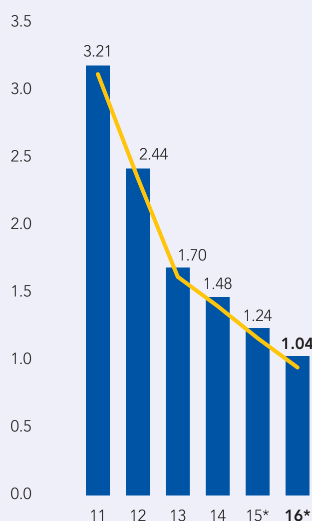
In 2016, we undertook an internal audit of Agnico Eagle's Responsible Mining Management System (RMMS) and the implementation of each of its 17 elements.

The audit findings indicated a major improvement in the implementation of RMMS across all sites. In total, there were about 168 findings and the mine sites have begun implementing corrective actions related to the observations identified. Best practices and innovations were shared between all sites during these audits.



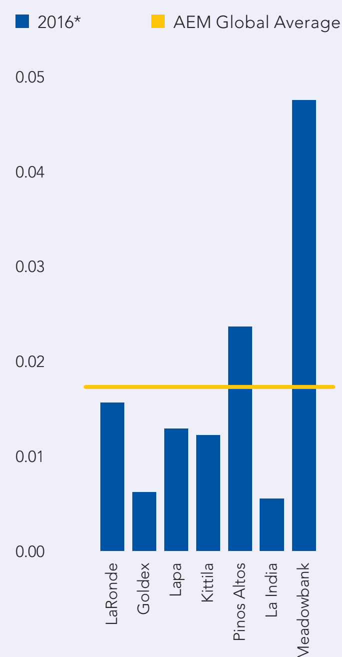
We are committed to maintaining the highest health and safety standards possible and to achieving our ultimate goal of a workplace with zero accidents.

Combined Lost Time and Restricted Work Frequency



*Includes Canadian Malartic mine.

GHG Emission Intensity (2016)

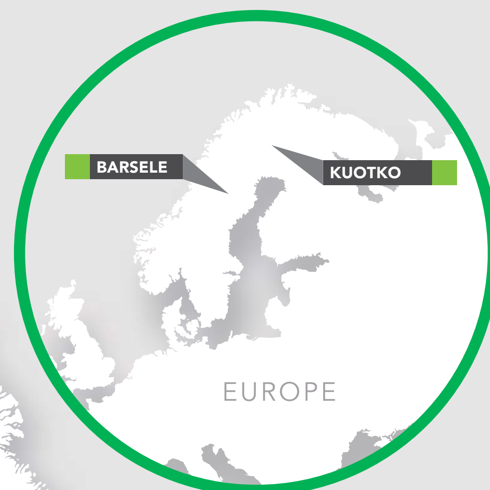


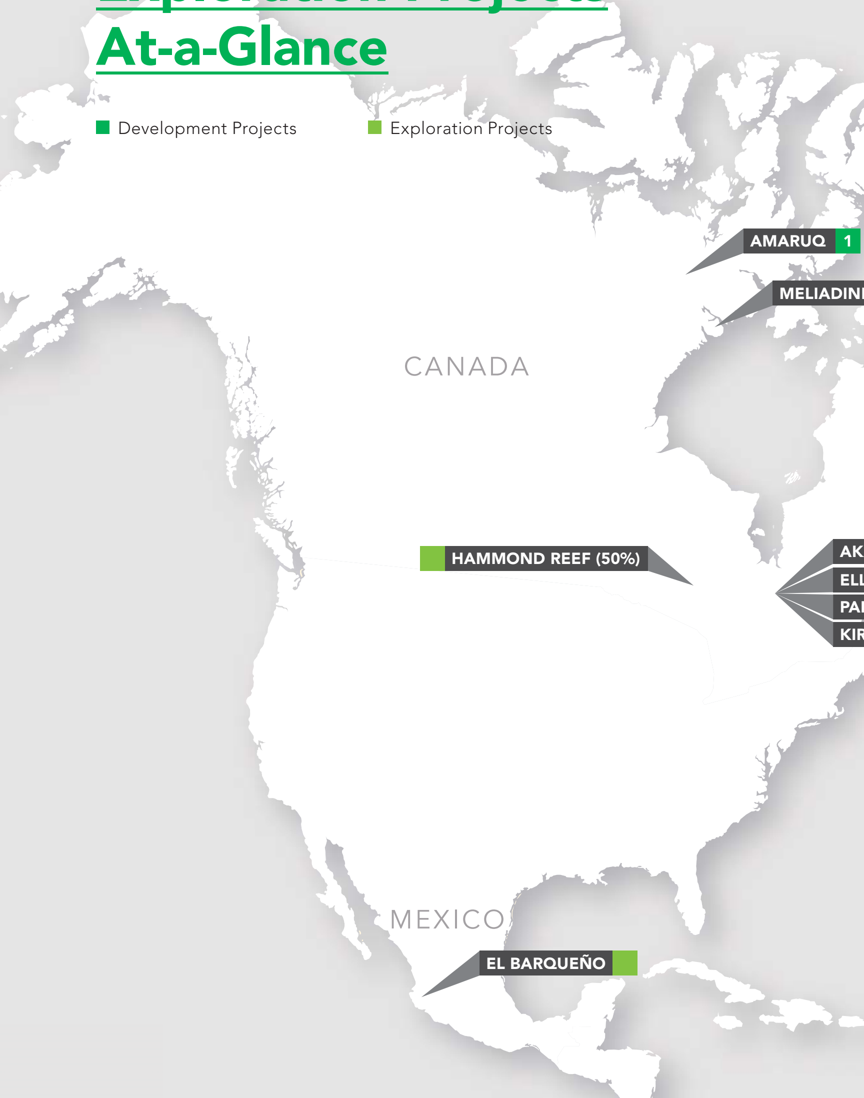
*Does not include Canadian Malartic mine.

To learn more, visit: www.agnicoeagle.com/English/sustainability

Development & Exploration Projects At-a-Glance

■ Development Projects ■ Exploration Projects





The Amaruq and Meliadine projects in Nunavut, northern Canada are expected to add significant production starting in 2019.

		LOCATION	STAGE MINERAL	PROPERTY SIZE	OWNERSHIP	POTENTIAL MINE TYPE	GOLD RESERVES (000S OZ GOLD)	RESOURCES (000S OZ GOLD)
1	**Amaruq**	Kivalliq District, Nunavut Territory	Newly approved for development	116,717 ha	100%	Open pit Underground	–	Indicated mineral resources of 16.9 million tonnes grading 3.88 g/t gold (2.1 million oz)
								Inferred mineral resources of 4.9 million tonnes grading 4.81 g/t gold (763,000 oz)
2	**Meliadine**	Kivalliq District, Nunavut Territory	Newly approved for development	111,757 ha	100%	Underground	14.5 million tonnes grading 7.32 g/t gold (3.4 million oz)	Measured and indicated mineral resources of 20.8 million tonnes grading 4.95 g/t gold (3.3 million oz)
								Inferred mineral resources of 14.7 million tonnes grading 7.51 g/t gold (3.6 million oz)

The Amaruq satellite deposit will extend the Meadowbank mine life to about 2024, which will allow additional time for the Company to develop and implement an exploration strategy to expand the Amaruq deposit.

Agnico Eagle's investment in building an industry best, high-quality project pipeline delivered critical results in 2016. In addition to the newly approved Amaruq and Meliadine projects, we continued to advance key initiatives at LaRonde, Goldex, Kittila, Barsele and El Barqueño.

Amaruq's Gold Resources Continue to Expand

Amaruq has been approved for development, pending the receipt of the required permits, and will be a main contributor to this next phase of growth for our Company.

As a satellite deposit to the Meadowbank mine, Amaruq will use the existing mine infrastructure – including mining equipment, mill, tailings, camp and airstrip – to begin open pit mining on the Whale Tail deposit, which is forecast for the third quarter of 2019.

The initial mine plan calls for the production of approximately 2 million ounces of gold between 2019 and 2024. This represents less than 50% of Amaruq's currently known mineral resource base.

In 2016, construction on the 64 km all-weather exploration road began and reached the planned 27.5 km mark. In 2017, approximately $73 million will be spent to complete the all-weather exploration road, conduct additional technical studies and to procure materials and equipment for the 2018 construction season.

Gold resources at Amaruq continue to expand, which supports the extension of Meadowbank's mine life and allows us additional time to develop and implement an exploration strategy to expand Amaruq and to evaluate additional opportunities on the property.

Meliadine's First Production Expected One Year Ahead of Schedule

The Meliadine project has been approved for development and is expected to begin operations in the third quarter of 2019, which is approximately one year ahead of the previous schedule.

We anticipate that over an estimated 14 year mine life, Meliadine will produce approximately 5.3 million ounces of gold. This represents approximately 50% of Meliadine's currently known mineral reserve and mineral resource base.

Throughout 2016, activities focused on advancing underground development at the site, along with detailed engineering and procurement, construction of essential surface infrastructure, and the acquisition of a used camp facility.

In 2017, approximately $360 million will be spent to further advance underground development, construct a second ramp portal, complete construction of the camp complex, install underground heating and ventilation, complete development of the fuel farm in Rankin Inlet, and complete development on the process and power plant buildings onsite.

The Meliadine project has been approved for development and is expected to begin operations in the third quarter of 2019, which is approximately one year ahead of the previous schedule.

The additional work at the Meliadine site in 2016 has positioned the project for an expected start date of 2019, one year ahead of the previous schedule.

El Barqueño's 2017 drill program focuses on expanding known zones and testing additional target areas.

Abitibi Region Continues to Unlock Value

At our Goldex property, we continued to study options to increase throughput from the Deep 1 Zone and the potential to mine a portion of the Deep 2 Zone, both of which could enhance production levels or extend the current mine life at Goldex and reduce operating costs.

At the Odyssey property (50% owned), which adjoins the Canadian Malartic mine, an initial inferred mineral resource was declared and estimated at 0.7 million ounces of gold (10.3 million tonnes grading 2.15g/t gold). Further mineral resource growth is expected in 2017.

Kittila Evaluates Potential to Expand Production, Barsele Declares Initial Inferred Mineral Resource

Kittila has the potential to expand its production to 2 million tonnes per year – from the current rate of 1.6 million tonnes. Studies are currently evaluating the economics of increasing the ore throughput rate, which could be further supported by development of the Rimpi and Sisar Zones. Drilling is ongoing to further evaluate the Sisar Zone, where mineralization has now been outlined to a depth of 2.0 kms below surface.

At the Barsele project in Sweden (55% owned with potential to earn up to 70%), total inferred mineral resources (on a 100% basis) are estimated to be 1.2 million ounces. (21.7 million tonnes grading 1.72 g/t gold). The deposit appears to have bulk tonnage and underground potential and is being evaluated as a potential future production opportunity, with further mineral resource growth is expected in 2017.

Mexico Renews Focus on Minesite Exploration

Exploration work in Mexico continues to focus on advancing economic satellite opportunities at Pinos Altos and Creston Mascota, discovering new zones of mineralization at La India and advancing the El Barqueño project. At Pinos Altos, exploration at the Cerro Colorado Zone outlined additional mineralization and further drilling will be carried out in 2017. At La India, exploration drilling increased mineral reserves by 18% and mineral resources by 5% and studies are now underway to look at the mine's potential expansion options.

At the El Barqueño project, conversion drilling led to an initial indicated mineral resource estimate of 301,000 ounces of gold and 1.2 million ounces of silver (8.5 million tonnes grading 1.11 g/t gold and 4.35 g/t silver). Different options are being studied to optimize the project's potential processing costs and gold recovery.

Health, Safety, Environmental & Regulatory Matters

We anticipate receiving the required permits for Amaruq's development during the second quarter of 2018.

We are currently working closely with the Nunavut Impact Review Board (NIRB) and the Nunavut Water Board (NWB) on the Whale Tail pit joint permitting process, which is progressing along the schedule and process outlined by the NIRB in November 2016. On January 27, 2017, the NIRB and NWB announced the start of the project technical review, which will lead to the start of public hearings at the end of the third quarter 2017. Approval for the project certificate and water license (Phase 1 – Whale Tail pit) is expected in the third quarter of 2018.

On April 15, 2016, the NWB approved the Meliadine Project Type A Water License, which was issued on May 19, 2016. This was the final permit needed to begin construction activities at Meliadine.

Drilling is ongoing at the Kittila mine to further evaluate the Sisar Zone, where mineralization has now been outlined to a depth of 2.0 km below surface.

LaRonde Flagship Mine Continues to Add Value

The LaRonde mine and processing complex has produced more than 5 million ounces of gold since it first opened in 1988. New drilling results at the LaRonde 3 deposit – the portion of the mine below 3.1 kilometres – and Zone 5, suggests the mine will be adding valuable gold production for many years to come.

LaRonde Zone 5 – formerly known as Bousquet Zone 5 – has now been approved for development as an underground satellite mine operation, subject to permitting approval. Mining is expected to begin in mid-2018, with average annual production expected to be 45,000 ounces per year through 2026. The total capital cost to bring LaRonde Zone 5 into production is estimated at approximately $80 million.

In 2016, drilling in the eastern portion of the LaRonde 3 deposit led to the addition of 200,000 ounces of gold in reserves (1.2 million tonnes grading 5.15 g/t gold) – the first mineral reserves declared below Level 311. Meanwhile, drilling on the western portion of LaRonde 3 encountered higher-grade gold mineralization. Additional drilling is planned for 2017.

At the LaRonde 3 project, studies are continuing to assess the potential to extend the mineral reserve base and carry out mining activities between a depth of 3.1 kilometres and 3.7 kilometres.

The LaRonde mine and processing complex has produced more than 5 million ounces of gold since it first opened in 1988.

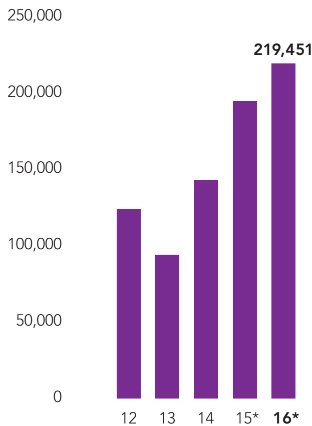
To learn more, visit: www.agnicoeagle.com/English/operations-and-development-projects/operations/laronde

People

The key to Agnico Eagle's continued success is most certainly our people. Employees, like Ruben Lucero, Maintenance Supervisor at Creston Mascota, are always going the extra mile to ensure our success.

Throughout our 60 years of existence as a company, Agnico Eagle's employees have engaged in our business, always going the extra mile to ensure our success. As we develop the next generation of leaders, we remain committed to our culture, a recognized ingredient of our longevity and success.

Total Training Hours



*Includes Canadian Malartic mine.

The key to Agnico Eagle's continued success is most certainly our people. Not only will it take innovation and skill, it will take leaders who can both manage the risk and see the opportunity in a new deposit or an emerging mining region. These are the people who will ultimately generate value for our company well into the future.

Preparing for Growth

As we embark on this next phase of growth, we have focused on establishing solid succession plans to secure our business for the long-term. Growth will create opportunities for our future leaders to develop and be ready to step up, when the time comes.

To prepare for growth, we are linking our workforce planning activities to our life-of-mine planning process. We are also committed to maintaining a lean workforce, which will help us remain efficient by ensuring that any volatility in the size of our workforce is kept to a minimum during swings in the gold price. A lean structure is also necessary to ensure that our people are exposed to new experiences and new opportunities as they grow and develop within Agnico Eagle.

Addressing Future Challenges in the Mining Industry

Our broad mining and processing expertise provides us with strong skills in multiple functional areas, and many career opportunities across our existing portfolio of assets and future projects. In 2016, we launched an Individual Development Plan (IDP) process to provide ongoing training and development activities. For senior executives, we have added one-on-one communication coaching, mentoring and external coach assignments. In 2017, we will begin a business acumen training program to provide our people with a wider business perspective and equip them with tools to address future challenges in the mining industry.

Over the next several years our workforce will expand considerably, with more than 1,000 skilled workers expected to be added in Nunavut alone. Both our Nunavut and Abitibi teams are preparing a coordinated workforce plan to direct recruiting, selection, training, and internal transfer activities.

Promoting Our Corporate Values

The anticipated influx of new people into our workforce will challenge Agnico Eagle to promote and protect our long-standing values and culture. We have developed a clear, well-defined set of Guiding Principles to ensure we reinforce our management approach and cultural identity across the Company – a set of principles which have contributed to Agnico Eagle's success for 60 years.

Proud To Be a Member of the Team

Every day, over 8,300 employees help us achieve our goal of pursuing progressive, responsible and sustainable growth. Of the thousands of people working on behalf of Agnico Eagle, we asked Pujjuut Kusugak, Senior Coordinator, Community Affairs at Nunavut to tell us – in his own words – why he is proud to be part of the Agnico Eagle team.

"The biggest thing I am really proud of is to be able to go to Meliadine or Meadowbank and to see people that didn't have opportunities in the past, but now they are working at the camp or at the mine. And these are really well paying jobs which has been a boost in our communities.

Just in Rankin, we had 30 (high school) graduates this past year and each community has more graduates each year. So now what we need to do is start going after post-secondary students that are furthering their education to go into different professions.

The trades being an example.

Just this past year we had three apprentices who became journeymen within the Company, which we are really proud of and they are Inuit from our communities.

So now, how can we further that? How can we find students that are going to become engineers, biologists, trainers, nurses – all of these different positions that are available within the Company. It's just something amazing to see because that's what employment does. Employment provides the independence that people want. They want to be able to provide for themselves and their families. So Agnico Eagle has been a huge boost for us."

Agnico Eagle's Pujjuut Kusugak (second from left) enjoying Family Day with Rankin Inlet community members.

The ABCs of Our Guiding Principles

Anchored in Our Values

Including open and transparent communications; safe production; the highest standards of honesty, responsibility and performance; the highest levels of employee engagement; sharing and developing employees' skills and expertise; and, maintaining our entrepreneurial skills and innovative spirit.

Based on Collaboration

Encouraging respectful open debates and healthy discussions; and, recognizing success resulting from both exceptional contributions and teamwork.

Clear and Simple

Valuing practices that remain simple and are based on common sense; being as clear as possible on people's roles and contributions; and, ensuring employees and management alike understand and are aligned with our business priorities.

Trust
Family
Respect
Responsibility
Equality

Mineral Reserves

Gold reserves increased by 5% to 19.9 million ounces

In 2016, mineral reserves grew by 0.9 million ounces of gold. Agnico Eagle continues to have one of the highest mineral reserve grades amongst our North American peers and we are currently mining below the average reserve grade of our mines.

Several of our properties successfully converted measured and indicated mineral resources to mineral reserves during the year: at LaRonde Zone 5, mineral reserves of 423,000 ounces of gold were added while at LaRonde, 200,000 ounces of gold in mineral reserves were declared below Level 311; conversion drilling at Kittila's Sisar and Rimpi zones added 338,000 ounces of gold in mineral reserves; conversion drilling in Deep 1 Zone at Goldex increased mineral reserves by 33%, or 218,000 ounces of gold; successful conversion at La India's Main Zone extension increased mineral reserves by 18%, or 153,000 ounces of gold; while initial mineral reserves at Upper Beaver containing 698,000 ounces of gold (50% basis) were converted from indicated mineral resources.

Our proven and probable mineral reserves, net of 2016 production, totalled 268 million tonnes of ore grading 2.31 g/t gold, containing approximately 19.9 million ounces of gold. This increase of 5%, largely reflects the results of new internal economic studies at several operations, the successful conversions noted above, partially offset by the 1,662,888 ounces of payable gold production in 2016 (1,874,000 ounces of in-situ gold mined). Our overall mineral reserve gold grade is essentially unchanged at 2.31 g/t from 2.37 g/t, despite slightly lower cut-off grades at each operation which was the result of reduced costs at several operations and a small increase in the assumed gold price as well as changes to foreign exchange rate assumptions used for the estimates.

Our goal is to maintain gold reserves at approximately 10 to 15 times Agnico Eagle's annual gold production rate and we are currently within this range.

As of December 31, 2016

OPERATIONS/PROJECTS		PROVEN			PROBABLE			PROVEN & PROBABLE		
GOLD	Ownership	000 tonnes	g/t	000 oz Au	000 tonnes	g/t	000 oz Au	000 tonnes	g/t	000 oz Au
LaRonde (underground)	100%	5,833	4.91	921	11,758	5.64	2,132	17,591	5.40	3,053
LaRonde Zone 5 (underground)	100%	2,836	2.12	194	3,429	2.08	230	6,265	2.10	423
Canadian Malartic (open pit)	50%	25,560	0.95	785	76,274	1.13	2,764	101,834	1.08	3,548
Goldex (underground)	100%	294	1.47	14	16,507	1.64	872	16,801	1.64	886
Akasaba West (open pit)	100%	–	–	–	4,942	0.89	142	4,942	0.89	142
Lapa (underground)	100%	259	4.58	38	–	–	–	259	4.58	38
Meadowbank (open pit)	100%	1,704	1.75	96	6,515	2.94	615	8,219	2.69	711
Meliadine (open pit)		34	7.31	8	4,001	5.00	644	4,035	5.02	652
Meliadine (underground)		–	–	–	10,494	8.20	2,766	10,494	8.20	2,766
Meliadine Total	**100%**	**34**	**7.31**	**8**	**14,495**	**7.32**	**3,410**	**14,529**	**7.32**	**3,417**
Upper Beaver (underground)	50%	–	–	–	3,996	5.43	698	3,996	5.43	698
Kittila (underground)	100%	1,148	4.19	155	28,907	4.65	4,325	30,055	4.64	4,479
Pinos Altos (open pit)		180	0.85	5	2,525	2.07	168	2,705	1.99	173
Pinos Altos (underground)		3,331	2.79	299	11,364	2.61	953	14,696	2.65	1,251
Pinos Altos Total	**100%**	**3,512**	**2.69**	**304**	**13,889**	**2.51**	**1,120**	**17,401**	**2.55**	**1,424**
Creston Mascota (open pit)	100%	65	0.94	2	2,426	1.29	100	2,491	1.28	102
La India (open pit)	100%	213	0.61	4	43,756	0.72	1,016	43,969	0.72	1,020
Total		41,458	1.89	2,520	226,895	2.39	17,423	268,353	2.31	19,943
SILVER	Ownership	000 tonnes	g/t	000 oz Ag	000 tonnes	g/t	000 oz Ag	000 tonnes	g/t	000 oz Ag
LaRonde (underground)	100%	5,833	18.31	3,434	11,758	19.56	7,393	17,591	19.14	10,827
Pinos Altos (open pit)		180	67.77	393	2,525	59.81	4,856	2,705	60.34	5,249
Pinos Altos (underground)		3,331	75.26	8,061	11,364	67.92	24,817	14,696	69.59	32,878
Pinos Altos Total	**100%**	**3,512**	**74.88**	**8,454**	**13,889**	**66.45**	**29,673**	**17,401**	**68.15**	**38,127**
Creston Mascota (open pit)	100%	65	8.07	17	2,426	11.44	892	2,491	11.35	909
La India (open pit)	100%	213	14.67	100	43,756	2.57	3,615	43,969	2.63	3,716
Total		–	–	12,006	–	–	41,573	–	–	53,579
COPPER	Ownership	000 tonnes	%	tonnes Cu	000 tonnes	%	tonnes Cu	000 tonnes	%	tonnes Cu
LaRonde (underground)	100%	5,833	0.24	13,736	11,758	0.24	28,589	17,591	0.24	42,325
Akasaba West (open pit)	100%	–	–	–	4,942	0.50	24,851	4,942	0.50	24,851
Upper Beaver (underground)	50%	–	–	–	3,996	0.25	9,990			
Total		–	–	13,736	–	–	63,430	–	–	77,166
ZINC	Ownership	000 tonnes	%	tonnes Zn	000 tonnes	%	tonnes Zn	000 tonnes	%	tonnes Zn
LaRonde (underground)	100%	5,833	0.41	23,706	11,758	1.10	128,864	17,591	0.87	152,569
Total		–	–	23,706	–	–	128,864	–	–	152,569

Mineral Resources

Measured and indicated mineral resources increased by 9%

In 2016, Agnico Eagle's measured and indicated mineral resources grew by 9% or 1.3 million ounces of gold and now total approximately 333 million tonnes grading 1.53 g/t gold, or 16.4 million ounces of gold, with essentially no change in grade year-over-year.

Many of the additions in the measured and indicated mineral resources category were from our development and advanced exploration projects and include: initial indicated mineral resources at the Amaruq satellite deposit at Meadowbank of 2.1 million ounces (16.9 million tonnes grading 3.88 g/t gold) were reported at open pit depths, almost all in the Whale Tail deposit; initial inferred mineral resources at the Odyssey property of 714,000 ounces of gold (reflecting Agnico Eagle's 50% interest); initial inferred mineral resources at the Barsele project in Sweden of 661,000 ounces of gold (reflecting Agnico Eagle's 55% interest); and, conversion drilling at the El Barqueño project led to an initial indicated mineral resource estimate of 301,000 ounces of gold and 1.2 million ounces of silver (8.5 million tonnes grading 1.11 g/t gold and 4.35 g/t silver).

Agnico Eagle's inferred mineral resources now total 221 million tonnes grading 2.23 g/t, or approximately 15.9 million ounces of gold. This represents an approximate 4% decrease in ounces of gold (0.7 million ounces), largely due to conversion to higher confidence categories.

As of December 31, 2016

OPERATIONS/PROJECTS		MEASURED			INDICATED			MEASURED AND INDICATED			INFERRED		
GOLD	Ownership	000 tonnes	g/t	000 oz Au	000 tonnes	g/t	000 oz Au	000 tonnes	g/t	000 oz Au	000 tonnes	g/t	000 oz Au
LaRonde (underground)	100%	–	–	–	5,688	3.27	598	5,688	3.27	598	7,701	6.68	1,655
LaRonde Zone 5 (underground)	100%	–	–	–	8,897	2.49	712	8,897	2.49	712	2,873	5.28	488
Ellison (underground)	100%	–	–	–	653	3.25	68	653	3.25	68	2,346	3.41	257
Canadian Malartic (open pit)	50%	2,001	1.34	86	11,121	1.56	559	13,122	1.53	644	4,599	1.46	216
Odyssey (underground)	50%	–	–	–	–	–	–	–	–	–	10,343	2.15	714
Goldex (underground)	100%	12,360	1.86	739	17,949	1.80	1,038	30,309	1.82	1,777	21,882	1.60	1,129
Akasaba West (open pit)	100%	–	–	–	2,484	0.66	53	2,484	0.66	53	–	–	–
Lapa (underground)	100%	85	5.29	14	693	4.09	91	778	4.22	105	652	7.55	158
Zulapa (open pit)	100%	–	–	–	–	–	–	–	–	–	391	3.14	39
Swanson (open pit)	100%	–	–	–	504	1.93	31	504	1.93	31	–	–	–
Meadowbank (open pit)	100%	587	1.00	19	3,099	2.28	227	3,686	2.07	246	1,142	3.13	115
Amaruq (open pit)		–	–	–	16,925	3.88	2,109	16,925	3.88	2,109	4,931	4.81	763
Amaruq (underground)		–	–	–	–	–	–	–	–	–	6,814	6.22	1,362
Amaruq Total	**100%**	**–**	**–**	**–**	**16,925**	**3.88**	**2,109**	**16,925**	**3.88**	**2,109**	**11,745**	**5.63**	**2,125**
Meliadine (open pit)		–	–	–	7,867	4.24	1,072	7,867	4.24	1,072	1,054	5.35	181
Meliadine (underground)		–	–	–	12,911	5.38	2,234	12,911	5.38	2,234	13,656	7.68	3,371
Meliadine Total	**100%**	**–**	**–**	**–**	**20,778**	**4.95**	**3,306**	**20,778**	**4.95**	**3,306**	**14,710**	**7.51**	**3,552**
Hammond Reef (open pit)	50%	82,831	0.70	1,862	21,377	0.57	389	104,208	0.67	2,251	251	0.74	6
Upper Beaver (underground)	50%	–	–	–	1,818	3.45	202	1,818	3.45	202	4,344	5.07	708
AK (underground)	50%	–	–	–	634	6.51	133	634	6.51	133	1,187	5.32	203
Anoki/McBean (underground)	50%	–	–	–	934	5.33	160	934	5.33	160	1,263	4.70	191
Kittila (open pit)		–	–	–	229	3.41	25	229	3.41	25	373	3.89	47
Kittila (underground)		1,607	2.45	127	18,885	2.95	1,794	20,492	2.91	1,920	10,686	4.06	1,395
Kittila Total	**100%**	**1,607**	**2.45**	**127**	**19,114**	**2.96**	**1,819**	**20,721**	**2.92**	**1,946**	**11,059**	**4.05**	**1,442**
Kuotko, Finland (open pit)	100%	–	–	–	–	–	–	–	–	–	396	2.88	37
Kylmäkangas, Finland (underground)	100%	–	–	–	–	–	–	–	–	–	1,896	4.11	250
Barsele, Sweden (open pit)		–	–	–	–	–	–	–	–	–	4,057	1.02	133
Barsele, Sweden (underground)		–	–	–	–	–	–	–	–	–	7,887	2.08	528
Barsele Total	**55%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,944**	**1.72**	**661**
Pinos Altos (open pit)		–	–	–	236	1.07	8	236	1.07	8	5,984	0.61	117
Pinos Altos (underground)		–	–	–	13,751	1.63	721	13,751	1.63	721	3,241	2.52	262
Pinos Altos Total	**100%**	**–**	**–**	**–**	**13,988**	**1.62**	**730**	**13,988**	**1.62**	**730**	**9,225**	**1.28**	**380**
Creston Mascota (open pit)	100%	–	–	–	4,292	1.01	139	4,292	1.01	139	1,332	0.72	31
La India (open pit)	100%	11,127	0.24	85	63,081	0.39	783	74,208	0.36	869	92,631	0.38	1,132
El Barqueño (open pit)	100%	–	–	–	8,469	1.11	301	8,469	1.11	301	7,210	1.56	362
Total		110,598	0.82	2,933	222,497	1.88	13,446	333,095	1.53	16,378	221,119	2.23	15,850

As of December 31, 2016 **OPERATIONS/PROJECTS**		**MEASURED**			**INDICATED**			**MEASURED AND INDICATED**			**INFERRED**		
SILVER	Ownership	000 tonnes	g/t	000 oz Ag	000 tonnes	g/t	000 oz Ag	000 tonnes	g/t	000 oz Ag	000 tonnes	g/t	000 oz Ag
LaRonde (underground)	100%	–	–	–	5,688	20.51	3,751	5,688	20.51	3,751	7,701	14.48	3,584
Kylmäkangas, Finland (underground)	100%	–	–	–	–	–	–	–	–	–	1,896	31.11	1,896
Pinos Altos (open pit)		–	–	–	236	20.40	155	236	20.40	155	5,984	20.94	4,029
Pinos Altos (underground)		–	–	–	13,751	40.57	17,935	13,751	40.57	17,935	3,241	41.87	4,363
Pinos Altos Total	**100%**	**–**	**–**	**–**	**13,988**	**40.22**	**18,090**	**13,988**	**40.22**	**18,090**	**9,225**	**28.30**	**8,392**
Creston Mascota (open pit)	100%	–	–	–	4,292	16.98	2,343	4,292	16.98	2,343	1,332	11.54	494
La India (open pit)	100%	11,127	2.37	847	63,081	0.70	1,421	74,208	0.95	2,267	92,631	0.39	1,153
El Barqueño (open pit)	100%	–	–	–	8,469	4.35	1,183	8,469	4.35	1,183	7,210	4.50	1,043
Total		–	–	847	–	–	26,787	–	–	27,634	–	–	16,561
COPPER	Ownership	000 tonnes	%	tonnes Cu	000 tonnes	%	tonnes Cu	000 tonnes	%	tonnes Cu	000 tonnes	%	tonnes Cu
LaRonde (underground)	100%	–	–	–	5,688	0.21	11,676	5,688	0.21	11,676	7,701	0.25	19,589
Akasaba West (open pit)	100%	–	–	–	2,484	0.40	9,941	2,484	0.40	9,941	–	–	–
Upper Beaver (underground)	50%	–	–	–	1,818	0.14	2,567	1,818	0.14	2,567	4,344	0.20	8,642
Total		–	–	–	–	–	24,184	–	–	24,184	–	–	28,231
ZINC	Ownership	000 tonnes	%	tonnes Zn	000 tonnes	%	tonnes Zn	000 tonnes	%	tonnes Zn	000 tonnes	%	tonnes Zn
LaRonde (underground)	100%	–	–	–	5,688	0.93	52,850	5,688	0.93	52,850	7,701	0.60	46,358
Total		–	–	–	–	–	52,850	–	–	52,850	–	–	46,358

Agnico Eagle Mines Ltd.

Notes: Mineral reserves are not a subset of mineral resources. Tonnage amounts and contained metal amounts presented in this table have been rounded to the nearest thousand, so aggregate amounts may differ from column totals. Please refer to the Company press release dated February 15, 2017 and the Company's Annual Information Form for the year ended December 31, 2016, for further details on mineral reserves and mineral resources. The scientific and technical information regarding the mineral reserve and mineral resource estimates set out in this table has been approved by Daniel Doucet, Eng., Senior Corporate Director, Reserve Development of the Company, a "qualified person" as defined by NI 43–101.

The assumptions used for the December 2016 mineral reserves estimate at all mines and advanced projects reported by the Company (other than the Meliadine project, the Canadian Malartic mine and the Upper Beaver project) were US$1,150 per ounce gold, US$16.50 per ounce silver,US $0.95 per pound zinc, US$2.15 per pound copper and exchange rates of C$1.20 per US$1.00, 16.00 Mexican pesos per US$1.00 and US$1.15 per €1.00 for all mines and projects other than the Lapa and Meadowbank mines in Canada, and the Creston Mascota mine and Santo Niño pit at the Pinos Altos mine in Mexico; due to the shorter remaining mine life for the Lapa and Meadowbank mines in Canada, and the Creston Mascota mine and Santo Niño pit at the Pinos Altos mine in Mexico, the exchange rates used were C$1.30 per US$1.00 and 16.00 Mexican pesos per US$1.00 (other assumptions unchanged).

The Meliadine project used the same assumptions as December 2015 to estimate the December 2016 mineral reserves, which were US$1,100 per ounce gold and an exchange rate of C$1.16 per US$1.00.

The Canadian Malartic General Partnership, owned by Agnico Eagle (50%) and Yamana (50%), which owns and operates the Canadian Malartic mine, and the Canadian Malartic Corporation, owned by Agnico Eagle (50%) and Yamana (50%), which owns and manages the Upper Beaver project in Kirkland Lake, have estimated the December 2016 mineral reserves of the Canadian Malartic mine and the Upper Beaver project using the following assumptions: US$1,200 per ounce gold; a cut–off grade at the Canadian Malartic mine between 0.33 g/t and 0.37 g/t gold (depending on the deposit); a C$125/tonne net smelter return (NSR) for the Upper Beaver project; and an exchange rate of C$1.25 per US$1.00.

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 the Company's performance and enhance shareholder value.

Our Board of Directors consists of 12 directors, of which all but one director are independent from management. The Board of Directors 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 – the Corporate Governance Committee, the Audit Committee, the Compensation Committee, and the Health, Safety, Environment and Sustainable Development Committee.

The Board of Directors recognizes that diversity is important to ensuring that the Board as a whole possesses the qualities, attributes, experience and skills to effectively oversee the strategic direction and management of the Company. It recognizes and embraces the benefits of having a diverse Board of Directors, and has identified diversity within the Board of Directors as an essential element in attracting high calibre directors and maintaining a high functioning Board. It considers diversity to include different genders, ages, cultural backgrounds, race/ethnicity, geographic areas and other characteristics of its stakeholders and the communities in which the Company is present and conducts its business.

The Board of Directors does not set any fixed percentages for any specific selection criteria as it believes all factors should be considered when assessing and determining the merits of an individual director and the composition of a high functioning Board of Directors. The proportion of women is currently 27% of the non-executive directors and the proportion of non-residents of Canada is currently 27% of the non-executive directors. The Board of Directors believes that the diversity represented by the directors seeking election at the 2017 annual general and special meeting supports an efficient and effective Board of Directors.

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 of Directors 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 of Directors 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 Committee (HSESD)** advises and makes recommendations to the Board of Directors 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.

During 2015, Agnico Eagle adopted an Aboriginal Engagement Policy as a statement of our commitment to engage with First Nations throughout the life-cycle of our projects in Canada. In 2016, we expanded this commitment to include a global Indigenous Peoples Engagement Policy – which complements our Canadian policy – to guide our consultation with Indigenous Peoples in all regions of the world, wherever Agnico Eagle maintains a presence. We believe being responsive to the aspirations of Indigenous Peoples not only contributes to the success of our sustainability practices, but also builds community support and enhances our reputation as a responsible miner.

In 2016, Agnico Eagle formally adopted the Voluntary Principles on Security and Human Rights (VP). Created in 2000, the VPs are standards to help extractive sector companies balance the obligation to respect human rights while protecting the assets and people at their operations. The Government of Canada has identified the VPs as one of six leading standards in Canada's CSR Strategy for the Extractive Sector.

As a member of the Mining Association of Canada (MAC), Agnico Eagle has committed to implementing a human rights and security approach consistent with the VPs and based on a determination of risk at mining facilities we control. The Company will report on this implementation through MAC's Towards Sustainable Mining annual progress report.

For further information about Agnico Eagle's Board of Directors, Committees, Code of Business Conduct and Ethics, and Anti-Corruption and Anti-Bribery Policy, please visit the Governance section of our website at www.agnicoeagle.com.

Board of Directors/ Officers

Board of Directors

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

Sean Boyd, CPA, CA
Vice-Chairman
(Director since 1998)

Dr. Leanne M. Baker[1]
(Director since 2003)

Martine A. Celej[2]
(Director since 2011)

Robert J. Gemmell[2]
(Director since 2011)

Mel Leiderman, FCPA, FCA, TEP, ICD.D[1]
(Director since 2003)

Deborah McCombe, P.Geo.[4]
(Director since 2014)

Dr. Sean Riley[1]
(Director since 2011)

J. Merfyn Roberts, CA[2,3]
(Director since 2008)

Jamie Sokalsky, CPA, CA[1]
(Director since 2015)

Howard Stockford, P.Eng.[2,4]
(Director since 2005)

Pertti Voutilainen, M.Eng.[3,4]
(Director since 2005)

1 Audit Committee
2 Compensation Committee
3 Corporate Governance Committee
4 Health, Safety, Environment and Sustainable Development (HSESD) Committee

Officers

Sean Boyd
Vice-Chairman and Chief Executive Officer

Ammar Al-Joundi
President

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

Donald G. Allan
Senior Vice-President, Corporate Development

Alain Blackburn
Senior Vice-President, Exploration

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

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

Marc Legault
Senior Vice-President, Operations – USA and Latin America

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

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

Forward-Looking Statements

The information in this annual report has been prepared as at March 13, 2017. 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 annual report, the words "anticipate", "could", "estimate", "expect", "forecast", "future", "plan", "potential", "will" 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, metal production, life of mine estimates, total cash costs per ounce, all-in sustaining costs per ounce, other expenses and cash flows; the estimated timing and conclusions of technical reports and other studies; the methods by which ore will be extracted or processed; statements concerning the Company's plans to build operations at Meliadine, Amaruq and LaRonde Zone 5, including the timing and funding thereof; statements concerning other expansion projects, recovery rates, mill throughput, optimization and projected exploration expenditures, including costs and other estimates upon which such projections are based; statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future mineral reserves, mineral resources, mineral production, optimization efforts and sales; estimates of mine life; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements as to the projected development 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 to such exploration, development and production; estimates of mineral reserves and mineral resources; statements regarding the Company's ability to obtain the necessary permits and authorizations in connection with its exploration, development and mining operations and the anticipated timing thereof; statements regarding anticipated future exploration; the anticipated timing of events with respect to the Company's mine sites and statements regarding the sufficiency of the Company's cash resources and other statements 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, and undue reliance should not be placed on such statements. 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 material factors and assumptions used in the preparation of the forward-looking statements contained herein, which may prove to be incorrect, include, but are not limited to, the assumptions set forth herein and in management's discussion and analysis ("MD&A") and the Company's Annual Information Form ("AIF") for the year ended December 31, 2016 filed with Canadian securities regulators and that are included in its Annual Report on Form 40-F for the year ended December 31, 2016 ("Form 40-F") filed with the U.S. Securities and Exchange Commission (the "SEC") as well as: that there are no significant disruptions affecting operations; that production, permitting, development and expansion at each of Agnico Eagle's properties proceeds on a basis consistent with current expectations and plans; that the relevant metal prices, foreign exchange rates and prices for key mining and construction supplies will be consistent with Agnico Eagle's 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 mineral recovery estimates; uncertainty of future production, project development, capital expenditures and other costs; foreign exchange rate fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks; community protests; risks associated with foreign operations; the unfavourable outcome of litigation involving the Canadian Malartic General Partnership; governmental and environmental regulation; the volatility of the Company's stock price; and risks associated with the Company's currency, fuel and by-product metal derivative strategies. For a more detailed discussion of such risks and other factors that may affect the Company's ability to achieve the expectations set forth in the forward-looking statements contained in this annual report, see the AIF and MD&A filed on SEDAR at www.sedar.com and included in the Form 40-F filed on EDGAR at www.sec.gov, as well as the Company's other filings with the Canadian securities regulators and the SEC. Other than as required by law, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Notes to Investors Regarding the Use of Mineral Resources

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

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

Cautionary Note to Investors Concerning Estimates of Inferred Mineral Resources

This annual report also uses the term "inferred mineral resources". Investors are advised that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part 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.**

See "Mineral Reserves and Mineral Resources" in the AIF for additional information.

Please refer to the AIF for further details on the Company's mineral reserves and mineral resources. The scientific and technical information contained in this annual report relating to Quebec operations has been approved by Christian Provencher, Eng., Vice-President, Canada; relating to Nunavut operations has been approved by Dominique Girard, Eng., Vice-President, Nunavut Operations; relating to the Finland operations has been approved by Francis Brunet, Eng., Corporate Director Mining; relating to Southern Business operations has been approved by Carol Plummer, Eng., Vice-President, Project Development, Southern Business; and relating to exploration has been approved by Alain Blackburn, Eng., Senior Vice-President, Exploration and Guy Gosselin, Eng. and P.Geo., Vice-President, Exploration. Each of them is a "Qualified Person" for the purposes of NI 43-101.

The scientific and technical information relating to Agnico Eagle's mineral reserves and mineral resources contained herein (other than the Canadian Malartic mine) has been approved by Daniel Doucet, Eng., Senior Corporate Director, Reserve Development; and relating to mineral reserves and mineral resources at the Canadian Malartic mine contained herein has been approved by Donald Gervais, P.Geo., Director of Technical Services at Canadian Malartic Corporation. Each of them is a "Qualified Person" for the purposes of NI 43-101.

Note Regarding Certain Measures of Performance

This annual report discloses certain measures, including "total cash costs per ounce", "all-in sustaining costs per ounce" and "net debt" that are not standardized measures under IFRS. These data may not be comparable to data reported by other issuers. For a reconciliation of these measures to the most directly comparable financial information reported in the consolidated financial statements prepared in accordance with IFRS and a discussion of how management uses these measures see "Non-GAAP Financial Performance Measures" in the MD&A.

Management's Discussion and Analysis

For the year ended December 31, 2016

(Prepared in accordance with International Financial Reporting Standards)

AGNICO EAGLE

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This Management's Discussion and Analysis ("MD&A") dated March 27, 2017 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, 2016 that were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The annual consolidated financial statements and this MD&A are presented in United States dollars ("US dollars", "$" or "US$") and all units of measurement are expressed using the metric system, unless otherwise specified. Certain information in this MD&A is presented in Canadian dollars ("C$"), Mexican pesos or European Union euros ("Euros" or "€"). Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2016 (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 information" under the provisions of Canadian provincial securities laws and constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. 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 MD&A include, but are not limited to, the following:

- the Company's outlook for 2017 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 by-product 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, all-in sustaining costs per ounce, minesite costs per tonne and other costs;
- estimates of future capital expenditures, exploration expenditures and other cash needs, and expectations as to the funding thereof;
- statements regarding the projected exploration, development and exploitation of 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 and mineral resources and their sensitivities to gold prices and other factors, ore grades and mineral recoveries and statements regarding anticipated future exploration results;
- estimates of cash flow;
- estimates of mine life;
- anticipated timing of events at the Company's minesites, mine development projects and exploration projects;
- estimates of future costs and other liabilities for environmental remediation;
- statements regarding anticipated legislation and regulations, including with respect to 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 the assumptions set out elsewhere in this MD&A as well as: that there are no significant disruptions affecting Agnico Eagle's operations, whether due to labour disruptions, supply disruptions, damage to equipment, natural or man-made occurrences, mining or milling issues, political changes, title issues or otherwise; that permitting, development and expansion at each of Agnico Eagle's mines, mine development projects and exploration projects proceed on a basis consistent with expectations, and that Agnico Eagle does not change its exploration or development plans relating to such projects; that the exchange rates between the Canadian dollar, Euro, Mexican peso and the US dollar will be approximately consistent with current levels or as set out in this MD&A; that prices for gold, silver, zinc and copper 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 expectations; that production meets expectations; that Agnico Eagle's current estimates of mineral reserves, mineral resources, mineral grades and mineral recoveries 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 environments that affect Agnico Eagle.

The forward-looking statements in this MD&A reflect the Company's views as at the date of this MD&A and involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or

implied by such forward-looking statements. Such factors include, among others, the risk factors set out in "Risk Factors" below. 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 estimated total cash costs per ounce, all-in sustaining costs per ounce 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.

Meaning of "including" and "such as": When used in this MD&A, the terms "including" and "such as" mean including and such as, without limitation.

NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES

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

The mineral reserve and mineral resource data presented herein are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The Company does not include equivalent gold ounces for by-product metals contained in mineral reserves in its calculation of contained ounces.

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

This document uses the terms "measured mineral resources" and "indicated mineral resources". Investors are advised that while 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 CERTAIN MEASURES OF PERFORMANCE

This MD&A discloses certain measures, including "total cash costs per ounce", "all-in sustaining costs per ounce", "adjusted net income" and "minesite costs per tonne" that are not recognized measures under IFRS. These measures may not be comparable to similar measures reported by other gold producers. For a reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see *Non-GAAP Financial Performance Measures* in this MD&A.

The total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). The total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income for by-product revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. The total cash costs per ounce of gold

produced on a co-product basis is calculated in the same manner as the total cash costs per ounce of gold produced on a by-product basis, except that no adjustment is made for by-product metal revenues. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The total cash costs per ounce of gold produced is intended to provide information about the cash-generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash-generating capabilities at various gold prices.

All-in sustaining costs per ounce is used to show the full cost of gold production from current operations. The Company calculates all-in sustaining costs per ounce of gold produced on a by-product basis as the aggregate of total cash costs per ounce on a by-product basis, sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and reclamation expenses, and then dividing by the number of ounces of gold produced. The all-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as the all-in sustaining costs per ounce of gold produced on a by-product basis, except that the total cash costs per ounce on a co-product basis is used, meaning no adjustment is made for by-product metal revenues. The Company's methodology for calculating all-in sustaining costs per ounce may differ from the methodology used by other producers that disclose all-in sustaining costs per ounce. The Company may change the methodology it uses to calculate all-in sustaining costs per ounce in the future, including in response to the adoption of formal industry guidance regarding this measure by the World Gold Council.

Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs per ounce of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS.

Management also performs sensitivity analyses in order to quantify the effects of fluctuating exchange rates and metal prices. This MD&A also contains information as to estimated future total cash costs per ounce, all-in sustaining costs per ounce and minesite costs per tonne. The estimates are based upon the total cash costs per ounce, all-in sustaining costs per ounce and minesite costs per tonne that the Company expects to incur to mine gold at its mines and projects and, consistent with the reconciliation of these actual costs referred to above, do not include production costs attributable to accretion expense and other asset retirement costs, which will vary over time as each project is developed and mined. It is therefore not practicable to reconcile these forward-looking non-GAAP financial measures to the most comparable IFRS measure.

Executive Summary

Agnico Eagle is a senior Canadian gold mining company that has produced precious metals since 1957. The Company's mines are located in Canada, Mexico and Finland, with exploration and development activities in Canada, Europe, Latin America and the United States. The Company and its shareholders have full exposure to gold prices due to its long-standing policy of no forward gold sales. Agnico Eagle has declared a cash dividend every year since 1983.

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 by-product metals, primarily silver, zinc and copper. In 2016, Agnico Eagle recorded production costs per ounce of gold of $621 and total cash costs per ounce of gold produced of $573 on a by-product basis and $643 on a co-product basis on payable gold production of 1,662,888 ounces. The average realized price of gold increased by 8.0% from $1,156 per ounce in 2015 to $1,249 per ounce in 2016.

Agnico Eagle's operating mines and development projects are located in what the Company believes to be politically stable countries that are 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.

Highlights

- Continued strong operational performance with payable gold production of 1,662,888 ounces and production costs per ounce of gold of $621 during 2016.
- Total cash costs per ounce of gold produced of $573 on a by-product basis and $643 on a co-product basis in 2016.
- All-in sustaining costs per ounce of gold produced of $824 on a by-product basis and $894 on a co-product basis in 2016.
- Proven and probable gold reserves totaled 19.9 million ounces at December 31, 2016, a 5.0% increase compared with 19.1 million ounces at December 31, 2015.
- As at December 31, 2016, Agnico Eagle had strong liquidity with $548.4 million in cash and cash equivalents and short term investments along with approximately $1.2 billion in undrawn credit lines.
- 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 development of the Amaruq deposit and the Meliadine mine project, investment in existing mines and key exploration projects.
- The Company has strong senior management continuity as its chief executive officer has over 30 years of service with the Company.
- In February 2017, the Company declared a quarterly cash dividend of $0.10 per common share. Agnico Eagle has now declared a cash dividend every year since 1983.

Strategy

Agnico Eagle's ability to consistently execute its business strategy has provided a solid foundation for growth.

The Company's goals are to:

- Deliver high quality growth while meeting expectations and maintaining high *performance* standards in health, safety, environment and community development;
- Build a strong *pipeline* of projects to drive future production; and
- Employ the best *people* and motivate them to reach their potential.

These three pillars – *performance, pipeline and people* – form the basis of Agnico Eagle's success and competitive advantage. By delivering on them, the Company strives to continue to build its production base and generate increased value for shareholders, while making meaningful contributions to its employees and communities.

Portfolio Overview

Northern Business

Canada – LaRonde Mine

The 100% owned LaRonde mine in northwestern Quebec, the Company's first mine, achieved commercial production in 1988. The LaRonde mine extension, the portion of the mine below the 245 level, achieved commercial production in December 2011 and is expected to extend the life of the mine through 2024.

In 2003, the Company acquired the Bousquet gold property, which adjoins the LaRonde mining complex to the east and hosts the Bousquet Zone 5, which the Company has renamed LaRonde Zone 5. LaRonde Zone 5 has been approved for development subject to permitting approval, which is expected to be received by mid-2018, with mining expected to commence shortly thereafter.

In 2016, the first mineral reserves were declared in the eastern portion of LaRonde 3, the portion of the LaRonde mine below the currently planned 3.1 kilometre depth at LaRonde, and additional inferred mineral resources were declared in the western portion of LaRonde 3. Studies are ongoing to evaluate the potential to mine the LaRonde 3 portion of the deposit.

The LaRonde mine's proven and probable mineral reserves were approximately 3.5 million ounces at December 31, 2016.

Canada – Lapa Mine

Commercial production was achieved at the 100% owned Lapa mine in northwestern Quebec in May 2009. Based on the current life of mine plan, Lapa is expected to operate until the end of the second quarter of 2017, with production coming from the Zone Deep East and Zone 7 Deep areas. The Company is evaluating opportunities to continue production into the second half of 2017.

The Lapa mine's proven and probable mineral reserves were approximately 38,000 ounces at December 31, 2016.

Canada – Goldex Mine

The 100% owned Goldex mine in northwestern Quebec achieved commercial production from the M and E satellite zones in October 2013.

The Company acquired the Akasaba West deposit in January 2014. Located less than 30 kilometres from Goldex, the Company believes that the Akasaba West deposit could create flexibility and synergies for the Company's operations in the Abitibi region by utilizing extra milling capacity at both Goldex and LaRonde, while reducing overall costs. The permitting process has commenced at Akasaba and permitting activities are expected to continue until 2018. The Company expects to begin sourcing open pit ore from Akasaba West in 2019. The Akasaba West deposit's proven and probable mineral reserves were approximately 0.1 million ounces at December 31, 2016.

In July 2015, the Company announced the approval of the Deep 1 project at Goldex, which is expected to begin commissioning in early 2018. Studies are ongoing to evaluate the potential to increase throughput from the Deep 1 Zone and the potential to mine a portion of the Deep 2 Zone, both of which could enhance production levels or extend the current mine life at Goldex and reduce operating costs.

The Goldex mine's proven and probable mineral reserves were approximately 0.9 million ounces at December 31, 2016.

Canada – Canadian Malartic Mine

Agnico Eagle and Yamana Gold Inc. ("Yamana") jointly acquired 100.0% of Osisko Mining Corporation ("Osisko") on June 16, 2014 pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* (the "Osisko Arrangement"). As a result of the Osisko Arrangement, Agnico Eagle and Yamana each indirectly own 50.0% of Osisko and Canadian Malartic GP, which now holds the Canadian Malartic mine in northwestern Quebec. Agnico Eagle and Yamana are jointly exploring, through their indirect ownership of Canadian Malartic Corporation (the successor to Osisko), the Kirkland Lake assets, the Hammond Reef project and the Pandora and Wood-Pandora properties.

The Odyssey property lies on the east side of the Canadian Malartic property, approximately 1.5 kilometres east of the current limit of the open pit. In 2016, exploration programs defined the mineralization at the Odyssey North and South zones, resulting in an estimated initial mineral resource for the Odyssey property. Permitting activities related to the Barnat extension and the re-routing of the adjacent Highway 117 are expected to continue in the first half of 2017, no date for approval has

been set. Production activities at Barnat are currently anticipated to begin in late 2018, depending on the timing of the start of construction of the Highway 117 diversion.

Agnico Eagle's attributable share of proven and probable mineral reserves at the Canadian Malartic mine were approximately 3.5 million ounces at December 31, 2016.

Canada – Meadowbank Mine

In 2007, the Company acquired Cumberland Resources Ltd., which held a 100% interest in the Meadowbank gold project in Nunavut, Canada. Commercial production was achieved by Agnico Eagle at the Meadowbank mine in March 2010.

The 100% owned Amaruq project is located approximately 50 kilometres northwest of the Meadowbank mine in Nunavut, Canada. In late 2015, the Company received approval for the construction of an all-weather exploration road linking the Amaruq project to the Meadowbank mine. In 2016, the Company completed an internal technical study on the Amaruq satellite deposit at Meadowbank. Based on this study, the Company has approved the project for development pending the receipt of the required permits, which are currently expected to be received by the second quarter of 2018. Production is currently forecast to begin in the third quarter of 2019, subject to the timing of the receipt of the required permits.

At Meadowbank, opportunities are being investigated to potentially extend production at the Vault pit through year-end 2018. The Vault pit extension is expected to partially bridge the production gap at the Meadowbank mine through to the expected commencement of development of the Amaruq project.

The Meadowbank mine's proven and probable mineral reserves were approximately 0.7 million ounces at December 31, 2016.

Canada – Meliadine Mine Project

On July 6, 2010, Agnico Eagle acquired its 100% interest in the Meliadine mine project in Nunavut, Canada through its acquisition of Comaplex Minerals Corp.

In 2016, internal studies were carried out to optimize the previous Meliadine mine plan that had been outlined in an updated NI 43-101 technical report dated February 11, 2015. These internal studies evaluated various opportunities to improve the project economics and the after-tax internal rate of return. Based on the results of these internal studies, the Company's Board of Directors approved the construction of the Meliadine mine project. The mine is expected to begin operations in the third quarter of 2019, which is approximately one year ahead of the previous schedule. Over an estimated 14-year mine life, it is anticipated that approximately 5.3 million ounces of gold will be produced at Meliadine. This represents approximately half of the currently known mineral reserve and mineral resource base for this project.

Budgeted 2017 Meliadine mine project capital expenditures of $360.0 million are focused on further underground development, conversion and underground delineation drilling, installation of underground ventilation and heating, completion of the fuel farm in Rankin Inlet, completion of the camp complex, closing in of the process and power plant buildings and construction of the second ramp portal.

The Meliadine mine project had proven and probable mineral reserves of approximately 3.4 million ounces at December 31, 2016.

Finland – Kittila Mine

The 100% owned Kittila mine in northern Finland was added to the Company's portfolio through the acquisition of Riddarhyttan Resources AB in 2005. Construction at the Kittila mine was completed in 2008 and commercial production was achieved in May 2009.

In 2017, the Company will continue to evaluate the economics of increasing throughput rates at Kittila. Increasing the mining rate could potentially be supported by the development of the Rimpi and Sisar zones. Drilling is ongoing to further evaluate the Sisar zone, where mineralization has now been outlined to a depth of 2.0 kilometres below surface

Proven and probable mineral reserves at the Kittila mine amounted to approximately 4.5 million ounces at December 31, 2016.

Southern Business

Mexico – Pinos Altos Mine

In 2006, the Company completed the acquisition of the Pinos Altos property, then an advanced stage exploration property in northern Mexico. Commercial production was achieved at the Pinos Altos mine in November 2009. A shaft sinking project was completed in June 2016 at the Pinos Altos mine. The new shaft has improved the matching of mining and mill capacity as the open pit mining operation winds down.

In 2016, drilling at Pinos Altos successfully replaced the mineral reserves that were mined. In 2016, exploration at the Cerro Colorado Zone outlined additional mineralization on the boundaries of the zone, and further drilling will be carried out in 2017 to evaluate this potential.

The Pinos Altos mine's proven and probable mineral reserves were approximately 1.4 million ounces at December 31, 2016.

Mexico – Creston Mascota Deposit at Pinos Altos

The 100% owned Creston Mascota deposit at Pinos Altos is located approximately seven kilometres northwest of the main deposit at the Pinos Altos mine in northern Mexico. Commercial production was achieved at the Creston Mascota deposit at Pinos Altos in March 2011. The Company believes that the Madrono and Cubiro zones could potentially extend the life of the Creston Mascota heap leach facility. In 2017, additional drilling is planned for the Bravo, Madrono and Cubiro zones to further delineate areas that the Company believes may have higher grade areas that could potentially provide additional feed to the Pinos Altos mill.

In the fourth quarter of 2016, work on the Phase 4 leach pad was completed with stacking of material expected to begin in the first quarter of 2017.

Proven and probable mineral reserves were approximately 0.1 million ounces at the Creston Mascota deposit at Pinos Altos at December 31, 2016.

Mexico – La India Mine

Agnico Eagle completed its acquisition of Grayd Resource Corporation ("Grayd") on January 23, 2012. Grayd owned the La India project, which is located approximately 70 kilometres northwest of the Pinos Altos mine in northern Mexico. In September 2012, development and construction of the La India mine was approved by the Board and commercial production was achieved in February 2014.

In 2016, additional drilling was carried out at La India with a focus on extending mineralization in the Main Zone and the La India Zone and conversion of sulfide mineralization into mineral reserves and mineral resources. Additionally, step out drilling in 2016 at the nearby El Realito project also yielded encouraging results. Additional exploration work is planned at El Realito and the Cerro de Oro areas in 2017. Geological work is continuing at Los Tubos to also define drill targets during 2017. With the increased mineral reserves and mineral resources, and the potential for future additions at other satellite zones, studies are underway to look at potential expansion options at the La India mine.

The La India mine's proven and probable mineral reserves were approximately 1.0 million ounces at December 31, 2016.

Mexico – El Barqueno Project

On November 28, 2014, the Company acquired Cayden Resources Inc. ("Cayden") pursuant to a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia). Cayden holds a 100.0% interest in the Morelos Sur property as well as an option to acquire a 100% interest in the El Barqueno property, both located in Mexico.

Agnico Eagle believes that El Barqueno ultimately has the potential to be developed into a series of open pits utilizing heap leach and/or mill processing, similar to the Pinos Altos mine. Conceptual design studies and additional metallurgical testing are ongoing at El Barqueno. Exploration expenditures in 2017 are expected to total approximately $16.8 million.

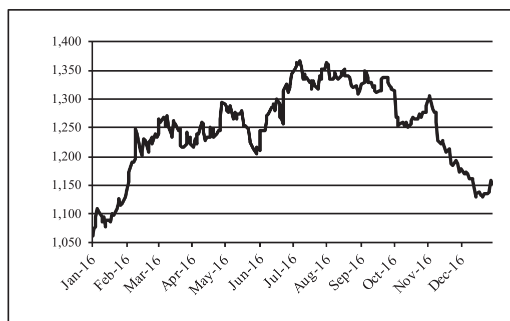
Key Performance Drivers

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, Mexican peso/US dollar and Euro/US dollar exchange rates.

Spot Price of Gold, Silver, Zinc and Copper

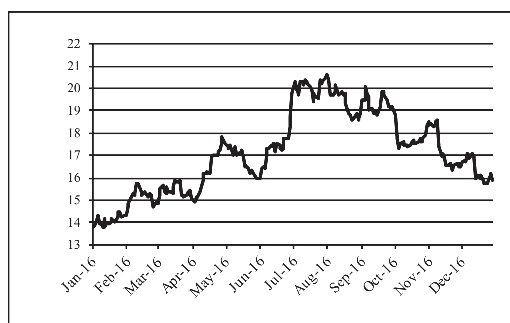
GOLD ($ per ounce)



	2016	2015	% Change
High price	$1,375	$1,308	5.1%
Low price	$1,061	$1,046	1.4%
Average price	$1,248	$1,160	7.6%
Average price realized	$1,249	$1,156	8.0%

In 2016, the average market price per ounce of gold was 7.6% higher than in 2015. The Company's average realized price per ounce of gold in 2016 was 8.0% higher than in 2015.

SILVER ($ per ounce)

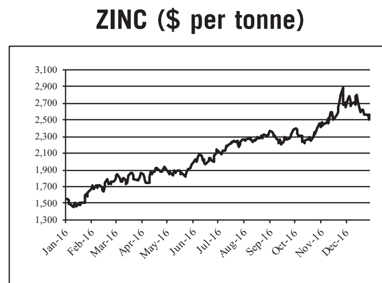


	2016	2015	% Change
High price	$21.14	$18.23	16.0%
Low price	$13.75	$13.71	0.3%
Average price	$17.11	$15.70	9.0%
Average price realized	$17.28	$15.63	10.6%

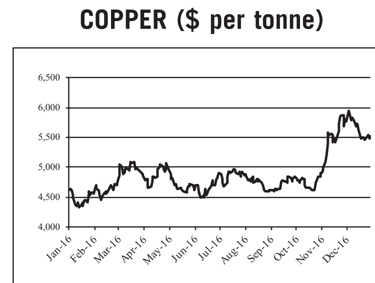
Net by-product (primarily silver, zinc and copper) revenue is treated as a reduction of production costs in calculating total cash costs per ounce of gold produced on a by-product basis and all-in sustaining costs per ounce of gold produced on a

by-product basis. In 2016, the average market price per ounce of silver was 9.0% higher than in 2015. The Company's average realized price per ounce of silver in 2016 was 10.6% higher than in 2015.

ZINC ($ per tonne)



COPPER ($ per tonne)



Agnico Eagle's average realized sales price year-over-year for zinc increased by 9.2% and average realized sales prices for copper year-over-year decreased by 3.9% over the same period. Significant quantities of by-product metals are produced by the LaRonde mine (silver, zinc and copper) and the Pinos Altos mine (silver).

The Company has never sold gold forward, allowing 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.

Production Volumes and Costs

Changes in production volumes have a direct impact on the Company's financial results. Total payable gold production was 1,662,888 ounces in 2016, a decrease of 0.5% compared with 1,671,340 ounces in 2015, primarily due to decreased amount of ore processed and lower gold grade and mill recovery rates at the Meadowbank mine in 2016 compared to 2015 and decreased gold grade at the Lapa and La India mines and the Creston Mascota deposit at Pinos Altos. Partially offsetting the overall decrease in gold production were increased tonnes milled at the Kittila and Canadian Malartic mines and higher gold grade and mill recovery rates at the LaRonde mine. Agnico Eagle's average realized gold price increased by $93, or 8.0%, to $1,249 per ounce in 2016 from $1,156 per ounce in 2015.

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

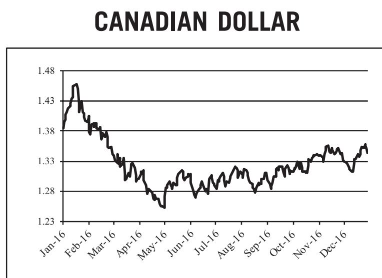
Foreign Exchange Rates (Ratio to US$)

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

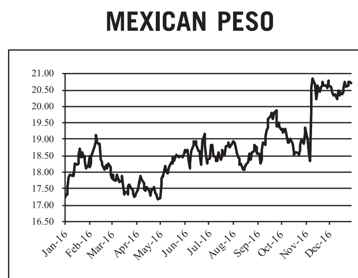
- All revenues are earned in US dollars;
- A significant portion of operating costs at the LaRonde, Lapa, Goldex, Meadowbank and Canadian Malartic mines are, and mine construction costs at the Amaruq deposit and the Meliadine mine project will be, incurred in Canadian dollars;
- A significant portion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

The Company mitigates part of its foreign currency exposure by using currency hedging strategies.

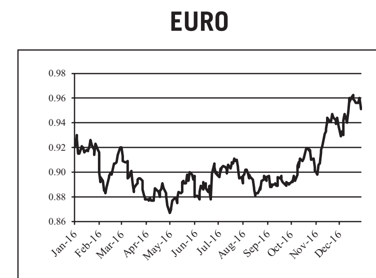
CANADIAN DOLLAR



MEXICAN PESO



EURO



On average, the Canadian dollar, Mexican peso and Euro all weakened relative to the US dollar in 2016 compared with 2015, decreasing costs denominated in local currencies when translated into US dollars for reporting purposes.

Balance Sheet Review

Total assets at December 31, 2016 of $7,108.0 million increased compared to December 31, 2015 total assets of $6,683.2 million. Of the $424.8 million increase in total assets between periods, $415.8 million related to an increase in cash and cash equivalents between periods. The December 31, 2014 balance of $6,809.3 million was comparable to the total assets balance as at December 31, 2015.

Cash and cash equivalents were $540.0 million at December 31, 2016, an increase of $415.8 million compared with December 31, 2015 primarily due to cash provided by operating activities of $778.6 million, the issuance of the 2016 Notes (as defined below) in an aggregate principal amount of $350.0 million on June 30, 2016 and $192.1 million of proceeds from the exercise of stock options, partially offset by $516.1 million in capital expenditures, a net $280.3 million repayment of long-term debt and $71.4 million in dividends paid during 2016.

Current inventory balances decreased by $18.3 million from $462.0 million at December 31, 2015 to $443.7 million at December 31, 2016 primarily due to planned parts inventory drawdowns at the Meadowbank mine. Non-current ore in stockpiles and on leach pads at December 31, 2016 of $62.8 million were comparable with December 31, 2015 non-current ore in stockpiles and on leach pads of $61.2 million.

Available-for-sale securities increased from $31.9 million at December 31, 2015 to $92.3 million at December 31, 2016 primarily due to $29.6 million in new investments in 2016 and $33.2 million in unrealized fair value gains, partially offset by $2.4 million in dispositions during 2016.

Property, plant and mine development increased by $17.1 million to $5,106.0 million at December 31, 2016 compared with December 31, 2015 primarily due to a $516.1 million increase related to capital expenditures during 2016 and a $120.2 million increase due to impairment reversals at the Meadowbank mine and Meliadine mine project. This increase was partially offset by amortization expense of $613.2 million during 2016.

Total liabilities increased to $2,615.5 million at December 31, 2016 from $2,542.2 million at December 31, 2015 primarily due to a $70.0 million net increase in long-term debt and a $21.0 million increase in income taxes payable. Of the total $198.6 million decrease in total liabilities between the December 31, 2014 balance of $2,740.8 million and the December 31, 2015 balance of $2,542.2 million, $235.0 million related to a net repayment under the Company's $1.2 billion unsecured revolving credit facility (the "Credit Facility"), which was partially offset by increases in accounts payable, accrued liabilities and reclamation provisions during 2015.

Accounts payable and accrued liabilities decreased by $15.2 million between December 31, 2015 and December 31, 2016 primarily due to a $12.3 million securities class action lawsuit settlement agreement that was paid by the Company's insurers.

Income taxes payable increased by $21.0 million between December 31, 2015 and December 31, 2016 as the current tax expense exceeded payments to tax authorities.

Long-term debt increased by $70.0 million between December 31, 2015 and December 31, 2016 primarily due to the issuance of the 2016 Notes, partially offset by $265.0 million in net Credit Facility repayments.

Agnico Eagle's reclamation provision decreased by $8.0 million between December 31, 2015 and December 31, 2016 primarily due to the re-measurement of the Company's reclamation provisions by applying updated expected cash flows and assumptions as at December 31, 2016.

Deferred income and mining tax liabilities increased by $17.4 million between December 31, 2015 and December 31, 2016 primarily due to the gain on impairment reversal of $37.2 million recorded at the Meadowbank mine and $83.0 million at the Meliadine mine project, with a total impact of $39.0 million on deferred income and mining taxes.

Fair Value of Derivative Financial Instruments

The Company occasionally enters into contracts to limit the risk associated with decreased by-product 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 Company's annual consolidated financial statements.

Results of Operations

Agnico Eagle reported net income of $158.8 million, or $0.71 per share, in 2016 compared with net income of $24.6 million, or $0.11 per share, in 2015. In 2014, the Company reported net income of $83.0 million, or $0.43 per share. Agnico Eagle reported basic adjusted net income of $109.5 million, or $0.49 per share, in 2016 compared with basic adjusted net income of $73.5 million, or $0.34 per share, in 2015. In 2014, the Company reported basic adjusted net income of $124.2 million, or $0.64 per share. In 2016, operating margin (revenues from mining operations less production costs) increased to $1,106.3 million from $990.1 million in 2015. In 2014, operating margin was $892.2 million.

Revenues from Mining Operations

Revenues from mining operations increased by $152.8 million, or 7.7%, to $2,138.2 million in 2016 from $1,985.4 million in 2015 primarily due to higher sales prices realized on gold and silver, as well as increased silver production, partially offset by lower gold production and sales. Revenues from mining operations were $1,896.8 million in 2014.

Revenues from the Northern Business increased by $95.0 million, or 6.2%, to $1,638.4 million in 2016 from $1,543.4 million in 2015, primarily due to higher sales prices realized on gold and silver, partially offset by lower gold production and sales. Revenues from the Southern Business increased by $57.8 million, or 13.1%, to $499.9 million in 2016 from $442.1 million in 2015, primarily due to the higher realized sales prices noted above. Revenues from the Northern Business were $1,491.9 million, and revenues from the Southern Business were $404.9 million in 2014.

Sales of precious metals (gold and silver) accounted for 99.9% of revenues from mining operations in 2016, up from 99.7% in 2015 and 98.6% in 2014. The increase in the percentage of revenues from precious metals compared with 2015 is primarily due to higher sales prices realized on gold and silver, as well as increased silver production, partially offset by lower gold production and sales. 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:

	2016	2015	2014
	(thousands of United States dollars)		
Revenues from mining operations:			
Gold	$ 2,049,871	$ 1,911,500	$ 1,807,927
Silver	85,096	66,991	62,466
Zinc	1,413	505	9,901
Copper	1,852	6,436	16,479
Lead(i)	–	–	(7)
Total revenues from mining operations	$ 2,138,232	$ 1,985,432	$ 1,896,766
Payable production(ii):			
Gold (ounces)	1,662,888	1,671,340	1,429,288
Silver (thousands of ounces)	4,759	4,258	3,564
Zinc (tonnes)	4,687	3,501	10,515
Copper (tonnes)	4,416	4,941	4,997
Payable metal sold:			
Gold (ounces)	1,630,865	1,645,081	1,425,338
Silver (thousands of ounces)	4,761	4,184	3,633
Zinc (tonnes)	3,554	3,596	10,535
Copper (tonnes)	4,522	4,947	5,003

Notes:

(i) Lead concentrate revenues of nil in 2016 (2015 – nil; 2014 – $0.1 million) are netted against direct fees of nil (2015 – nil; 2014 – $0.1 million). Other metal revenues derived from lead concentrate are included in their respective metal categories in the above table.

(ii) Payable production (a non-GAAP, non-financial performance measure) 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 inventories at the end of the period.

Revenues from gold increased by $138.4 million or 7.2% in 2016 compared with 2015 primarily due to an 8.0% increase in the Company's average realized gold price per ounce to $1,249 in 2016 compared to $1,156 in 2015. This increase was partially offset by a 0.8% decrease of gold sales to 1,630,865 ounces in 2016 compared to 1,645,081 ounces in 2015 primarily due to lower production and sales at the Meadowbank and Lapa mines.

Revenues from silver increased by $18.1 million or 27.0% in 2016 compared with 2015 primarily due to a 13.8% increase in silver sales. Agnico Eagle's average realized silver price per ounce increased by 10.6% to $17.28 in 2016 from $15.63 in 2015. Revenues from zinc increased by $0.9 million or 179.8% to $1.4 million in 2016 compared with $0.5 million in 2015 primarily due to a 9.2% increase in the realized zinc price between periods, as well as lower direct costs associated with zinc sales. Revenues from copper decreased by $4.6 million or 71.2% in 2016 compared with 2015 primarily due to a 3.9% decline in the realized copper price and an 8.6% decrease in tonnes sold.

Production Costs

Production costs increased to $1,031.9 million in 2016 compared with $995.3 million in 2015 primarily due to higher production expenses at the Canadian Malartic, Kittila and Pinos Altos mines. Partially offsetting the overall increase was the impact of a weaker Canadian dollar and Mexican peso relative to the US dollar. Production costs were $1,004.6 million in 2014.

The table below sets out production costs by mine:

	2016	2015	2014
	(thousands of United States dollars)		
LaRonde mine	$ 179,496	$ 172,283	$ 188,736
Lapa mine	52,974	52,571	61,056
Goldex mine	63,310	61,278	64,836
Meadowbank mine	218,963	230,564	270,824
Canadian Malartic mine (attributable 50.0%)	183,635	171,473	113,916
Kittila mine	141,871	126,095	116,893
Pinos Altos mine	114,557	105,175	123,342
Creston Mascota deposit at Pinos Altos	27,341	26,278	28,007
La India mine	49,745	49,578	36,949
Total production costs	$ 1,031,892	$ 995,295	$ 1,004,559

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 IFRS. For a reconciliation of these measures to production costs and a discussion of their use by the Company, see *Non-GAAP Financial Performance Measures* in this MD&A.

Production costs at the LaRonde mine were $179.5 million in 2016, a 4.2% increase compared with 2015 production costs of $172.3 million primarily due to increased underground and mill maintenance costs and a decrease in inventory. During 2016, the LaRonde mine processed an average of 6,121 tonnes of ore per day compared with 6,141 tonnes of ore per day during 2015. Production costs per tonne increased to C$106 in 2016 compared with C$98 in 2015 due to the same factors as noted above. Minesite costs per tonne increased to C$106 in 2016 compared with C$99 in 2015 due to the same factors as noted above, other than the inventory adjustment.

Production costs at the Lapa mine were $53.0 million in 2016, a 0.8% increase compared with 2015 production costs of $52.6 million. During 2016, the Lapa mine processed an average of 1,619 tonnes of ore per day compared with 1,534 tonnes of ore per day processed during 2015. The increase in throughput between periods was due to the processing of lower grade ore from new zones previously excluded from the mine plan. Production costs per tonne decreased to C$118 in 2016 compared with C$119 in 2015 due to higher throughput levels and an increase in inventory. Minesite costs per tonne increased to C$121 in 2016 compared with C$117 in 2015 primarily due to the higher costs associated with development work in new zones, other than the inventory adjustment.

Production costs at the Goldex mine were $63.3 million in 2016, a 3.3% increase compared with 2015 production costs of $61.3 million primarily due to increased throughput. During 2016, the Goldex mine processed an average of 6,954 tonnes of ore per day compared with 6,336 tonnes of ore per day processed during 2015. The increase in throughput between periods was primarily due to better underground mining and milling performance. Production costs per tonne decreased to C$33 in 2016 compared with C$34 in 2015 due to higher throughput levels and an increase in inventory. Minesite costs per tonne remained unchanged at C$33 between 2015 and 2016.

Production costs at the Meadowbank mine were $219.0 million in 2016, a 5.0% decrease compared with 2015 production costs of $230.6 million primarily due to lower throughput, a lower amount of stripping costs being capitalized and an increase in inventory. During 2016, the Meadowbank mine processed an average of 10,697 tonnes of ore per day compared with 11,049 tonnes of ore per day processed during 2015. The decrease in throughput between periods was primarily due to harder ore being processed from the Vault pit. Production costs per tonne increased to C$73 in 2016 compared with C$71 in 2015 due to the decrease in tonnage processed. Minesite costs per tonne increased to C$74 in 2016 compared with C$70 in 2015 due to the factors noted above, other than the inventory adjustment.

Attributable production costs at the Canadian Malartic mine were $183.6 million in 2016, a 7.1% increase compared with 2015 production costs of $171.5 million primarily due to increased throughput and higher contractor costs. During 2016, the Canadian Malartic mine processed an average of 26,833 tonnes of ore per day attributable to the Company compared with 26,150 tonnes of ore per day processed in 2015. The increase in throughput between periods was primarily due to improved

crusher performance. Production costs per tonne increased to C$25 in 2016 compared with C$23 in 2015 due to unplanned maintenance on the leach tank, ball mill and crusher components in the process plant and additional stripping costs. Minesite costs per tonne increased to C$25 in 2016 compared with C$23 in 2015 primarily due to the same factors noted above.

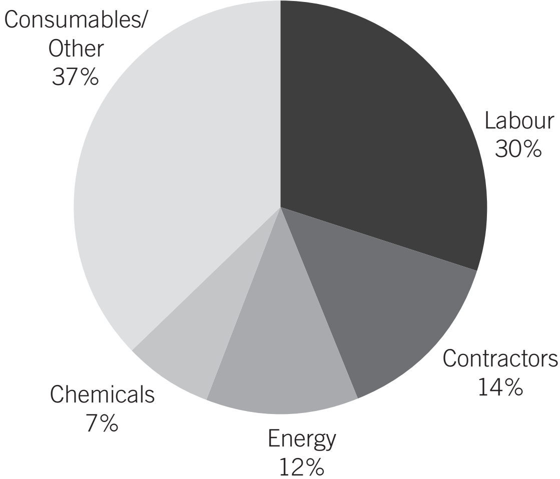
Production costs at the Kittila mine were $141.9 million in 2016, an increase of 12.5% compared with 2015 production costs of $126.1 million primarily due to increased throughput and higher contractor and mill maintenance costs. During 2016, the Kittila mine processed an average of 4,554 tonnes of ore per day, an increase of 13.5% compared with the 4,011 tonnes of ore per day processed during 2015 primarily due to additional mine development leading to improved ore access and strong mining productivity. Production costs per tonne remained the same at €77 between 2015 and 2016. Minesite costs per tonne increased slightly to €77 in 2016 compared with €76 in 2015.

Production costs at the Pinos Altos mine were $114.6 million in 2016, an increase of 8.9% compared with 2015 production costs of $105.2 million primarily due to higher consumable costs, variations in the proportion of heap leach ore to milled ore, variations in the open pit ore to underground ore, fluctuations in the waste to ore stripping ratio in the open pit mines and a decrease in inventory, partially offset by a weaker Mexican peso relative to the US dollar between periods. During 2016, the Pinos Altos mine mill processed an average of 5,415 tonnes of ore per day, a decrease of 0.9% compared with the 5,462 tonnes of ore per day processed during 2015. In 2016, approximately 278,100 tonnes of ore were stacked on the Pinos Altos mine leach pad, a decrease of 27.7% compared with the approximately 384,700 tonnes of ore stacked in 2015, primarily due to mine sequencing. Production costs per tonne increased to $51 in 2016 compared with $44 in 2015 due to lower throughput and the increased cost factors noted above. Minesite costs per tonne increased to $49 in 2016 compared with $45 in 2015 primarily due to the same factors noted above, other than the inventory adjustment.

Production costs at the Creston Mascota deposit at Pinos Altos were $27.3 million in 2016, an increase of 4.0% compared with 2015 production costs of $26.3 million primarily due to higher re-handling costs, partially offset by a weaker Mexican peso relative to the US dollar between periods. During 2016, approximately 2,119,200 tonnes of ore were stacked on the leach pad at the Creston Mascota deposit at Pinos Altos, an increase of 1.0% compared with the approximate 2,098,800 tonnes of ore stacked in 2015. Production costs per tonne remained unchanged at $13 between 2015 and 2016. Minesite costs per tonne increased slightly to $13 in 2016 compared with $12 in 2015.

Production costs at the La India mine were $49.7 million in 2016, an increase of 0.3% compared with 2015 production costs of $49.6 million. During 2016, the La India mine stacked approximately 5,837,400 tonnes of ore on the leach pad, an increase of 8.7% compared with the approximate 5,371,400 tonnes of ore stacked in 2015 primarily due to unexpected additional ore found in areas previously thought to have contained waste. Production costs per tonne remained unchanged at $9 between 2015 and 2016. Minesite costs per tonne remained unchanged at $9 between 2015 and 2016.

Total Production Costs by Category



Total cash costs per ounce of gold produced is presented in this MD&A on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product revenues, inventory production costs, smelting, refining

and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

Total production costs per ounce of gold produced, representing the weighted average of all of the Company's producing mines, increased to $621 in 2016 compared with $596 in 2015 and decreased from $705 in 2014. Total cash costs per ounce of gold produced on a by-product basis increased to $573 in 2016 compared with $567 in 2015 and decreased from $637 in 2014. Total cash costs per ounce of gold produced on a co-product basis increased to $643 in 2016 compared with $626 in 2015 and decreased from $721 in 2014. Set out below is an analysis of the change in total production costs per ounce and total cash costs per ounce at each of the Company's mining operations:

- At the LaRonde mine, total production costs per ounce of gold produced decreased to $587 in 2016 compared with $643 in 2015 primarily due to a 14.1% increase in gold production. Total cash costs per ounce of gold produced on a by-product basis decreased to $501 in 2016 compared with $590 in 2015 primarily due to the increase in gold production noted above and higher by-product revenues. Total cash costs per ounce of gold produced on a co-product basis decreased to $668 in 2016 compared with $760 in 2015, reflecting the increase in gold production noted above.
- At the Lapa mine, total production costs per ounce of gold produced increased to $717 in 2016 compared with $578 in 2015 due to lower production and higher costs associated with development work in the new zones that were previously excluded from the mine plan. Total cash costs per ounce of gold produced on a by-product basis increased to $732 in 2016 compared with $590 in 2015 due to the same factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to $732 in 2016 compared with $591 in 2015 due to the same factors as noted above.
- At the Goldex mine, total production costs per ounce of gold produced decreased to $525 in 2016 compared with $531 in 2015 due to a 4.6% increase in gold production and an increase in inventory. Total cash costs per ounce of gold produced on a by-product basis decreased to $532 in 2016 compared with $538 in 2015 due to the increase in gold production noted above. Total cash costs per ounce of gold produced on a co-product basis decreased to $532 in 2016 compared with $538 in 2015 due to the same factors as noted above, other than the inventory adjustment.
- At the Meadowbank mine, total production costs per ounce of gold produced increased to $701 in 2016 compared with $604 in 2015 due to an 18.2% decrease in production, a lower amount of stripping costs being capitalized and a decrease in inventory. Total cash costs per ounce of gold produced on a by-product basis increased to $715 in 2016 compared with $613 in 2015 due to the same factors noted above, other than the inventory adjustment. Total cash costs per ounce of gold produced on a co-product basis increased to $727 in 2016 compared with $623 in 2015 due to the same factors as noted above, other than the inventory adjustment.
- At the Canadian Malartic mine, total production costs per ounce of gold produced increased to $628 in 2016 compared with $600 in 2015 due to unplanned maintenance on the leach tank, ball mill and crusher components in the process plant and additional stripping costs. Total cash costs per ounce of gold produced on a by-product basis increased to $606 in 2016 compared with $596 during 2015 as a result of the same factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to $626 in 2016 compared with $613 during 2015 as a result of the same factors as noted above.
- At the Kittila mine, total production costs per ounce of gold produced decreased to $701 in 2016 compared with $711 in 2015 due to a 14.2% increase in gold production and an increase in inventory. Total cash costs per ounce of gold produced on a by-product basis decreased to $699 in 2016 compared with $709 in 2015 due to the same factors as noted above, other than the inventory adjustment. Total cash costs per ounce of gold produced on a co-product basis decreased to $700 in 2016 compared with $710 in 2015 due to the same factors as noted above, other than the inventory adjustment.
- At the Pinos Altos mine, total production costs per ounce of gold produced increased to $594 in 2016 compared with $545 in 2015 due to higher consumable costs, variations in the proportion of heap leach ore to milled ore, variations in open pit ore to underground ore, fluctuations in the waste to ore stripping ratio and a decrease in inventory. Total cash costs per ounce of gold produced on a by-product basis decreased to $356 in 2016 compared with $387 in 2015. This decrease was primarily due to increased by-product revenue due to higher silver prices and a weaker Mexican peso relative to the US dollar between periods. Total cash costs per ounce of gold produced on a co-product basis

increased to $585 in 2016 compared with $578 in 2015 due to the same factors as noted above, other than by-product revenue and the inventory adjustment.

- At the Creston Mascota deposit at Pinos Altos, total production costs per ounce of gold produced increased to $578 in 2016 compared to $480 in 2015 due to a 13.5% decrease in gold production and a decrease in inventory. Total cash costs per ounce of gold produced on a by-product basis increased to $516 in 2016 compared with $430 in 2015. This increase was primarily due to the decrease in gold production noted above, partially offset by a weaker Mexican peso relative to the US dollar between periods, other than the inventory adjustment. Total cash costs per ounce of gold produced on a co-product basis increased to $588 in 2016 compared with $474 in 2015 due to the same factors as noted above, other than the inventory adjustment.
- At the La India mine, total production costs per ounce of gold produced decreased to $432 in 2016 compared with $475 in 2015 due to a 10.3% increase in gold production and an increase in inventory. Total cash costs per ounce of gold produced on a by-product basis decreased to $395 in 2016 compared with $436 in 2015. This decrease was primarily due the increase in gold production noted above and a weaker Mexican peso relative to the US dollar between periods, other than the inventory adjustment. Total cash costs per ounce of gold produced on a co-product basis decreased to $468 in 2016 compared with $475 in 2015 due to the same factors as noted above, other than the inventory adjustment.

Exploration and Corporate Development Expense

Exploration and corporate development expense increased by 33.2% to $147.0 million in 2016 from $110.4 million in 2015. Exploration and corporate development expense was $56.0 million in 2014.

A summary of the Company's significant 2016 exploration and corporate development activities is set out below:

- In Canada, exploration expenses increased by 71.2% to $96.0 million in 2016 compared with 2015 primarily due to increased exploration at the Amaruq project located 50 kilometres northwest of the Meadowbank mine in Nunavut.
- Exploration expenses decreased by 18.3% to $20.8 million in Latin America compared with 2015 primarily due to decreased exploration at the El Barqueno and Morelos Sur projects in Mexico.
- Exploration expenses decreased by 31.1% to $2.5 million in the United States and increased by 49.0% to $5.9 million in Europe in 2016 compared with 2015.
- Corporate development and project evaluation expenses increased by 2.7% to $21.7 million in 2016 compared with 2015 primarily due to increased project evaluation expenses at the Minas Chaparral project in Mexico.

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

	2016	2015	2014
	(thousands of United States dollars)		
Canada	$ 96,026	$ 56,099	$27,773
Latin America	20,812	25,483	8,006
United States	2,525	3,666	2,615
Europe	5,877	3,943	5,044
Corporate development expense	21,738	21,162	12,564
Total exploration and corporate development expense	$146,978	$110,353	$56,002

Amortization of Property, Plant and Mine Development

Amortization of property, plant and mine development expense increased to $613.2 million in 2016 compared with $608.6 million in 2015 and $433.6 million in 2014. The increase in amortization of property, plant and mine development between 2015 and 2016 was primarily due to the increased amortization at the Pinos Altos mine as a result of the shaft going into commercial production in July of 2016 and increased tonnage at the Kittila mine, partially offset by lower depreciation at the Goldex and La India mines due to reserve increases as at December 31, 2015. Amortization expense commences once operations are in commercial production.

General and Administrative Expense

General and administrative expenses were $102.8 million in 2016, which were comparable to general and administrative expenses of $97.0 million in 2015. General and administrative expenses were $118.8 million in 2014.

Impairment Loss on Available-for-sale Securities

Impairment loss on available-for-sale securities was nil in 2016 compared with $12.0 million in 2015 and $15.8 million in 2014. Impairment loss evaluations of available-for-sale securities are based on whether a decline in fair value is considered to be significant or prolonged.

Finance Costs

Finance costs decreased to $74.6 million in 2016 compared with $75.2 million in 2015 and $73.4 million in 2014. The table below sets out the components of finance costs:

	2016	2015	2014
	(thousands of United States dollars)		
Stand-by fees on credit facilities	$ 5,387	$ 4,025	$ 4,605
Amortization of credit facilities, financing and note issuance costs	2,470	2,437	2,757
Interest on Credit Facility	3,102	8,892	7,499
Interest on notes	60,044	49,937	49,414
Accretion expense on reclamation provisions	3,832	4,164	5,173
Other interest and penalties	2,871	7,476	5,651
Interest capitalized to construction in progress	(3,065)	(1,703)	(1,706)
Total finance costs	$74,641	$75,228	$73,393

See *Liquidity and Capital Resources – Financing Activities* in this MD&A for details on the Credit Facility and notes referenced above.

Gain on Impairment Reversal

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If an indicator of impairment reversal exists, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. A gain on impairment reversal is recognized for any excess of the recoverable amount of the asset over its carrying amount. The carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined net of amortization had no impairment loss been recognized in prior periods.

As at December 31, 2016, the Company identified indicators of potential impairment reversal for the Company's Meadowbank mine and Meliadine mine project. As a result of the identification of these indicators, the Company estimated the recoverable amounts of the Meadowbank mine and Meliadine mine project cash generating units and concluded the recoverable amounts exceeded the carrying amounts. The Company recorded a gain on impairment reversal of $37.2 million at the Meadowbank mine and $83.0 million at the Meliadine mine project (refer to note 22 in the Company's annual consolidated financial statements for additional details).

A discounted cash flow approach was used to estimate fair value less costs of disposal, which represents the recoverable amount of property, plant and mine development assets that was used to determine the impairment reversal amounts. The total gain on impairment reversal recorded during the year ended December 31, 2016 was $120.2 million.

At the end of each reporting period the Company also assesses whether there is any indication that long-lived assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. An impairment loss is recognized for any excess of the carrying amount of the asset over its recoverable amount. The recoverable amounts are based on each asset's future cash flows and represents each asset's fair value less costs of disposal.

Based on assessments completed by the Company, no impairment losses were required in 2016, 2015 or 2014.

Management's estimates of future net cash flows are 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 future consolidated financial statements.

Foreign Currency Translation Loss (Gain)

The Company's operating results and cash flow are significantly affected by changes in the exchange rate between the US dollar and each of the Canadian dollar, Mexican peso and Euro as all of the Company's revenues are earned in US dollars while a significant portion of its operating and capital costs are incurred in such other currencies. During the period from January 1, 2015 through December 31, 2016, the daily US dollar (noon) exchange rate as reported by the Bank of Canada has fluctuated between C$1.17 and C$1.46, 14.57 Mexican pesos and 20.83 Mexican pesos and €0.83 and €0.96 per US$1.00.

A foreign currency translation loss of $13.2 million was recorded in 2016 compared with a foreign currency translation gain of $4.7 million in 2015 and a foreign currency translation loss of $3.8 million in 2014. On average, the US dollar strengthened against the Canadian dollar, Mexican peso and Euro in 2016 compared with 2015. The US dollar also strengthened against the Mexican peso and Euro and weakened against the Canadian dollar on December 31, 2016, compared to December 31, 2015. The net foreign currency translation loss in 2016 was primarily due to the translation impact of monetary assets denominated in Mexican pesos and Euros and monetary liabilities denominated in Canadian dollars, offset partially by the translation impact of monetary liabilities denominated in Mexican pesos and Euros and monetary assets denominated in Canadian dollars.

Income and Mining Taxes Expense

In 2016, the Company recorded income and mining taxes expense of $109.6 million on income before income and mining taxes of $268.5 million at an effective tax rate of 40.8%. In 2015, the Company recorded income and mining taxes expense of $58.0 million on income before income and mining taxes of $82.6 million at an effective tax rate of 70.2%. The Company's 2016 and 2015 effective tax rates were higher than the applicable statutory tax rate of 26.0% primarily due to the impact of mining taxes, foreign exchange and non-deductible expenses. In 2014, the Company recorded income and mining taxes expense of $106.2 million on income before income and mining taxes of $189.1 million at an effective tax rate of 56.1%.

Liquidity and Capital Resources

As at December 31, 2016, the Company's cash and cash equivalents, short-term investments and current restricted cash totaled $548.8 million compared with $132.3 million at December 31, 2015. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to reduce risks associated with these investments. Such investments with remaining maturities of greater than three months and less than one year at the time of purchase 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) increased to $806.6 million at December 31, 2016 compared with $517.9 million at December 31, 2015.

Operating Activities

Cash provided by operating activities increased by $162.4 million to $778.6 million in 2016 compared with 2015. The increase in cash provided by operating activities was primarily due to increases in the average realized price of gold, the impact on costs of a weaker Canadian dollar relative to the US dollar and more favourable working capital changes between periods. Partially offsetting these positive impacts on cash provided by operating activities was a $36.6 million increase in exploration and corporate development expenses between 2015 and 2016. Cash provided by operating activities was $668.3 million in 2014, $52.1 million higher than in 2015 primarily due to higher average realized prices of all metals in 2014 compared with 2015.

Investing Activities

Cash used in investing activities increased to $553.5 million in 2016 from $374.5 million in 2015. The increase in cash used in investing activities between periods was primarily due to a $66.3 million increase in capital expenditures, a $51.6 million decrease in net proceeds from the sale of available-for-sale securities and other investments and a $14.0 million increase in purchases of available-for-sale securities and other investments. Cash used in investing activities was $851.6 million in 2014,

including capital expenditures of $475.4 million and $403.5 million in net cash expenditures associated with the Company's joint acquisition of Osisko, partially offset by $44.7 million in net proceeds from the sale of available-for-sale securities and warrants.

In 2016, the Company invested cash of $516.1 million in projects and sustaining capital expenditures compared with $449.8 million in 2015. Capital expenditures in 2016 included $116.1 million at the Meliadine mine project, $78.4 million at the Goldex mine, $75.9 million at the Kittila mine, $64.3 million at the LaRonde mine, $60.4 million at the Canadian Malartic mine (the Company's attributable portion), $59.6 million at the Pinos Altos mine, $38.3 million at the Meadowbank mine, $10.5 million at the La India mine, $9.3 million at the Creston Mascota deposit at Pinos Altos and $3.3 million at other projects. The $66.3 million increase in capital expenditures between 2015 and 2016 was primarily due to significant expenditures that were incurred in 2016 relating to the development of the Meliadine mine project, including the purchase of long lead time equipment and material to prepare for the upcoming barge season.

On March 8, 2017, the Company completed the purchase of 38,100,000 common shares of GoldQuest Mining Corporation ("GoldQuest") pursuant to a private placement. The Company paid C$0.60 per GoldQuest common share, for total consideration of approximately C$22.9 million. Upon the closing of the transaction, Agnico Eagle held approximately 15.0% of the issued and outstanding common shares of GoldQuest on a non-diluted basis.

On February 28, 2017, the Company completed the purchase of 14,420,000 common shares of Otis Gold Corporation ("Otis") pursuant to a private placement. The Company paid C$0.35 per Otis common share, for total consideration of approximately C$5.0 million. Upon the closing of the transaction, Agnico Eagle held approximately 9.95% of the issued and outstanding common shares of Otis on a non-diluted basis.

On December 22, 2016, the Company subscribed for 22,500,000 common shares of Cartier Resources Inc. ("Cartier") in a non-brokered private placement at a price of C$0.20 per Cartier common share, for total cash consideration of C$4.5 million. Upon closing the transaction, the Company held approximately 19.97% of the issued and outstanding common shares of Cartier on a non-diluted basis. On March 20, 2017, the Company subscribed for an additional 3,365,369 common shares of Cartier for total proceeds of approximately C$0.6 million. Upon closing the transaction, the Company held approximately 19.85% of the issued and outstanding common shares of Cartier on a non-diluted basis.

On December 13, 2016, the Company subscribed for 12,100,000 common shares of G4G Capital Corp., subsequently renamed White Gold Corp ("White Gold") in a non-brokered private placement at a price of C$1.20 per White Gold common share, for total cash consideration of approximately C$14.5 million. Upon closing the transaction, the Company held approximately 19.93% of the issued and outstanding common shares of White Gold on a non-diluted basis. On March 21, 2017, the Company subscribed for an additional 1,110,000 shares of White Gold for total proceeds of approximately C$1.5 million. Upon closing the transaction, the Company held approximately 19.93% of the issued and outstanding common shares of White Gold on a non-diluted basis.

On March 16, 2016, the Company subscribed for 11,680,000 common shares of Belo Sun Mining Corp. ("Belo Sun") in a non-brokered private placement at a price of C$0.53 per Belo Sun common share, for total cash consideration of approximately C$6.2 million. On July 27, 2016, the Company subscribed for 14,922,760 common shares of Belo Sun pursuant to public offering by Belo Sun at a price of C$0.85 per Belo Sun common share, for total cash consideration of approximately C$12.7 million. Upon closing the transaction, the Company held approximately 19.2% of the issued and outstanding common shares of Belo Sun on a non-diluted basis.

On June 11, 2015, Agnico Eagle Sweden AB ("AE Sweden"), an indirect wholly-owned subsidiary of the Company, acquired 55.0% of the issued and outstanding common shares of Gunnarn Mining AB ("Gunnarn") from Orex Minerals Inc. ("Orex"), by way of a share purchase agreement (the "Gunnarn SPA"). The operation and governance of Gunnarn and the Barsele project are governed by a joint venture agreement among the Company, AE Sweden, Orex and Gunnarn (the "Gunnarn JVA"). Under the Gunnarn SPA, the consideration for the acquisition of the 55.0% of Gunnarn's outstanding common shares was $10.0 million, comprised of $6.0 million in cash payable at closing and payments of $2.0 million in cash or, at AE Sweden's sole discretion, shares of the Company, on each of the first and second anniversary of the closing. Under the Gunnarn JVA, AE Sweden committed to incur an aggregate of $7.0 million of exploration expenses at the Barsele project by June 11, 2018, 45.0% or $3.1 million of which is considered accrued purchase consideration. Accordingly, the Company's total purchase consideration for the acquisition of its 55.0% interest in Gunnarn was $13.1 million. AE Sweden may earn an additional 15.0% interest in Gunnarn under the Gunnarn JVA if it completes a feasibility study in respect of the Barsele project. The Gunnarn JVA also provides AE Sweden with the right to nominate a majority of the members of the board of directors of Gunnarn (based on current shareholdings) and AE Sweden is the sole operator of the Barsele project and paid customary management fees. In connection with the transaction, Orex also obtained a 2.0% net smelter return royalty on production from the Barsele property, which the Company may repurchase at any time for $5.0 million. The Gunnarn acquisition was

accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling $0.6 million were capitalized to the mining properties acquired. On September 25, 2015, Orex Minerals Inc. assigned its interest in the Gunnarn JV Agreement to Barsele Minerals Corp. (“Barsele Minerals”), which was at the time a wholly-owned subsidiary of Orex. All of the shares of Barsele Minerals were subsequently distributed to shareholders of Orex under a plan of arrangement.

On June 9, 2015, the Company acquired all of the issued and outstanding common shares of Soltoro Ltd. (“Soltoro”), including common shares issuable on the exercise of Soltoro’s outstanding options and warrants, by way of a plan of arrangement under the Canada Business Corporations Act (the “Soltoro Arrangement”). Each outstanding share of Soltoro was exchanged under the Soltoro Arrangement for: (i) C$0.01 in cash; (ii) 0.00793 of an Agnico Eagle common share; and (iii) one common share of Palamina Corp., a company that was newly formed in connection with the Soltoro Arrangement. Pursuant to the Soltoro Arrangement, Soltoro transferred all mining properties located outside of the state of Jalisco, Mexico to Palamina Corp. and retained all other mining properties. Agnico Eagle had no interest in Palamina Corp. upon the closing of the Soltoro Arrangement. Agnico Eagle’s total purchase price of $26.7 million was comprised of $2.4 million in cash, including $1.6 million in cash contributed to Palamina Corp. and 770,429 Agnico Eagle common shares issued from treasury. The Soltoro acquisition was accounted for as an asset acquisition and transaction costs associated with the acquisition totaling $1.4 million were capitalized to the mining properties acquired.

On May 21, 2015, the Company subscribed for 62,500,000 common shares of Belo Sun in a non-brokered private placement at a price of C$0.24 per Belo Sun common share, for total cash consideration of C$15.0 million.

On March 19, 2015, Agnico Eagle, Yamana and Canadian Malartic GP completed the purchase of a 30.0% interest in the Malartic CHL property from Abitibi Royalties Inc. (“Abitibi”) in exchange for 459,197 Agnico Eagle common shares, 3,549,695 Yamana common shares and 3.0% net smelter return royalties to each of Abitibi and Osisko Gold Royalties Ltd. on the Malartic CHL property. Total Agnico Eagle common share consideration issued was valued at $13.4 million based on the closing price of the common shares on March 18, 2015. The Malartic CHL property is located adjacent to the Company’s jointly owned Canadian Malartic mine and the remaining 70.0% interest in the Malartic CHL property was jointly acquired through the June 16, 2014 acquisition of Osisko (the predecessor to Canadian Malartic Corporation). Concurrent with the transaction closing, each of Abitibi, Agnico Eagle, Yamana, Canadian Malartic GP and Canadian Malartic Corporation released and discharged the others with respect to all proceedings previously commenced by Abitibi with respect to the Malartic CHL property. As a result of the transaction, Agnico Eagle and Yamana jointly own a 100.0% interest in the Malartic CHL property through their respective indirect interests in Canadian Malartic GP.

In 2016, the Company received net proceeds of $9.5 million from the sale of available-for-sale securities and other investments compared with $61.1 million in 2015 and $44.7 million in 2014. In 2016, the Company purchased $33.8 million of available-for-sale securities and other investments compared with $19.8 million in 2015 and $27.2 million in 2014. 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 of $190.4 million in 2016 increased compared with cash used in financing activities of $280.8 million in 2015 primarily due to the issuance of the 2016 Notes on June 30, 2016 and the receipt of $192.1 million of proceeds from the exercise of stock options, partially offset by a $19.3 million increase in net repayments of debt between periods. Cash provided by financing activities was $229.2 million in 2014, which included net proceeds from long-term debt of $286.0 million, partially offset by dividends paid of $54.1 million.

In 2016, the Company paid dividends of $71.4 million compared with $59.5 million in 2015 and $54.1 million in 2014. Agnico Eagle has declared a cash dividend every year since 1983. 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 October 26, 2016, the Company amended its $1.2 billion Credit Facility to, among other things, extend the maturity date from June 22, 2020 to June 22, 2021 and amending pricing terms. As at December 31, 2016, the Company’s outstanding balance under the Credit Facility was nil. Credit Facility availability is reduced by outstanding letters of credit, amounting to $0.8 million at December 31, 2016. As at December 31, 2016, $1,199.2 million was available for future drawdown under the Credit Facility.

On June 30, 2016, the Company closed a $350.0 million private placement of guaranteed senior unsecured notes (the “2016 Notes”), which, on issuance, had a weighted average maturity of 9.43 years and a weighted average yield of 4.77%. Proceeds from the offering of the 2016 Notes were used to repay amounts outstanding under the Credit Facility.

On June 29, 2016, the Company entered into a standby letter of credit facility with a financial institution providing for a C$100.0 million uncommitted letter of credit facility (the "Third LC Facility"). The Third LC Facility may be used to support the reclamation obligations or non-financial or performance obligations of the Company or its subsidiaries. The obligations of the Company under the Third LC Facility are guaranteed by certain of its subsidiaries. As at December 31, 2016, total letters of credit outstanding under the Third LC Facility amounted to $38.2 million.

On March 10, 2016, the Company raised approximately C$25.0 million ($18.7 million) through the issuance of 374,869 common shares at a price of C$66.69 per common share. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the issuer, subject to a renouncement process. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented in the accounts payable and accrued liabilities line item in the balance sheet because the Company had not yet fulfilled its obligation to pass on the tax deductions to the investor. At the time the Company fulfills its obligation, the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense. The closing price of the Company's common shares on the March 10, 2016 issuance date was C$48.49, resulting in an increase to share capital of approximately C$18.2 million ($13.6 million). The initial C$6.8 million ($5.1 million) liability is drawn down as eligible expenditures are incurred because the Company has a positive intention to renounce these expenses. During the year ended December 31, 2016, the liability was fully extinguished based on eligible expenditures incurred.

On September 30, 2015, the Company closed a private placement consisting of a $50.0 million guaranteed senior unsecured note (the "2015 Note") with a September 30, 2025 maturity date and a yield of 4.15%. Under the note purchase agreement in respect of the 2015 Note, the Company agreed that an amount equal to or greater than the net proceeds from the 2015 Note would be spent on mining projects in the Province of Quebec, Canada.

On September 23, 2015, the Company entered into a standby letter of credit facility with a financial institution providing for a C$150.0 million uncommitted letter of credit facility (as amended, the "Second LC Facility"). The Second LC Facility may be used by the Company to support the reclamation obligations of the Company, its subsidiaries or any entity in which the Company has a direct or indirect interest or the performance obligations (other than with respect to indebtedness for borrowed money) of the Company, its subsidiaries or any entity in which the Company has a direct or indirect interest that are not directly related to reclamation obligations. Payment and performance of the Company's obligations under the Second LC Facility are supported by an account performance security guarantee issued by Export Development Canada in favour of the lender. As at December 31, 2016, $52.2 million had been drawn under the Second LC Facility.

On July 31, 2015, the Company amended its credit agreement with a financial institution relating to its uncommitted letter of credit facility (as amended, the "First LC Facility"). Effective November 5, 2013, the amount available under the First LC Facility increased from C$175.0 million to C$200.0 million. Effective September 28, 2015, the amount available under the First LC Facility was increased to C$250.0 million. Effective September 27, 2016, the amount available under the First LC Facility was increased to C$350.0 million.The obligations of the Company under the First LC Facility are guaranteed by certain of its subsidiaries. The First LC 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, 2016, $158.7 million had been drawn under the First LC Facility.

On July 24, 2012, the Company closed a private placement 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 offering of the 2012 Notes were used to repay amounts outstanding under the Credit Facility.

On April 7, 2010, the Company closed a private placement 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 connection with its joint acquisition of Osisko on June 16, 2014, Canadian Malartic GP was assigned and assumed certain outstanding debt and finance lease obligations of Osisko relating to the Canadian Malartic mine. Agnico Eagle's indirect attributable interest in such debt and finance lease obligations included a secured loan facility (the "CMGP loan") with a remaining scheduled C$20.0 million repayment on June 30, 2017 and a 6.875% per annum interest rate. As at December 31, 2016, the attributable outstanding principal is C$20.0 million ($14.9 million). Agnico Eagle's indirect attributable interest in the finance lease obligations of CMGP include secured finance lease obligations provided in separate tranches with remaining maturities up to 2019 and a 7.5% interest rate. As at December 31, 2016, the Company's attributable finance lease obligations were $5.9 million.

The Company was in compliance with all covenants contained in the Credit Facility, 2016 Notes, 2015 Note, 2012 Notes, 2010 Notes, First LC Facility, Second LC Facility and the Third LC Facility as at December 31, 2016. Canadian Malartic GP was in compliance with all covenants under the CMGP Loan as at December 31, 2016.

The Company issued common shares under the Company's incentive share purchase plan and dividend reinvestment plan for gross proceeds of $29.0 million in 2016 compared with $9.4 million in 2015 and $10.4 million in 2014.

Contractual Obligations

Agnico Eagle's contractual obligations as at December 31, 2016 are set out below:

	Total	2017	2018-2019	2020-2021	Thereafter
	(millions of United States dollars)				
Reclamation provisions(i)	$ 397.3	$ 9.2	$15.0	$ 8.9	$ 364.2
Purchase commitments(ii)	84.2	43.3	15.1	8.8	17.0
Pension obligations(iii)	6.6	0.1	0.9	1.6	4.0
Finance and operating leases	31.9	9.2	11.1	2.1	9.5
Long-term debt(iv)	1,214.9	129.9	—	360.0	725.0
Total(v)	$1,734.9	$191.7	$42.1	$381.4	$1,119.7

Notes:

(i) Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. Expected reclamation cash flows are presented above on an undiscounted basis. Reclamation provisions recorded in the Company's consolidated financial statements are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate.

(ii) Purchase commitments include contractual commitments for the acquisition of property, plant and mine development. Agnico Eagle's attributable interest in the purchase commitments associated with its joint operations totaled $2.7 million as at December 31, 2016.

(iii) Agnico Eagle provides a non-registered supplementary executive retirement defined benefit plan for certain current and former senior officers (the "Executives Plan"). The Executives Plan benefits are generally based on the employee's years of service and level of compensation. The data included in this table have been actuarially determined.

(iv) With respect to the Company's long-term debt obligations, the Company has assumed that repayment will occur on each instrument's respective maturity date.

(v) The Company's future operating cash flows are expected to be sufficient to satisfy its contractual obligations.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements as at December 31, 2016 include operating leases with various counterparties of $20.1 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 $251.6 million under the Credit Facility, First LC Facility, Second LC Facility and Third LC Facility (see Note 25 to the consolidated financial statements). If the Company were to terminate these off-balance sheet arrangements, the Company's liquidity position (as outlined in the table below) is sufficient to satisfy any related penalties or obligations.

2017 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2017 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 2017:

	Amount
	(millions of United States dollars)
2017 Mandatory Commitments:	
Contractual obligations (see table above)	$ 191.7
Accounts payable and accrued liabilities (as at December 31, 2016)	228.6
Interest payable (as at December 31, 2016)	14.2
Income taxes payable (as at December 31, 2016)	35.1
Total 2017 mandatory expenditure commitments	$ 469.6
2017 Discretionary Commitments:	
Expected 2017 capital expenditures	$ 859.4
Expected 2017 exploration and corporate development expenses	103.2
Total 2017 discretionary expenditure commitments	962.6
Total 2017 mandatory and discretionary expenditure commitments	$1,432.2
2017 Capital Resources:	
Cash, cash equivalents and short-term investments (as at December 31, 2016)	$ 548.4
Expected 2017 cash provided by operating activities	650.9
Working capital, excluding cash, cash equivalents and short-term investments (as at December 31, 2016)	258.2
Available under the Credit Facility (as at December 31, 2016)	1,199.2
Total 2017 Capital Resources	$2,656.7

While the Company believes its capital resources will be sufficient to satisfy all 2017 commitments (mandatory and discretionary), the Company may choose to decrease certain of its discretionary expenditure commitments, which include certain capital expenditures, should unexpected financial circumstances arise in the future. The Company believes that it will continue to have sufficient capital resources available to satisfy its planned development and growth activities.

Quarterly Results Review

For the Company's detailed 2016 and 2015 quarterly financial and operating results see *Summarized Quarterly Data* in this MD&A.

Revenues from mining operations increased by 3.4% to $499.2 million in the fourth quarter of 2016 compared with $482.9 million in the fourth quarter of 2015 primarily due to higher sales prices realized on gold and silver, partially offset by a 5.1% decrease in gold sales between periods. Production costs increased by 11.0% to $255.1 million in the fourth quarter of 2016 compared with $229.8 million in the fourth quarter of 2015 due to increased production and tonnage processed, partially offset by the impact of a weaker Mexican peso relative to the US dollar between periods. Exploration and corporate development expenses increased by 37.9% to $35.8 million in the fourth quarter of 2016 compared with $26.0 million in the fourth quarter of 2015 primarily due to increased exploration expenses incurred at the Amaruq project at the Meadowbank Mine in Nunavut. Amortization of property, plant and mine development decreased by 3.6% to $151.4 million in the fourth quarter of 2016 compared with $157.1 million in the fourth quarter of 2015 primarily due to lower amortization at the La India and Goldex mines due to an increase in depreciable reserves as at December 31, 2015, partially offset by higher amortization at the Pinos Altos mine due to the shaft going into commercial production in the third quarter of 2016. Net income of $62.7 million was recorded in the fourth quarter of 2016 after income and mining taxes expense of $52.8 million compared with a net loss of $15.5 million in the fourth quarter of 2015 after income and mining taxes expense of $34.6 million.

Cash provided by operating activities decreased by 14.3% to $120.6 million in the fourth quarter of 2016 compared with $140.7 million in the fourth quarter of 2015. The decrease in cash provided by operating activities was primarily due to a $34.2 million decrease in working capital balances, partially offset by a $16.3 million increase in revenue due to a 9.3% increase in the average realized price of gold 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* in this MD&A for a discussion of assumptions and risks relating to such statements and information.

Gold Production

LaRonde Mine

In 2017, payable gold production at the LaRonde mine is expected to be approximately 315,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the LaRonde mine is expected to be approximately 347,000 ounces. Infill drilling completed in 2016 successfully upgraded portions of the LaRonde 3 mineral resource base, which will continue to be explored going forward. As well, throughout the three-year guidance period it is expected that there will be an increase in grade closer to that of the average mineral reserves. Total cash costs per ounce of gold produced on a by-product basis at the LaRonde mine are expected to be approximately $510 in 2017 compared with $501 in 2016.

Lapa Mine

In 2017, payable gold production at the Lapa mine is expected to be approximately 15,000 ounces. Under the current life of mine plan, Lapa is expected to operate until the end of the second quarter of 2017, with production coming from Zone Deep East and Zone 7 Deep. The Company is evaluating opportunities to continue production into the second half of 2017. Total cash costs per ounce of gold produced on a by-product basis at the Lapa mine are expected to be approximately $1,002 in 2017 compared with $732 in 2016, reflecting expectations of decreased production and lower gold grade.

Goldex Mine

In 2017, payable gold production at the Goldex mine is expected to be approximately 105,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the Goldex mine is expected to be approximately 113,000 ounces. Throughout the three year guidance period, mining will transition from the M and E satellite zones to the Deep 1 zone. Commissioning of the Deep 1 project remains on budget and schedule for commencement of mining in early 2018. Total cash costs per ounce of gold produced on a by-product basis at the Goldex mine are expected to be approximately $667 in 2017 compared with $532 in 2016, reflecting expectations of decreased production due to lower gold grade.

Meadowbank Mine

In 2017, payable gold production at the Meadowbank mine is expected to be approximately 320,000 ounces. Over the 2017 to 2018 period, average annual payable gold production at the Meadowbank mine is expected to be approximately 242,500 ounces. Production guidance has increased slightly over previous guidance due to a slight increase in mineral reserves at year-end 2016 and the mining of higher grade ore in the Portage pit. At the Vault pit, opportunities are being investigated to potentially extend production through year-end 2018. The Amaruq satellite deposit at Meadowbank is expected to go into production in the third quarter of 2019 and provide approximately 135,000 ounces in its first partial year of commercial production. Total cash costs per ounce of gold produced on a by-product basis at the Meadowbank mine are expected to be approximately $683 in 2017 compared with $715 in 2016, reflecting expectations of increased production.

Canadian Malartic Mine

In 2017, attributable payable gold production at the Canadian Malartic mine is expected to be approximately 300,000 ounces. Over the 2017 to 2019 period, average annual attributable payable gold production at the Canadian Malartic mine is expected to be approximately 315,000 ounces. The updated life of mine plan for Malartic provides earlier access to higher grade zones that are located deeper in the Canadian Malartic pit. Total cash costs per ounce of gold produced on a by-product basis at the Canadian Malartic mine are expected to be approximately $578 in 2017 compared with $606 in 2016, reflecting expectations of increased production and higher gold grade.

Kittila Mine

In 2017, payable gold production at the Kittila mine is expected to be approximately 190,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the Kittila mine is expected to be approximately 200,000 ounces. The Company is carrying out studies to evaluate the economics of increasing throughput rates from the current 1.6 million tonnes per annum to 2.0 million tonnes, which could be further supported by continued development of the Rimpi and Sisar zones. Total cash costs per ounce of gold produced on a by-product basis at the Kittila mine are expected to be approximately $728 in 2017 compared with $699 in 2016, reflecting expectations of decreased production.

Pinos Altos Mine

In 2017, payable gold production at the Pinos Altos mine is expected to be approximately 170,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the Pinos Altos mine is expected to be approximately 173,000 ounces. Commissioning of the Pinos Altos shaft was completed in 2016 should allow for increased throughput at the mill. Exploration of the Cerro Colorado Zone outlined additional mineralization on the boundaries of the zone, and further drilling will be carried out in 2017 to evaluate this potential. Total cash costs per ounce of gold produced on a by-product basis at the Pinos Altos mine are expected to be approximately $474 in 2017 compared with $356 in 2016, reflecting expectations of decreased production due to changes in the mining sequence and the weakening of the Mexican peso relative to the US dollar during 2016.

Creston Mascota deposit at Pinos Altos

In 2017, payable gold production at the Creston Mascota deposit at Pinos Altos is expected to be approximately 40,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the Creston Mascota deposit at Pinos Altos is expected to be approximately 25,000 ounces. Recent exploration at Bravo, Cubiro and Madrono has yielded positive results and further drilling is planned for 2017. Total cash costs per ounce of gold produced on a by-product basis at the Creston Mascota deposit at Pinos Altos are expected to be approximately $812 in 2017 compared with $516 in 2016, reflecting expectations of decreased production as the mine life winds down and the weakening of the Mexican peso relative to the US dollar during 2016.

La India Mine

In 2017, payable gold production at the La India mine is expected to be approximately 100,000 ounces. Over the 2017 to 2019 period, average annual payable gold production at the La India mine is expected to be approximately 107,000 ounces. Step out drilling in 2016 at the nearby El Realito project yielded encouraging results, and additional work is planned for 2017. Total cash costs per ounce of gold produced on a by-product basis at the La India mine are expected to be approximately $583 in 2017 compared with $395 in 2016, reflecting decreased production, lower tonnes processed and the weakening of the Mexican peso relative to the US dollar during 2016.

Production 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, the Goldex mine M and E Zones in 2013 and the La India mine in 2014, along with the joint acquisition of the Canadian Malartic mine on June 16, 2014, Agnico Eagle has transformed from a one mine operation to an eight mine senior gold mining company over the last eight years. In 2016, the Company achieved annual payable gold production of 1,662,888 ounces. As the Company plans 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 decrease to approximately 1,555,000 ounces in 2017, representing a 6.9% decrease compared with 2016. The Company expects that the main contributors to achieving the targeted levels of payable gold production, mineral reserves and mineral resources in 2017 will include:

- Increased production from the Meadowbank, LaRonde and Canadian Malartic mines due to the mining of higher grade ore;
- Continued mill and mine plan optimization; and
- Continued conversion of Agnico Eagle's current mineral resources to mineral reserves.

Financial Outlook

Revenue from Mining Operations and Production Costs

In 2017, the Company expects to continue to generate solid cash flow with payable gold production of approximately 1,555,000 ounces compared with 1,662,888 ounces in 2016. This expected decrease in payable gold production is primarily due to the planned wind down of the Lapa mine in 2017, changes in the mining sequence of Pinos Altos resulting in lower gold production in 2017 and lower production at the Goldex mine as a result of lower throughput.

The table below sets out actual payable production in 2016 and expected payable production in 2017:

	2017 Forecast	2016 Actual
Gold (ounces)	1,555,000	1,662,888
Silver (thousands of ounces)	4,435	4,759
Zinc (tonnes)	7,267	4,687
Copper (tonnes)	4,480	4,416

In 2017, the Company expects total cash costs per ounce of gold produced on a by-product basis at the LaRonde mine to be approximately $510 compared with $501 in 2016. In calculating expectations of total cash costs per ounce of gold produced on a by-product basis for the LaRonde mine, net silver, zinc and copper by-product revenue offsets production costs. Therefore, production and price assumptions for by-product metals play an important role in the LaRonde mine's expected total cash costs per ounce of gold produced on a by-product basis due to its significant by-product production. The Pinos Altos mine also generates significant silver by-product revenue. An increase in by-product metal prices above forecasted levels would result in improved total cash costs per ounce of gold produced on a by-product basis at these mines. Total cash costs per ounce of gold produced on a co-product basis are expected to be approximately $699 in 2017 at the LaRonde mine compared with $668 in 2016.

As production costs at the LaRonde, Lapa, Goldex, Meadowbank and Canadian Malartic mines are denominated primarily in Canadian dollars, production costs at the Kittila mine are denominated primarily in Euros and production costs at the Pinos Altos mine, the Creston Mascota deposit at Pinos Altos and the La India mine are denominated primarily in Mexican pesos, the Canadian dollar/US dollar, Euro/US dollar and Mexican peso/US dollar exchange rates also affect the Company's expectations for the total cash costs per ounce of gold produced both on a by-product and co-product basis.

The table below sets out the metal price and exchange rate assumptions used in deriving the expected 2017 total cash costs per ounce of gold produced on a by-product basis (forecasted production for each metal is shown in the table above) as well as the actual market average closing prices for each variable for the period of January 1, 2017 through February 28, 2017:

	2017 Assumptions	Actual Market Average (January 1, 2017 – February 28, 2017)
Silver (per ounce)	$16.00	$17.33
Zinc (per tonne)	$2,425	$2,779
Copper (per tonne)	$5,500	$5,837
Diesel (C$ per litre)	$0.80	$0.72
C$/US$ exchange rate (C$)	$1.28	$1.32
Euro/US$ exchange rate (Euros)	€0.91	€0.94
Mexican peso/US$ exchange rate (Mexican pesos)	18.00	20.92

See *Risk Profile – Commodity Prices and Foreign Currencies* in this MD&A for the expected impact on forecast 2017 total cash costs per ounce of gold produced on a by-product basis of certain changes in commodity price and exchange rate assumptions.

Exploration and Corporate Development Expenditures

In 2017, Agnico Eagle expects to incur exploration and corporate development expenses of approximately $103.2 million. Exploration expenses are expected to be focused on the Amaruq project in Nunavut, the LaRonde 3 deep deposit, the Barsele project in Sweden, the Sisar zone at the Kittila mine in Finland, satellite targets at the Pinos Altos and La India mines in Mexico and the El Barqueno project in Jalisco State, Mexico. At the Amaruq project, the first phase of a planned 75,000 metre drill program (costing approximately $21.9 million) commenced in early February 2017. Agnico Eagle's expected exploration program at the El Barqueno project in 2017 of approximately $16.8 million will focus on mineral resource development, conversion and regional exploration. At Barsele, $8.8 million will be spent with a focus to expand the mineral resources along strike and at depth and to test the gap between the Central and Avan zones. At Kittila, approximately $7.9 million will be spent on further deep drilling, including at the Sisar zone.

Exploration programs are designed to infill and expand known deposits and test other favourable target areas that could ultimately supplement the Company's existing production profile. Exploration is success driven and thus planned exploration could change materially based on the results of the various exploration programs. When it is determined that a project can generate future economic benefit, the costs of drilling and development to further delineate the ore body on such a property are capitalized. In 2017, the Company expects to capitalize approximately $21.7 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 be between $95.0 million and $115.0 million in 2017 compared with $102.8 million in 2016. Amortization of property, plant and mine development is expected to be between $590.0 million and $620.0 million in 2017 compared with $613.2 million in 2016. The Company's effective tax rate is expected to be between 40.0% and 45.0% in 2017.

Capital Expenditures

Capital expenditures, including sustaining capital, construction and development costs and capitalized exploration costs, are expected to total approximately $859.4 million in 2017. The Company expects to fund its 2017 capital expenditures through

operating cash flow from the sale of its gold production and the associated by-product metals. Significant components of the expected 2017 capital expenditures program include the following:

- $284.4 million in sustaining capital expenditures relating to the LaRonde mine ($67.7 million), Canadian Malartic mine ($65.9 million – portion attributable to the Company), Kittila mine ($52.7 million), Pinos Altos mine ($48.4 million), Meadowbank mine ($20.3 million), Goldex mine ($17.0 million), La India mine ($6.9 million) and the Creston Mascota deposit at Pinos Altos ($5.5 million);
- $553.3 million in capitalized development expenditures relating to the Meliadine mine project ($355.8 million), Amaruq ($73.1 million), Goldex mine ($55.8 million), LaRonde Zone 5 ($35.0 million), Kittila mine ($24.1 million), Pinos Altos mine ($5.8 million) and the Canadian Malartic mine ($1.7 million – portion attributable to the Company); and
- $21.7 million in capitalized drilling expenditures.

During the 2017 year, a significant portion of Company's capital commitments will relate to the construction of the Meliadine mine project. The Meliadine mine project's forecast $355.8 million in development expenditures represent approximately 60.7% of the $553.3 million total. The Meliadine mine project will also have an estimated $3.9 million in capitalized drilling expenditures. The key elements of the $359.7 million program include:

- 5,600 metres of underground development (including the start of a second ramp portal);
- Approximately 12,500 metres of conversion drilling and 14,000 metres of underground delineation drilling;
- Completion of the camp complex in the second quarter of 2017;
- Installation of underground ventilation and heating infrastructure by the fourth quarter of 2017;
- Completion of the fuel farm in Rankin Inlet and at the mine site in the fourth quarter of 2017;
- Closing in of the process and power plant buildings by the end of 2017; and
- Construction of second ramp portal in the second to fourth quarters of 2017.

The Company continues to examine other possible corporate development opportunities which may result in the acquisition of companies or assets using the Company's 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 payment requirements.

All-in Sustaining Costs per Ounce of Gold Produced

All-in sustaining costs per ounce of gold produced is calculated on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). All-in sustaining costs per ounce of gold produced on a by-product basis is calculated as the aggregate of total cash costs per ounce of gold produced on a by-product basis and sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and non-cash reclamation provision expense per ounce of gold produced. All-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as all-in sustaining costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made to total cash costs per ounce of gold produced. The calculation of all-in sustaining costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

Agnico Eagle's all-in sustaining costs per ounce of gold produced on a by-product basis are expected to be approximately $850 to $900 in 2017 compared with $824 in 2016.

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 attempts to mitigate 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.

Commodity Prices and Foreign Currencies

Agnico Eagle's net income is sensitive to metal prices and the Canadian dollar/US dollar, Mexican peso/US dollar and Euro/US dollar exchange rates. For the purpose of the sensitivity analyses set out in the table below, the Company applied the following metal price and exchange rate assumptions for 2017:

- Silver – $16.00 per ounce;
- Zinc – $2,425 per tonne;
- Copper – $5,500 per tonne;
- Diesel – C$0.80 per litre;
- Canadian dollar/US dollar – C$1.28 per $1.00;
- Euro/US dollar – €0.91 per $1.00; and
- Mexican peso/US dollar – 18.00 Mexican pesos per $1.00.

Changes in the market price of gold may 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 may be attributed to factors such as demand and global mine production levels. Changes in the market price of diesel may be attributed to factors such as supply and demand. Changes in exchange rates may be attributed to factors such as supply and demand for currencies and economic conditions in each country or currency area. In 2016, the ranges of metal prices, diesel prices and exchange rates were as follows:

- Silver: $13.75 – $21.14 per ounce, averaging $17.11 per ounce;
- Zinc: $1,451 – $2,907 per tonne, averaging $2,094 per tonne;
- Copper: $4,310 – $5,945 per tonne, averaging $4,867 per tonne;
- Diesel: C$0.56 – C$0.77 per litre, averaging C$0.67 per litre;
- Canadian dollar/US dollar: C$1.25 – C$1.47 per $1.00, averaging C$1.32 per $1.00;
- Euro/US dollar: €0.86 – €0.97 per $1.00, averaging €0.90 per $1.00; and
- Mexican peso/US dollar: 17.05 – 21.39 Mexican pesos per $1.00, averaging 18.69 Mexican pesos per $1.00.

The following table sets out the impact on forecasted 2017 total cash costs per ounce of gold produced on a by-product basis of specifically identified changes in assumed metal prices, the diesel price and exchange rates. Specifically identified changes in each variable were considered in isolation while holding all other assumptions constant. Based on historical market data and the 2016 price ranges shown above, these specifically identified changes in assumed metal prices and exchange rates are reasonably likely in 2017.

Changes in Variable	Impact on Forecasted 2017 Total Cash Costs per Ounce of Gold Produced (By-Product Basis)
Silver – $1 per ounce	$3
Zinc – 10%	$1
Copper – 10%	$2
Diesel – 10%	$3
Canadian dollar/US dollar – 1%	$4
Euro/US dollar – 1%	$1
Mexican peso/US dollar – 10%	$5

In order to mitigate the impact of fluctuating by-product metal prices, the Company occasionally enters into derivative financial instrument contracts under its Board-approved Risk Management Policies and Procedures. The Company has a long-standing policy of no forward gold sales. However, the policy does allow the Company to use other hedging strategies where appropriate to mitigate foreign exchange and by-product metal pricing risks. The Company occasionally buys put options, enters into price collars and enters into forward contracts to protect minimum by-product 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 realized by-product 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 its Board-approved Foreign Exchange Risk Management Policies and Procedures 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 financial instrument strategy includes the use of purchased puts, sold calls, collars and forwards that are not held for speculative purposes.

Cost Inputs

The Company 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, 2016, there were no amounts outstanding on the Company's 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, 2016, short-term investments were $8.4 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 fluctuations in by-product metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain 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.

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 financial instruments, please see *Critical IFRS Accounting Policies and Accounting Estimates – Derivative Instruments and Hedge Accounting* in this MD&A.

Operational Risk

The business of gold mining is generally subject to risks and hazards, including environmental hazards, industrial accidents, equipment failures, 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 these or similar types of 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 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 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 premium costs or other reasons. The Company also 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 Meadowbank, LaRonde and Canadian Malartic mines were the Company's most significant payable gold production contributors in 2016 at 18.8%, 18.4% and 17.6% respectively. These mines are expected to account for 60.2% of the Company's payable gold production in 2017.

The following table sets out expected 2017 payable gold production by mine:

	Expected Payable Gold Production (Ounces)	Expected Payable Gold Production (%)
LaRonde mine	315,000	20.3%
Lapa mine	15,000	1.0%
Goldex mine	105,000	6.8%
Meadowbank mine	320,000	20.6%
Canadian Malartic mine (attributable 50.0%)	300,000	19.3%
Kittila mine	190,000	12.2%
Pinos Altos mine	170,000	10.9%
Creston Mascota deposit at Pinos Altos	40,000	2.6%
La India mine	100,000	6.3%
Total	1,555,000	100.0%

Mining is a complex and unpredictable business and, therefore, actual payable gold production may differ from expectations. 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 may not achieve expected payable gold production 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 affected by unfavorable weather conditions, ground conditions or seismic activity, lower than expected ore grades, higher than expected dilution, electrical power interruptions, the physical or metallurgical characteristics of the ore and heap leach processing resulting 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 2014, gold production was negatively affected by ten days of downtime resulting from a production hoist drive failure at LaRonde. In 2015, gold production was negatively affected by lower than expected grades at Kittila and a decision during the year to extend the Vault pit at Meadowbank resulting in lower than expected 2015 production. Occurrences of this nature and other accidents, adverse conditions, operational problems or regulatory circumstances in future years may result in the Company's failure to achieve current or future production expectations.

The Company believes that the LaRonde mine extension is the deepest operation in the Western Hemisphere, with an expected maximum depth of over 3 kilometres. The operations of the LaRonde mine extension rely on 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 historic operations at the LaRonde mine. The depth of the operations poses significant challenges to the Company, such as geomechanical and seismic risks and ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives. Operations at the lower level of the LaRonde mine are subject to high levels of geomechanical stress and there are few resources available to assist the Company in modelling the geomechanical conditions at these depths, which may result in the Company not being able to extract the ore at these levels as currently contemplated. In 2014, ten days of downtime resulting from a production hoist drive failure resulted in annual production at LaRonde being approximately 10,000 ounces below the Company's expectations. 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 Company's stated mineral reserves and mineral resources 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 expected 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 by-product 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 by-product 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 reserves and 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 mines in Mexico. These operations are exposed to various levels of political, economic and other risks and uncertainties that are different from those encountered at the Company's Canadian properties. These risks and uncertainties vary from country to country and may include: extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; risks of war or civil unrest; expropriation and nationalization;

renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; restrictions on foreign exchange and repatriation; hostage taking; security issues; 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, which is the Company's largest mine in terms of production, is located in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. In addition, the Amaruq property, located 50 kilometres northwest of the Meadowbank mine, has been approved as a satellite operation to the Meadowbank mine (pending receipt of required permits). The Company built a 110-kilometre all-weather road from Baker Lake, which provides summer shipping access via Hudson Bay to the Meadowbank mine and the Company is building an all-weather road between Meadowbank and the Amaruq property. However, 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, including the exploration and potential development of the Amaruq deposit, 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 or development of the Amaruq deposit at Meadowbank. 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.

The Company's Meliadine project, located 290 kilometres southeast of the Meadowbank mine, is also located in the Kivalliq District of Nunavut, approximately 25 kilometres northwest of the hamlet of Rankin Inlet on the west coast of Hudson Bay. Most of the materials that the Company requires for mine development must be transported through the port of Rankin Inlet during its approximately 14-week shipping season. If the Company cannot identify and procure suitable equipment and materials within a timeframe that permits transporting them to the project within this shipping season, it could result in delays and/or cost increases in the construction or development on the property.

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. Regulatory enforcement, in the form of compliance or infraction notices, has occurred at some of the Company's mines and, while the current risks related to such enforcement are not expected to be material, the risk of fines or corrective action cannot be ruled out in the future.

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").

ICFR is a framework designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has used the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 ("COSO") in order to assess the effectiveness of the Company's ICFR.

DC&P form a broader framework designed to provide reasonable assurance that information required to be disclosed by the Company in its annual and interim filings and other reports filed under securities legislation is recorded, processed, summarized and reported within the time frame specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Together, the ICFR and DC&P frameworks provide internal control over financial reporting and disclosure. The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be disclosed in the Company's annual and interim filings and other reports filed under securities legislation, is accumulated and communicated in a timely fashion. Due to their inherent limitations, the Company acknowledges that, no matter how well designed, ICFR and DC&P can provide only reasonable assurance of achieving the desired control objectives and as such may not prevent or detect all misstatements. Further, the effectiveness of ICFR is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

The Company has retrospectively reviewed and evaluated the effectiveness of the design and operation of its controls and procedures related to the impairment testing of its long-lived assets (specifically, property, plant & mine development and goodwill) and has concluded it had not maintained effective internal control over financial reporting as of December 31, 2015. Specifically, a control employed by the Company in its review and evaluation of certain assumptions employed in determining the recoverable amount of cash generating units subject to impairment testing was not designed with sufficient precision to prevent or detect a potential material error in the Company's financial information. This resulted in a reasonable possibility that a material misstatement in the Company's consolidated financial statements related to impairment testing on long-lived assets would not have been prevented or detected on a timely basis.

Therefore, management has concluded that a previously unreported material weakness existed in this review control as of December 31, 2015. A material weakness is a deficiency, or combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified did not result in any identified misstatement or error in the Company's consolidated financial statements as at and for the year ended December 31, 2015 and there were no changes in the Company's previously released financial statements. The Company advises that because of the material weakness, its ICFR and DC&P were ineffective as of December 31, 2015 and continued to be ineffective until the material weakness was remediated as described below.

In order to address the material weakness identified as of December 31, 2015, the controls related to impairment testing of long-lived assets have been re-designed for the 2016 year-end impairment process, and additional controls have been introduced, to increase the precision level of the review of key assumptions to prevent or detect error. A material weakness is not considered remediated until the applicable remedial controls operate for a sufficient period of time. The controls relating to impairment testing were tested as of December 31, 2016 and management has concluded, through this testing, that these controls are operating effectively. Based on these efforts, the identified material weakness relating to internal controls over impairment testing of long-lived assets has been remediated.

The changes implemented have not materially affected, and are not reasonably likely to materially affect, the Company's ICFR in other respects. 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, 2016. Based on this evaluation, management concluded that the Company's corrected ICFR and DC&P were effective as at December 31, 2016.

Outstanding Securities

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at March 13, 2017 were exercised:

Common shares outstanding at March 13, 2017	224,932,981
Employee stock options	7,050,128
Common shares held in a trust in connection with the Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan	949,422
Total	232,932,531

Governance

Agnico Eagle's Sustainable Development Policy, revised by the Board of Directors in 2016, formally outlines the guiding principles and commitments that the Company strives to uphold. The Sustainable Development Policy is based on four

fundamental values of sustainable development at Agnico Eagle: respect for the Company's employees; protection of the environment; safe operations; and respect for the Company's communities.

Sustainable Development Management

In 2016, the Company continued the process of incorporating health, safety and environmental 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. This integration began in 2012 with the adoption of an integrated Health, Safety, Environment and Social Acceptability Policy (the "Sustainable Development Policy") that reflects the Company's commitment to responsible mining practices. The Company believes that the Sustainable Development Policy will lead to the achievement of more sustainable practices through oversight and accountability.

The Sustainable Development Policy operates through the development and implementation of a formal and integrated Health, Safety and Environmental Management System, termed the Responsible Mining Management System (the "RMMS"), across all divisions of the Company. The Partnership has committed to implementing the RMMS at Canadian Malartic in the future. The aim of the RMMS is to promote a culture of accountability and leadership in managing health, safety, environmental and social acceptability matters. RMMS implementation is supported by software widely used in the Canadian mining industry that is consistent with the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety Management System.

The RMMS incorporates the Company's commitments as a signatory to the Cyanide Code, a voluntary program that addresses the safe production, transport, storage, handling and disposal of cyanide. The Company became a signatory to the Cyanide Code in September 2011.

The RMMS also integrates 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, the Company 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.

The Company has adopted and implemented the World Gold Council's Conflict-Free Gold Standard. This implementation was initiated on January 1, 2013.

Employee Health and Safety

The Company's overall health and safety performance, as measured by accident frequency, improved during 2016. A combined lost-time and restricted work accident frequency rate (excluding the Canadian Malartic mine) of 1.04 was achieved, a 15% reduction from the 2015 rate of 1.23 and substantially below the target rate of 1.40. This is the best combined accident frequency rate ever recorded by the Company. Extensive health and safety training was also provided to employees during 2016.

One of the measures implemented by the Company to improve safety performance is the workplace safety card system. This system was implemented across all of the Company's operations, in Canada and abroad, to strengthen the risk-based training program. Developed by the Quebec Mining Association (the "AMQ"), 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 2016, the AMQ acknowledged the Company's strong performance in the area of health and safety, recognizing 28 of the Company's supervisors from the LaRonde, Lapa and Goldex mines for keeping their workers safe. The supervisors received AMQ security trophy awards for 50,000 or more hours supervised without a lost-time accident. Together, this group of 28 supervisors achieved more than 2,000,000 hours supervised without a lost-time accident for a member of their crew.

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 2014, the

corporate crisis management plan was updated to align with industry best practices and the TSM Initiative requirements. Emergency response simulations were also performed at all divisions. The TSM Initiative also contains a Health and Safety protocol.

The Canadian Malartic mine's combined accident frequency rate in 2016 was 1.4, compared to an objective of 1.2, and compared to the 2015 rate of 1.28.

Community

The Company's goal, at each of its operations worldwide, is to hire as much of its workforce as possible, including management teams, directly from the local region in which the operation is located. In 2016, the overall company average for local hiring was 76%. The Company believes that providing employment is one of the most significant contributions it can make to the communities in which it operates.

The Company continued its efforts in community development agreements in Nunavut. In 2015, the Meadowbank IIBA was renewed and the Meliadine IIBA was signed. In 2016, the Company continued its dialogue with First Nations in the Abitibi region. The Partnership has entered into negotiations with First Nations around the Kirkland Lake project and has also initiated a dialogue with First Nations in the Abitibi region.

The Canadian Malartic mine continued its contribution to the economic development fund (FEMO) which was established prior to mine development to diversify the local economy throughout the mine life so that the town of Malartic is well equipped to face the eventual mine closure. The Canadian Malartic mine has also participated in forums initiated by the town council on the future of the town of Malartic. Approximately 98% of the hiring in 2016 at the Canadian Malartic mine was from the local area.

In 2016, the Company continued its support of the Kivalliq Mine Training Society and for the unique upward mobility training program for Inuit employees developed at Meadowbank. This program provides training and career path opportunities for Inuit with limited education and work experience in the area of heavy equipment operations, mill operations and site services. Skills acquired through the program are easily transferable to other sectors of the Nunavut economy.

For the eighth 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 Mexico). This certification recognizes the excellence of the social responsibility practices at the Pinos Altos mine.

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

The Company's exploration activities and mining and processing operations are subject to the federal, state, provincial, territorial, regional and local environmental laws and regulations in the jurisdictions in which the Company's activities and facilities are located. These include requirements for planning and implementing the closure and reclamation of mining properties and related financial assurance. Each mine is subject to environmental assessment and permitting processes during development and, in operation, has an environmental management system consistent with ISO 140001 as well as an internal audit program. The Company works closely with regulatory authorities in each jurisdiction where it operates to ensure ongoing compliance.

The Company has reported greenhouse gas emissions and climate change risk factors annually to the Carbon Disclosure Project since 2007.

In 2015, Environment Canada charged the Company with two infractions under the *Fisheries Act* in relation to a seepage incident at the Meadowbank mine that was identified during a July 2013 on-site inspection. Monitoring data indicated that the 2013 seepage event did not affect the water quality of the downstream Second Portage Lake. Discussions are underway to attempt to resolve the matter but, if unsuccessful, a trial would not likely occur until 2018.

In 2016, the Canadian Malartic mine received one non-compliance blast notice and 12 non-compliance noise notices (which includes notices received in instances where noise levels were otherwise within the municipal noise limits), a decrease from the 25 infractions received in 2015. The mine's team of on-site environmental experts continue to monitor regulatory

compliance in terms of approvals, permits and observance of directives and requirements and continue to implement improvement measures.

Critical IFRS Accounting Policies and Accounting Estimates

Agnico Eagle's significant IFRS accounting policies are disclosed in the Summary of Significant Accounting Policies note to the consolidated financial statements.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. 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. Although the Company evaluates its accounting estimates periodically, 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.

Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments (primarily option and forward contracts) to manage exposure to fluctuations in by-product metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs. The Company 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 and comprehensive income or in equity as a component of accumulated other comprehensive income, 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 at each reporting period. Realized gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Goodwill

Goodwill is recognized in a business combination if the cost of the acquisition exceeds the fair values of the identifiable net assets acquired. Goodwill is then allocated to the cash generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, the Company assesses for indicators of impairment at each reporting period end and, if an indicator of impairment is identified, goodwill is tested for impairment at that time. If the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount, an impairment loss is recognized. Goodwill impairment losses are not reversed.

The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal.

Mining Properties, Plant and Equipment and Mine Development Costs

Mining properties, plant and equipment and mine development costs are recorded at cost, less accumulated amortization and accumulated impairment losses.

Mining Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing 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 commercial production commences, 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. Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category of plant and equipment.

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the end of the construction period. Amortization is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of property, plant and equipment are based on estimated mine lives as determined by proven and probable mineral reserves. Remaining mine lives at December 31, 2016 range from 1 to 18 years.

Mine Development Costs

Mine development costs incurred after the commencement of production are capitalized when they are expected to have a future economic benefit. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors which enable the Company to extract ore underground.

The Company records amortization on underground mine development costs on a units-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the identified component of the ore body. The units-of-production method defines the denominator as the total tonnage of proven and probable mineral reserves.

Deferred Stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and

- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Borrowing Costs

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Company are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest rate method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding. The interest element of the lease is charged to the consolidated statement of income as a finance cost. An asset leased under a finance lease is amortized over the shorter of the lease term and its useful life.

All other leases are recognized as operating leases. Operating lease payments are recognized as an operating expense in the consolidated statements of income on a straight-line basis over the lease term.

Development Stage Expenditures

Development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined. Costs that are directly attributable to mine development are capitalized as property, plant and mine development to the extent that they are necessary to bring the property to commercial production.

Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- Completion of a reasonable period of testing mine plant and equipment;
- Ability to produce minerals in saleable form (within specifications); and
- Ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant and mine development and open-pit stripping activities.

Impairment of Long-lived Assets

At the end of each reporting period the Company assesses whether there is any indication that long-lived assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. The impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts.

Any impairment charge that is taken on a long-lived asset except goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, a recovery should be recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. Impairments and subsequent reversals are recorded in the consolidated statement of income in the period in which they occur.

Reclamation Provisions

Asset retirement obligations ("AROs") arise from the acquisition, development and construction 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 Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company's best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and mine development. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in financing costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of income.

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.

Each reporting period, provisions for AROs are re-measured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of income.

Environmental remediation liabilities ("ERLs") are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive 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. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, 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 value of the ERL. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of income. Upon settlement of an

ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERL in the consolidated statements of income.

Stock-based Compensation

The Company offers equity-settled awards (the employee stock option plan, incentive share purchase plan, restricted share unit plan and performance share unit plan) to certain employees, officers and directors of the Company.

Employee Stock Option Plan ("ESOP")

The Company's ESOP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. 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 and comprehensive income 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 cost is recorded over the vesting period of the award to the same expense category of the award recipient's payroll costs and the corresponding entry is recorded in equity. Equity-settled awards are not re-measured subsequent to the initial grant date. The dilutive impact of stock option grants is factored into the Company's reported diluted net income per share. The stock option expense incorporates an expected forfeiture rate, estimated based on expected employee turnover.

Incentive Share Purchase Plan ("ISPP")

Under the ISPP, directors (excluding non-executive directors), officers and employees (the participants) of the Company may contribute up to 10.0% of their basic annual salaries and the Company contributes an amount equal to 50.0% of each participant's contribution. All common shares subscribed for under the ISPP are issued by the Company.

The Company records an expense equal to its cash contribution to the ISPP. No forfeiture rate is applied to the amounts accrued. Where an employee leaves prior to the vesting date, any accrual for contributions by the Company during the vesting period related to that employee is reversed.

Restricted Share Unit ("RSU") Plan

The RSU plan is open to directors and certain employees, including senior executives, of the Company. Common shares are purchased and held in a trust until they have vested. The cost is recorded over the vesting period of the award to the same expense category as the award recipient's payroll costs. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Performance Share Unit ("PSU") Plan

The PSU plan is open to senior executives of the Company. Common shares are purchased and held in a trust until they have vested. PSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the PSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of PSUs estimated to vest.

Revenue Recognition

Revenue from mining operations consists of gold revenues, net of smelting, refining, transportation and other marketing charges. Revenues from by-product metal sales are shown net of smelter charges as part of revenues from mining operations.

Revenue from the sale of gold and silver is recognized when the following conditions have been met:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 of 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 the risks and rewards of ownership of the 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.

Income Taxes

Current and deferred tax expenses are recognized in the consolidated statements of income except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current tax expense is based on substantively enacted statutory tax rates and laws at the consolidated balance sheet date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of such assets and liabilities measured using tax rates and laws that are substantively enacted at the consolidated balance sheet date and effective for the reporting period when the temporary differences are expected to reverse.

Deferred taxes are not recognized in the following circumstances:

- Where a deferred tax liability arises from the initial recognition of goodwill;
- Where a deferred tax asset or liability arises on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither net income or taxable profits; and
- For temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses and tax credits carried forward and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized except as noted above.

At each reporting period, previously unrecognized deferred tax assets are reassessed to determine whether it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Recently Issued Accounting Pronouncements

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date.

During 2016, the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Company in the future. Overall, there is no significant impact expected on the balance sheet or statement of equity from the adoption of IFRS 9.

Classification and measurement

The only change in IFRS 9 in respect of the classification of financial liabilities is that for those designated at fair value through profit or loss ("FVTPL"), fair value changes attributable to the Company's own credit risk are presented in OCI. IFRS 9 introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories:

- Debt instruments at amortized cost;
- Debt instruments at fair value through OCI ("FVOCI") with cumulative gains and losses reclassified to profit or loss upon derecognition;
- Debt instruments, derivatives and equity instruments at FVTPL; and
- Equity instruments designated at FVOCI with no recycling of gains and losses upon derecognition.

The Company is still evaluating its different financial assets to ensure appropriate classification under IFRS 9.

Impairment

The new impairment requirements are based on a forward-looking expected credit loss model. The model applies to debt instruments measured at amortized cost or at FVOCI, as well as lease receivables, trade receivables, contracts assets (as defined in IFRS 15), and loan commitments and financial guarantee contracts that are not at fair value through profit or loss. The Company does not hold significant amounts of these types of financial assets and therefore does not expect these changes to have a significant impact.

Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact as the Company does not currently apply hedge accounting.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company plans to adopt the new standard (including the clarifications issued by the IASB in April 2016) on the required effective date. During 2016, the Company commenced its preliminary assessment of IFRS 15 and some of the key issues it has identified, and its initial views and perspectives, are set out below. These are based on the work completed to date and the Company's current interpretation of IFRS 15 and may be subject to changes as more detailed analysis is completed and as interpretations evolve more generally. Furthermore, the Company is considering and will continue to monitor any further development. To date, the following issues set out immediately below were identified by the Company as requiring consideration.

Provisionally priced sales

Some of the Company's sales of metal in concentrate contain provisional pricing features. Under IAS 18, revenue is recognized under these contracts based on forward prices at the time of delivery, which is when the risks and rewards of ownership of the concentrate pass to the 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 is currently evaluating the accounting treatment of these contracts under IFRS 15. The impact is expected to be immaterial. In 2016, revenue from concentrate sales contracts was approximately 0.7% of total revenue.

Other presentation and disclosure requirements

IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016, the Company started to consider the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases which brings most leases on-balance sheet for lessees by eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17 – Leases and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements.The Company plans to adopt the new standard on the required effective date.

Mineral Reserve Data

The scientific and technical information set out in this MD&A has been approved by the following "qualified persons" as defined under the CSA's National Instrument 43-101 Standards of Disclosure for Mineral Properties: mineral reserves and mineral resources (other than for the Canadian Malartic mine) – Daniel Doucet, Eng., Senior Corporate Director, Reserve Development; mineral reserves and mineral resources (for the Canadian Malartic mine) – Donald Gervais, P.Geo., Director of Technical Services at Canadian Malartic Corporation and Sylvie Lampron, Eng., Principal Engineer at Canadian Malartic Corporation; Quebec operations – Christian Provencher, Eng., Vice-President, Canada; Nunavut operations – Dominique Girard, Eng., Vice-President, Nunavut Operations; Kittila operations – Francis Brunet, Eng., Corporate Director, Mining; Southern Business operations – Carol Plummer, Eng., Vice-President, Project Development, Southern Business; environmental – Louise Grondin P.Eng., Senior Vice-President, Environment, Sustainable Development and People; metallurgy – Paul Cousin, Eng., Vice-President, Metallurgy; and Exploration – Guy Gosselin, Eng., Vice-President, Exploration. The Company's mineral reserves estimate was derived from internally generated data or geology reports.

The assumptions used for the mineral reserve estimates at all mines and projects reported in this MD&A (except the Canadian Malartic mine, the Meliadine mine project and the Upper Beaver project) as at December 31, 2016 are $1,150 per ounce gold, $16.50 per ounce silver, $0.95 per pound zinc and $2.15 per pound copper. Foreign exchange rates assumptions of C$1.20 per US$1.00, €0.91 per US$1.00 and 16.00 Mexican pesos per US$1.00 were used for all mines and projects other than the Lapa and Meadowbank mines in Canada, the Creston Mascota deposit at Pinos Altos, and Santo Nino pit at the Pinos Altos mine in Mexico, which used foreign exchange rates assumptions of C$1.30 per US$1.00 and 16.00 Mexican pesos per US$1.00 (other assumptions unchanged) due to their shorter remaining mine lives.

At the Meliadine mine project, the assumptions remained the same as at December 2015, which were $1,100 per ounce gold and a foreign exchange rate of C$1.16 per US$1.00.

The Canadian Malartic General Partnership (the "Partnership"), owned by Agnico Eagle (50%) and Yamana Gold Inc. ("Yamana") (50%), which owns and operates the Canadian Malartic mine, and the Canadian Malartic Corporation ("CMC"), owned by Agnico Eagle (50%) and Yamana (50%), which owns and manages the Upper Beaver project in Kirkland Lake, have estimated the December 2016 mineral reserves of the Canadian Malartic mine and the Upper Beaver project using the following assumptions: $1,200 per ounce gold and $2.75 per pound copper; a cut-off grade at the Canadian Malartic mine

between 0.33 g/t and 0.37 g/t gold (depending on the deposit); a C$125/tonne net smelter return (NSR) for the Upper Beaver project; and an foreign exchange rate of C$1.25 per US$1.00.

Proven and Probable Mineral Reserves by Property[(i)]	**Tonnes**	**Gold Grade (Grams per Tonne)**	**Contained Gold (Ounces)**[(ii)]
	(thousands)		*(thousands)*
Proven Mineral Reserves			
LaRonde mine (not including Zone 5)	5,833	4.91	921
LaRonde Zone 5	2,836	2.12	194
Lapa mine	259	4.58	38
Goldex mine	294	1.47	14
Meadowbank mine	1,704	1.75	96
Canadian Malartic mine (attributable 50.0%)	25,560	0.95	785
Meliadine mine project	34	7.31	8
Kittila mine	1,148	4.19	155
Pinos Altos mine	3,512	2.69	304
Creston Mascota deposit at Pinos Altos	65	0.94	2
La India mine	213	0.61	4
Total Proven Mineral Reserves	41,458	1.89	2,520
Probable Mineral Reserves			
LaRonde mine (not including Zone 5)	11,758	5.64	2,132
LaRonde Zone 5	3,429	2.08	230
Goldex mine	16,507	1.64	872
Akasaba project	4,942	0.89	142
Meadowbank mine	6,515	2.94	615
Canadian Malartic mine (attributable 50.0%)	76,274	1.13	2,764
Meliadine mine project	14,495	7.32	3,410
Upper Beaver project	3,996	5.43	698
Kittila mine	28,907	4.65	4,325
Pinos Altos mine	13,889	2.51	1,120
Creston Mascota deposit at Pinos Altos	2,426	1.29	100
La India mine	43,756	0.72	1,016
Total Probable Mineral Reserves	226,895	2.39	17,423
Total Proven and Probable Mineral Reserves	268,353	2.31	19,943

Notes:

(i) Complete information on the verification procedures, quality assurance program, quality control procedures, expected payback period of capital, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A and definitions of certain terms used herein may be found in: the AIF under the heading "Information on Mineral Reserves and Mineral Resources of the Company"; the Technical Report on 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, Cadillac Township, Quebec, Canada filed with

Canadian securities regulatory authorities on SEDAR on June 8, 2006; the Technical Report on the December 31, 2009, Mineral Resource and Mineral Reserve Estimate and the Suuri Extension Project, Kittila Mine, Finland filed with the Canadian securities regulatory authorities on SEDAR on March 4, 2010; 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 Updated Technical Report on the Meliadine Gold Project, Nunavut, Canada dated February 11, 2015 filed with Canadian securities regulatory authorities on SEDAR on March 12, 2015; 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 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; and the Technical Report on the Mineral Resource and Mineral Reserve Estimates for the Canadian Malartic Property as at June 16, 2014 filed with Canadian securities regulatory authorities on SEDAR on August 13, 2014.

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

Non-GAAP Financial Performance Measures

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

Adjusted Net Income

Adjusted net income is not a recognized measure under IFRS 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 and comprehensive income 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 IFRS.

	2016	2015[i]	2014[i]
	(thousands of United States dollars)		
Net income for the period – basic	$158,824	$ 24,583	$ 82,970
Less: Dilutive impact of CMGP Convertible Debentures[ii]	–	–	(7,345)
Net income for the period – diluted	$158,824	$ 24,583	$ 75,625
Impairment loss on available-for-sale securities	–	12,035	15,763
Gain on sale of available-for-sale securities	(3,500)	(24,600)	(5,635)
Foreign currency translation loss (gain)	13,157	(4,728)	3,781
(Gain) loss on derivative financial instruments	(9,468)	19,608	6,156
Mark-to-market loss (gain) on CMGP Convertible Debentures[iii]	–	2,416	(7,995)
Gain on impairment reversal, net of tax	(81,210)	–	–
Income and mining taxes adjustments[iv]	4,755	24,742	23,323
Other[v]	26,963	19,442	5,832
Adjusted net income for the period – basic	$109,521	$ 73,498	$124,195
Adjusted net income for the period – diluted	$109,521	$ 73,498	$116,850
Net income per share – basic	$ 0.71	$ 0.11	$ 0.43
Net income per share – diluted	$ 0.70	$ 0.11	$ 0.39
Adjusted net income per share – basic	$ 0.49	$ 0.34	$ 0.64
Adjusted net income per share – diluted	$ 0.49	$ 0.34	$ 0.60

Notes:

(i) Beginning in 2016, the Company decided to exclude stock based compensation expense from the calculation of adjusted net income. Adjusted net income for the years ended December 31, 2015 and 2014 have been restated to reflect this change. Stock option expense for the year ended December 31, 2016 was $16.3 million (2015 – $19.5 million; 2014 – $20.1 million).

(ii) In connection with the joint acquisition of Osisko on June 16, 2014, Agnico Eagle indirectly assumed its attributable interest in the senior unsecured convertible debentures previously issued by Osisko and assumed by Canadian Malartic GP (the "CMGP Convertible Debentures"). On June 30, 2015, the negotiated early settlement of all the CMGP Convertible Debentures was completed, resulting in principal outstanding of nil. The impact of the CMGP Convertible Debentures has been included in the calculation of diluted net income, diluted adjusted net income, diluted net income per share and diluted adjusted net income per share where dilutive and has been excluded from the calculation of diluted net income, diluted adjusted net income, diluted net income per share and diluted adjusted net income per share where anti-dilutive. The dilutive impact of the CMGP Convertible Debentures was excluded from the calculation of diluted net income, diluted adjusted net income, diluted net income per share and diluted adjusted net income per share for the year ended December 31, 2015 as their impact would have been anti-dilutive for the portion of the year they were outstanding.

(iii) Where the impact of the CMGP Convertible Debentures is dilutive, the adjustment for mark-to-market loss (gain) on CMGP Convertible Debentures is excluded from the calculation of adjusted net income for the period on a diluted basis as it is already incorporated in the calculation of net income for the period on a diluted basis.

(iv) Income and mining tax adjustments reflect foreign currency translation recorded to the income and mining taxes expense, recognition of previously unrecognized capital losses, the result of income and mining tax audits, impact of tax law changes and reflective adjustments to prior period operating results.

(v) The Company includes certain adjustments in "Other" to the extent that management believes that these items are not reflective of the underlying performance of the Company's core operating business. Examples of items historically included in "Other" include changes in estimates of asset retirement obligations at closed sites, gains and losses on the disposal of assets and other non-recurring items. For the year ended December 31, 2015, the "Other" line item also included adjustments for a catch-up of amortization expense related to the finalization of the acquisition date fair value estimates of depreciable mining properties included in the purchase price allocation of the Company's June 16, 2014 joint acquisition of Osisko; and payments made related to the June 30, 2015 negotiated early settlement of the CMGP Convertible Debentures that were assumed by CMGP in connection with the Company's joint acquisition of Osisko.

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 facilitate period over period comparisons. However, both of these non-GAAP generally accepted industry measures should be considered together with other data prepared in accordance with IFRS. These measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

Total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income (loss) for by-product revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash cost per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs per ounce of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne (discussed below) as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

Agnico Eagle's primary business is gold production and the focus of its current operations and future development is on maximizing returns from gold production, with other metal production being incidental to the gold production process. Accordingly, all metals other than gold are considered by-products.

Total cash costs per ounce of gold produced is reported on a by-product basis because (i) the majority of the Company's revenues are gold revenues, (ii) the Company mines ore, which contains gold, silver, zinc, copper and other metals, (iii) it is not possible to specifically assign all costs to revenues from the gold, silver, zinc, copper and other metals the Company produces, and (iv) it is a method used by management and the Board to monitor operations.

Minesite costs per tonne is calculated by adjusting production costs as shown in the consolidated statements of income and comprehensive income (loss) for inventory production 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 by-product metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations. Management also uses minesite costs per tonne 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 production levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with IFRS.

The following tables set out a reconciliation of total cash costs per ounce of gold produced (on both a by-product basis and co-product basis) and minesite costs per tonne to production costs, exclusive of amortization, as presented in the consolidated statements of income and comprehensive income (loss) in accordance with IFRS.

Total Production Costs by Mine

(thousands of United States dollars)	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
LaRonde mine	$ 179,496	$ 172,283	$ 188,736
Lapa mine	52,974	52,571	61,056
Goldex mine	63,310	61,278	64,836
Meadowbank mine	218,963	230,564	270,824
Canadian Malartic mine(i)	183,635	171,473	113,916
Kittila mine	141,871	126,095	116,893
Pinos Altos mine	114,557	105,175	123,342
Creston Mascota deposit at Pinos Altos	27,341	26,278	28,007
La India mine(ii)	49,745	49,578	36,949
Production costs per the consolidated statements of income and comprehensive income	$1,031,892	$ 995,295	$1,004,559

Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold Produced(iii) by Mine and Reconciliation of Production Costs to Minesite Costs per Tonne(iv) by Mine

(***thousands of United States dollars, except as noted)***

LaRonde Mine Per Ounce of Gold Produced(iii)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		305,788		267,921		204,652
Production costs	$ 179,496	$ 587	$ 172,283	$ 643	$ 188,736	$ 922
Inventory and other adjustments(v)	24,914	81	31,417	117	27,070	133
Cash operating costs (co-product basis)	$ 204,410	$ 668	$ 203,700	$ 760	$ 215,806	$ 1,055
By-product metal revenues	(51,136)	(167)	(45,678)	(170)	(79,015)	(387)
Cash operating costs (by-product basis)	$ 153,274	$ 501	$ 158,022	$ 590	$ 136,791	$ 668

LaRonde Mine Per Tonne(iv)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		2,240		2,241		2,085
Production costs	$ 179,496	$ 80	$ 172,283	$ 77	$ 188,736	$ 91
Production costs (C$)	C$ 237,934	C$ 106	C$ 218,649	C$ 98	C$ 208,222	C$ 100
Inventory and other adjustments (C$)(vi)	(1,447)	–	4,150	1	(1,364)	(1)
Minesite operating costs (C$)	C$ 236,487	C$ 106	C$ 222,799	C$ 99	C$ 206,858	C$ 99

Lapa Mine Per Ounce of Gold Produced[iii]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		73,930		90,967		92,622
Production costs	$ 52,974	$ 717	$ 52,571	$ 578	$ 61,056	$ 659
Inventory and other adjustments[v]	1,173	15	1,161	13	750	8
Cash operating costs (co-product basis)	$ 54,147	$ 732	$ 53,732	$ 591	$ 61,806	$ 667
By-product metal revenues	(28)	–	(62)	(1)	(61)	–
Cash operating costs (by-product basis)	$ 54,119	$ 732	$ 53,670	$ 590	$ 61,745	$ 667

Lapa Mine Per Tonne[iv]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		593		560		639
Production costs	$ 52,974	$ 89	$ 52,571	$ 94	$ 61,056	$ 96
Production costs (C$)	C$ 69,941	C$ 118	C$ 66,396	C$ 119	C$ 67,280	C$ 105
Inventory and other adjustments (C$)[vi]	1,580	3	(710)	(2)	848	2
Minesite operating costs (C$)	C$ 71,521	C$ 121	C$ 65,686	C$ 117	C$ 68,128	C$ 107

Goldex Mine Per Ounce of Gold Produced[iii]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		120,704		115,426		100,433
Production costs	$ 63,310	$ 525	$ 61,278	$ 531	$ 64,836	$ 646
Inventory and other adjustments[v]	912	7	878	7	(720)	(8)
Cash operating costs (co-product basis)	$ 64,222	$ 532	$ 62,156	$ 538	$ 64,116	$ 638
By-product metal revenues	(26)	–	(23)	–	(20)	–
Cash operating costs (by-product basis)	$ 64,196	$ 532	$ 62,133	$ 538	$ 64,096	$ 638

Goldex Mine Per Tonne[iv]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		2,545		2,313		2,117
Production costs	$ 63,310	$ 25	$ 61,278	$ 26	$ 64,836	$ 31
Production costs (C$)	C$ 83,835	C$ 33	C$ 77,589	C$ 34	C$ 71,359	C$ 34
Inventory and other adjustments (C$)[vi]	1,231	–	(1,181)	(1)	(631)	(1)
Minesite operating costs (C$)	C$ 85,066	C$ 33	C$ 76,408	C$ 33	C$ 70,728	C$ 33

Meadowbank Mine Per Ounce of Gold Produced[iii]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		312,214		381,804		452,877
Production costs	$ 218,963	$ 701	$ 230,564	$ 604	$ 270,824	$ 598
Inventory and other adjustments[v]	8,105	26	7,282	19	2,688	6
Cash operating costs (co-product basis)	$ 227,068	$ 727	$ 237,846	$ 623	$ 273,512	$ 604
By-product metal revenues	(3,837)	(12)	(3,665)	(10)	(2,420)	(5)
Cash operating costs (by-product basis)	$ 223,231	$ 715	$ 234,181	$ 613	$ 271,092	$ 599

Meadowbank Mine Per Tonne[iv]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		3,915		4,033		4,129
Production costs	$ 218,963	$ 56	$ 230,564	$ 57	$ 270,824	$ 66
Production costs (C$)	C$ 284,748	C$ 73	C$ 285,023	C$ 71	C$ 295,547	C$ 72
Inventory and other adjustments (C$)[vi]	5,681	1	(4,073)	(1)	5,088	1
Minesite operating costs (C$)	C$ 290,429	C$ 74	C$ 280,950	C$ 70	C$ 300,635	C$ 73

Canadian Malartic Mine Per Ounce of Gold Produced[i][iii]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		292,514		285,809		143,008
Production costs	$ 183,635	$ 628	$ 171,473	$ 600	$ 113,916	$ 797
Inventory and other adjustments[v]	(553)	(2)	3,630	13	(10,862)	(76)
Cash operating costs (co-product basis)	$ 183,082	$ 626	$ 175,103	$ 613	$ 103,054	$ 721
By-product metal revenues	(5,821)	(20)	(4,689)	(17)	(2,771)	(20)
Cash operating costs (by-product basis)	$ 177,261	$ 606	$ 170,414	$ 596	$ 100,283	$ 701

Canadian Malartic Mine Per Tonne[i][iv]	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		9,821		9,545		5,263
Production costs	$ 183,635	$ 19	$ 171,473	$ 18	$ 113,916	$ 22
Production costs (C$)	C$ 244,333	C$ 25	C$ 222,717	C$ 23	C$ 122,933	C$ 23
Inventory and other adjustments (C$)[vi]	(3,399)	–	(3,003)	–	(9,115)	(1)
Minesite operating costs (C$)	C$ 240,934	C$ 25	C$ 219,714	C$ 23	C$ 113,818	C$ 22

Kittila Mine Per Ounce of Gold Produced[iii]	**Year Ended December 31, 2016**		**Year Ended December 31, 2015**		**Year Ended December 31, 2014**	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		202,508		177,374		141,742
Production costs	$ 141,871	$ 701	$ 126,095	$ 711	$ 116,893	$ 825
Inventory and other adjustments[v]	(26)	(1)	(187)	(1)	3,051	21
Cash operating costs (co-product basis)	$ 141,845	$ 700	$ 125,908	$ 710	$ 119,944	$ 846
By-product metal revenues	(200)	(1)	(155)	(1)	(124)	(1)
Cash operating costs (by-product basis)	$ 141,645	$ 699	$ 125,753	$ 709	$ 119,820	$ 845

Kittila Mine Per Tonne[iv]	**Year Ended December 31, 2016**		**Year Ended December 31, 2015**		**Year Ended December 31, 2014**	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		1,667		1,464		1,156
Production costs	$ 141,871	$ 85	$ 126,095	$ 86	$ 116,893	$ 101
Production costs (€)	€ 128,599	€ 77	€ 112,285	€ 77	€ 88,744	€ 77
Inventory and other adjustments (€)[vi]	(505)	–	(956)	(1)	1,243	1
Minesite operating costs (€)	€ 128,094	€ 77	€ 111,329	€ 76	€ 89,987	€ 78

Pinos Altos Mine Per Ounce of Gold Produced[iii]	**Year Ended December 31, 2016**		**Year Ended December 31, 2015**		**Year Ended December 31, 2014**	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		192,772		192,974		171,019
Production costs	$ 114,557	$ 594	$ 105,175	$ 545	$ 123,342	$ 721
Inventory and other adjustments[v]	(1,840)	(9)	6,458	33	(581)	(3)
Cash operating costs (co-product basis)	$ 112,717	$ 585	$ 111,633	$ 578	$ 122,761	$ 718
By-product metal revenues	(44,118)	(229)	(37,030)	(191)	(31,643)	(185)
Cash operating costs (by-product basis)	$ 68,599	$ 356	$ 74,603	$ 387	$ 91,118	$ 533

Pinos Altos Mine Per Tonne[iv]	**Year Ended December 31, 2016**		**Year Ended December 31, 2015**		**Year Ended December 31, 2014**	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		2,260		2,378		2,520
Production costs	$ 114,557	$ 51	$ 105,175	$ 44	$ 123,342	$ 49
Inventory and other adjustments[vi]	(3,698)	(2)	2,481	1	(2,376)	(1)
Minesite operating costs	$ 110,859	$ 49	$ 107,656	$ 45	$ 120,966	$ 48

Creston Mascota deposit at Pinos Altos Per Ounce of Gold Produced(iii)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		47,296		54,703		47,842
Production costs	$ 27,341	$ 578	$ 26,278	$ 480	$ 28,007	$ 585
Inventory and other adjustments(v)	472	10	(328)	(6)	1,232	26
Cash operating costs (co-product basis)	$ 27,813	$ 588	$ 25,950	$ 474	$ 29,239	$ 611
By-product metal revenues	(3,426)	(72)	(2,412)	(44)	(1,574)	(33)
Cash operating costs (by-product basis)	$ 24,387	$ 516	$ 23,538	$ 430	$ 27,665	$ 578

Creston Mascota deposit at Pinos Altos Per Tonne(iv)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		2,119		2,099		1,794
Production costs	$ 27,341	$ 13	$ 26,278	$ 13	$ 28,007	$ 16
Inventory and other adjustments(vi)	(77)	–	(757)	(1)	870	–
Minesite operating costs	$ 27,264	$ 13	$ 25,521	$ 12	$ 28,877	$ 16

La India Mine Per Ounce of Gold Produced(ii)(iii)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)(ii)		115,162		104,362		71,601
Production costs	$ 49,745	$ 432	$ 49,578	$ 475	$ 36,949	$ 516
Inventory and other adjustments(v)	4,189	36	(28)	–	1,172	16
Cash operating costs (co-product basis)	$ 53,934	$ 468	$ 49,550	$ 475	$ 38,121	$ 532
By-product metal revenues	(8,453)	(73)	(4,058)	(39)	(3,230)	(45)
Cash operating costs (by-product basis)	$ 45,481	$ 395	$ 45,492	$ 436	$ 34,891	$ 487

La India Mine Per Tonne(ii)(iv)	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		5,837		5,371		4,442
Production costs	$ 49,745	$ 9	$ 49,578	$ 9	$ 36,949	$ 8
Inventory and other adjustments(vi)	2,909	–	(657)	–	778	–
Minesite operating costs	$ 52,654	$ 9	$ 48,921	$ 9	$ 37,727	$ 8

Notes:

(i) On June 16, 2014, Agnico Eagle and Yamana jointly acquired 100% of Osisko by way of the Osisko Arrangement. As a result of the Osisko Arrangement, Agnico Eagle and Yamana each indirectly own 50% of Osisko (now Canadian Malartic Corporation) and Canadian Malartic GP, which now holds the Canadian Malartic mine. The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine since the date of acquisition.

(ii) The La India mine achieved commercial production on February 1, 2014. The calculation of total cash costs per ounce of gold produced for the year ended December 31, 2014 excludes 3,492 ounces of payable gold production as they were produced prior to the achievement of commercial production.

(iii) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. Total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

(iv) Minesite costs per tonne is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. This measure is calculated by adjusting production costs as shown in the consolidated statements of income and comprehensive income for inventory production costs, and then dividing by tonnes of ore milled. As the total cash costs per ounce of gold produced measure can be affected by fluctuations in by-product 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 IFRS.

(v) Under the Company's revenue recognition policy, revenue is recognized when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, an inventory adjustment is made to reflect the sales margin on the portion of production not yet recognized as revenue. Other adjustments include the addition of smelting, refining and marketing charges to production costs.

(vi) This inventory and other adjustment reflects production costs associated with the portion of production still in inventory.

All-in Sustaining Costs per Ounce of Gold Produced

All-in sustaining costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. The Company believes that this measure provides information about operating performance. However, this non-GAAP measure should be considered together with other data prepared in accordance with IFRS as it is not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

Based on the recommendations of the World Gold Council made in 2013, the Company modified its calculation of all-in sustaining costs per ounce of gold produced beginning in 2014. All-in sustaining costs per ounce of gold produced is presented on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). All-in sustaining costs per ounce of gold produced on a by-product basis is calculated as the aggregate of total cash costs per ounce of gold produced on a by-product basis and sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and non-cash reclamation provision expense per ounce of gold produced. All-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as all-in sustaining costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made to total cash costs per ounce of gold produced. The calculation of all-in sustaining costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

Prior to modifying its calculation of all-in sustaining costs per ounce of gold produced for 2014 based on the recommendations of the World Gold Council, the Company calculated all-in sustaining costs per ounce of gold produced on a by-product basis as the aggregate of total cash costs per ounce of gold produced on a by-product basis and sustaining capital expenditures, general and administrative expenses (net of stock options) and exploration and corporate development expenses (excluding greenfield exploration) per ounce of gold produced. All-in sustaining costs per ounce of gold produced on a co-product basis would have been calculated in the same manner as all-in sustaining costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues, net of smelting, refining and marketing charges would have been made to total cash costs per ounce of gold produced.

Reconciliation of Production Costs to All-in Sustaining Costs per Ounce of Gold Produced

(United States dollars per ounce of gold produced, except where noted)	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**	**Year Ended December 31, 2014**
Production costs per the consolidated statements of income and comprehensive income (thousands of United States dollars)	$1,031,892	$995,295	$1,004,559
Adjusted gold production (ounces)[i]	1,662,888	1,671,340	1,425,796
Production costs per ounce of adjusted gold production[i]	$621	$596	$705
Adjustments:			
Inventory and other adjustments[ii]	22	30	16
Total cash costs per ounce of gold produced (co-product basis)[iii]	$643	$626	$721
By-product metal revenues	(70)	(59)	(84)
Total cash costs per ounce of gold produced (by-product basis)[iii]	$573	$567	$637
Adjustments:			
Sustaining capital expenditures (including capitalized exploration)	187	183	230
General and administrative expenses (including stock options)	62	58	83
Non-cash reclamation provision and other	2	2	4
All-in sustaining costs per ounce of gold produced (by-product basis)	$824	$810	$954
By-product metal revenues	70	59	84
All-in sustaining costs per ounce of gold produced (co-product basis)	$894	$869	$1,038

Notes:

(i) The La India mine achieved commercial production on February 1, 2014. The calculations of total cash costs per ounce of gold produced and all-in sustaining costs per ounce of gold produced for the year ended December 31, 2014 excludes 3,492 ounces of payable gold production as they were produced prior to the achievement of commercial production.

(ii) Under the Company's revenue recognition policy, revenue is recognized 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 production not yet recognized as revenue.

(iii) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. Total cash costs per ounce of gold produced is presented on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS. 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, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total 2016
Operating margin(i):					
Revenues from mining operations	$ 490,531	$ 537,628	$ 610,863	$ 499,210	$2,138,232
Production costs	243,973	255,436	277,371	255,112	1,031,892
Total operating margin(i)	246,558	282,192	333,492	244,098	1,106,340
Operating margin(i) by mine:					
Northern Business					
LaRonde mine	48,055	54,985	61,587	44,058	208,684
Lapa mine	10,806	14,437	10,181	3,762	39,186
Goldex mine	22,184	22,896	27,834	13,506	86,420
Meadowbank mine	33,329	34,733	46,190	50,807	165,060
Canadian Malartic mine(ii)	41,740	50,133	55,981	40,430	188,285
Kittila mine	24,086	22,079	36,714	27,596	110,475
Southern Business					
Pinos Altos mine	35,820	48,392	60,699	34,909	179,820
Creston Mascota deposit at Pinos Altos	8,989	9,719	10,448	6,470	35,626
La India mine	21,549	24,818	23,858	22,560	92,784
Total operating margin(i)	246,558	282,192	333,492	244,098	1,106,340
Gain on impairment reversal	–	–	–	(120,161)	(120,161)
Amortization of property, plant and mine development	145,631	154,658	161,472	151,399	613,160
Exploration, corporate and other	73,730	89,624	84,079	97,447	344,880
Income before income and mining taxes	27,197	37,910	87,941	115,413	268,461
Income and mining taxes (recovery)	(591)	18,920	38,549	52,759	109,637
Net income for the period	$ 27,788	$ 18,990	$ 49,392	$ 62,654	$ 158,824
Net income per share – basic (US$)	$ 0.13	$ 0.09	$ 0.22	$ 0.28	$ 0.71
Net income per share – diluted (US$)	$ 0.13	$ 0.08	$ 0.22	$ 0.28	$ 0.70
Cash flows:					
Cash provided by operating activities	$ 145,704	$ 229,456	$ 282,856	$ 120,601	$ 778,617
Cash used in investing activities	$(107,595)	$(122,651)	$(142,701)	$(180,543)	$ (553,490)
Cash (used in) provided by financing activities	$ (1,588)	$ 199,494	$ 11,840	$ (19,360)	$ 190,386

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total 2016
Realized prices (US$):					
Gold (per ounce)	$ 1,192	$ 1,268	$ 1,332	$ 1,196	$ 1,249
Silver (per ounce)	$ 15.09	$ 17.21	$ 19.52	$ 16.76	$ 17.28
Zinc (per tonne)	$ 1,540	$ 1,852	$ 2,170	$ 2,346	$ 2,047
Copper (per tonne)	$ 4,297	$ 4,714	$ 4,819	$ 5,578	$ 4,827
Payable production(iii):					
Gold (ounces)					
Northern Business					
LaRonde mine	75,337	75,159	71,784	83,508	305,788
Lapa mine	21,709	21,914	16,242	14,065	73,930
Goldex mine	32,340	31,452	32,742	24,170	120,704
Meadowbank mine	72,311	72,402	72,731	94,770	312,214
Canadian Malartic mine(ii)	73,613	72,502	76,428	69,971	292,514
Kittila mine	48,127	46,209	54,835	53,337	202,508
Southern Business					
Pinos Altos mine	48,117	49,458	48,512	46,685	192,772
Creston Mascota deposit at Pinos Altos	11,551	12,398	12,134	11,213	47,296
La India mine	28,231	27,438	30,779	28,714	115,162
Total gold (ounces)	411,336	408,932	416,187	426,433	1,662,888
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	247	266	203	272	988
Lapa mine	3	1	1	–	5
Goldex mine	–	1	–	–	1
Meadowbank mine	43	66	59	53	221
Canadian Malartic mine(ii)	77	86	96	81	340
Kittila mine	3	2	3	4	12
Southern Business					
Pinos Altos mine	587	633	644	641	2,505
Creston Mascota deposit at Pinos Altos	48	50	55	48	201
La India mine	117	105	126	138	486
Total silver (thousands of ounces)	1,125	1,210	1,187	1,237	4,759
Zinc (tonnes)	614	1,318	1,010	1,745	4,687
Copper (tonnes)	1,154	1,141	1,177	944	4,416

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total 2016
Payable metal sold:					
Gold (ounces)					
Northern Business					
LaRonde mine	75,257	72,005	78,096	67,803	293,161
Lapa mine	19,836	22,911	16,851	14,621	74,219
Goldex mine	31,955	30,605	33,275	24,059	119,894
Meadowbank mine	71,589	70,021	78,710	85,318	305,638
Canadian Malartic mine[(ii)(iv)]	65,085	72,259	72,950	67,900	278,194
Kittila mine	50,725	44,580	55,710	51,687	202,702
Southern Business					
Pinos Altos mine	43,224	52,287	60,541	43,410	199,462
Creston Mascota deposit at Pinos Altos	11,845	12,117	12,655	11,695	48,312
La India mine	26,165	27,748	26,050	29,320	109,283
Total gold (ounces)	395,681	404,533	434,838	395,813	1,630,865
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	232	267	225	257	981
Lapa mine	1	–	–	1	2
Goldex mine	–	–	1	–	1
Meadowbank mine	43	66	53	58	222
Canadian Malartic mine[(ii)(iv)]	73	77	87	77	312
Kittila mine	3	2	3	3	11
Southern Business					
Pinos Altos mine	530	647	812	598	2,587
Creston Mascota deposit at Pinos Altos	48	49	38	58	193
La India mine	86	123	91	152	452
Total silver (thousands of ounces)	1,016	1,231	1,310	1,204	4,761
Zinc (tonnes)	605	673	1,374	902	3,554
Copper (tonnes)	1,156	1,164	1,201	1,001	4,522

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Total 2015
Operating margin(i):					
Revenues from mining operations	$ 483,596	$ 510,109	$ 508,795	$ 482,932	$1,985,432
Production costs	247,280	263,612	254,584	229,819	995,295
Total operating margin(i)	236,316	246,497	254,211	253,113	990,137
Operating margin(i) by mine:					
Northern Business					
LaRonde mine	30,015	32,799	32,443	50,667	145,924
Lapa mine	14,687	11,351	13,813	12,363	52,214
Goldex mine	19,253	15,525	20,681	17,108	72,567
Meadowbank mine	46,577	49,600	55,493	64,664	216,334
Canadian Malartic mine(ii)	34,718	44,737	44,293	38,059	161,807
Kittila mine	27,415	16,145	21,528	15,174	80,262
Southern Business					
Pinos Altos mine	34,652	44,538	37,217	29,327	145,734
Creston Mascota deposit at Pinos Altos	8,409	12,968	8,898	9,919	40,194
La India mine	20,590	18,834	19,845	15,832	75,101
Total operating margin(i)	236,316	246,497	254,211	253,113	990,137
Amortization of property, plant and mine development	135,897	157,615	157,968	157,129	608,609
Exploration, corporate and other	43,706	67,973	110,258	76,963	298,900
Income (loss) before income and mining taxes	56,713	20,909	(14,015)	19,021	82,628
Income and mining taxes (recovery)	27,970	10,826	(15,309)	34,558	58,045
Net income (loss) for the period	$ 28,743	$ 10,083	$ 1,294	$ (15,537)	$ 24,583
Net income (loss) per share – basic (US$)	$ 0.13	$ 0.05	$ 0.01	$ (0.07)	$ 0.11
Net income (loss) per share – diluted (US$)	$ 0.13	$ 0.05	$ 0.01	$ (0.07)	$ 0.11
Cash flows:					
Cash provided by operating activities	$ 143,455	$ 188,349	$ 143,687	$ 140,747	$ 616,238
Cash used in investing activities	$ (53,892)	$(104,476)	$(100,365)	$(115,786)	$ (374,519)
Cash (used in) provided by financing activities	$(123,182)	$ (64,514)	$ 7,396	$(100,460)	$ (280,760)

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2015	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**	**Total 2015**
Realized prices (US$):					
Gold (per ounce)	$ 1,202	$ 1,196	$ 1,119	$ 1,094	$ 1,156
Silver (per ounce)	$ 17.02	$ 16.41	$ 14.93	$ 14.56	$ 15.63
Zinc (per tonne)	$ 2,072	$ 2,231	$ 1,909	$ 1,602	$ 1,875
Copper (per tonne)	$ 5,056	$ 6,274	$ 4,538	$ 4,568	$ 5,023
Payable production[iii]:					
Gold (ounces)					
Northern Business					
LaRonde mine	58,893	64,007	71,860	73,161	267,921
Lapa mine	25,920	19,450	25,668	19,929	90,967
Goldex mine	29,250	26,462	32,068	27,646	115,426
Meadowbank mine	88,523	91,276	99,425	102,580	381,804
Canadian Malartic mine[ii]	67,893	68,441	76,603	72,872	285,809
Kittila mine	44,654	41,986	46,455	44,279	177,374
Southern Business					
Pinos Altos mine	50,106	50,647	47,725	44,496	192,974
Creston Mascota deposit at Pinos Altos	12,448	15,606	12,716	13,933	54,703
La India mine	26,523	25,803	28,604	23,432	104,362
Total gold (ounces)	404,210	403,678	441,124	422,328	1,671,340
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	198	201	221	296	916
Meadowbank mine	1	1	1	1	4
Canadian Malartic mine[ii]	96	57	39	29	221
Kittila mine	72	69	76	83	300
Southern Business	2	2	3	4	11
Pinos Altos mine	562	576	606	640	2,384
Creston Mascota deposit at Pinos Altos	32	37	40	50	159
La India mine	69	72	67	55	263
Total silver (thousands of ounces)	1,032	1,015	1,053	1,158	4,258
Zinc (tonnes)	936	827	739	999	3,501
Copper (tonnes)	1,167	1,133	1,306	1,335	4,941

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Total 2015
Payable metal sold:					
Gold (ounces)					
Northern Business					
LaRonde mine	60,943	59,376	69,143	65,067	254,529
Lapa mine	23,497	20,771	23,331	23,278	90,877
Goldex mine	27,907	27,306	33,004	27,875	116,092
Meadowbank mine	84,780	96,870	100,440	103,667	385,757
Canadian Malartic mine(ii)(iv)	59,261	67,522	72,651	71,982	271,416
Kittila mine	48,982	39,385	47,070	43,499	178,936
Southern Business					
Pinos Altos mine	41,433	54,402	49,327	41,418	186,580
Creston Mascota deposit at Pinos Altos	11,399	16,537	12,911	14,997	55,844
La India mine	26,898	23,803	28,983	25,366	105,050
Total gold (ounces)	385,100	405,972	436,860	417,149	1,645,081
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	205	225	220	308	958
Meadowbank mine	98	59	36	32	225
Canadian Malartic mine(ii)(iv)	54	80	53	98	285
Kittila mine	2	2	3	3	10
Southern Business					
Pinos Altos mine	446	616	620	607	2,289
Creston Mascota deposit at Pinos Altos	20	48	39	49	156
La India mine	63	76	66	56	261
Total silver (thousands of ounces)	888	1,106	1,037	1,153	4,184
Zinc (tonnes)	1,264	733	650	949	3,596
Copper (tonnes)	1,160	1,131	1,302	1,354	4,947

Notes:

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

(ii) On June 16, 2014, Agnico Eagle and Yamana jointly acquired 100% of Osisko by way of the Osisko Arrangement. As a result of the Osisko Arrangement, Agnico Eagle and Yamana each indirectly own 50% of Osisko (now Canadian Malartic Corporation) and Canadian Malartic GP, which now holds the Canadian Malartic mine. The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine since the date of acquisition.

(iii) Payable production (a non-GAAP non-financial performance measure) 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 inventories at the end of the period.

(iv) The Canadian Malartic mine's payable metal sold excludes the 5.0% net smelter royalty transferred to Osisko Gold Royalties Ltd., pursuant to the Osisko Arrangement.

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Revenues from mining operations	$2,138,232	$1,985,432	$1,896,766
Production costs	1,031,892	995,295	1,004,559
Operating margin(i)	1,106,340	990,137	892,207
Amortization of property, plant and mine development	613,160	608,609	433,628
Gain on impairment reversal	(120,161)	–	–
Exploration, corporate and other	344,880	298,900	269,441
Income before income and mining taxes	268,461	82,628	189,138
Income and mining taxes	109,637	58,045	106,168
Net income for the year	$ 158,824	$ 24,583	$ 82,970
Net income per share – basic	$ 0.71	$ 0.11	$ 0.43
Net income per share – diluted	$ 0.70	$ 0.11	$ 0.39
Operating cash flow	$ 778,617	$ 616,238	$ 668,324
Investing cash flow	$ (553,490)	$ (374,519)	$ (851,619)
Financing cash flow	$ 190,386	$ (280,760)	$ 229,236
Dividends declared per share	$ 0.36	$ 0.32	$ 0.32
Capital expenditures per Consolidated Statements of Cash Flows	$ 516,050	$ 449,758	$ 475,412
Average gold price per ounce realized	$ 1,249	$ 1,156	$ 1,261
Average silver price per ounce realized	$ 17.28	$ 15.63	$ 18.27
Average zinc price per tonne realized	$ 2,047	$ 1,875	$ 2,224
Average copper price per tonne realized	$ 4,827	$ 5,023	$ 6,596
Weighted average number of common shares outstanding – basic (thousands)	222,737	216,168	195,223
Working capital (including undrawn credit lines)	$2,005,785	$1,441,991	$1,274,627
Total assets	$7,107,951	$6,683,180	$6,840,538
Long-term debt	$1,072,790	$1,118,187	$1,374,643
Shareholders' equity	$4,492,474	$4,141,020	$4,068,490

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Operating Summary			
LaRonde mine			
Revenues from mining operations	$ 388,180	$ 318,207	$ 308,794
Production costs	179,496	172,283	188,736
Operating margin(i)	$ 208,684	$ 145,924	$ 120,058
Amortization of property, plant and mine development	85,292	80,298	64,945
Gross profit	$ 123,392	$ 65,626	$ 55,113
Tonnes of ore milled	2,240,144	2,241,424	2,085,300
Gold – grams per tonne	4.44	3.91	3.24
Gold production – ounces	305,788	267,921	204,652
Silver production – thousands of ounces	988	916	1,275
Zinc production – tonnes	4,687	3,501	10,515
Copper production – tonnes	4,416	4,941	4,997
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 587	$ 643	$ 922
Adjustments:			
Inventory and other adjustments(ii)	81	117	133
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 668	$ 760	$ 1,055
By-product metal revenues	(167)	(170)	(387)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 501	$ 590	$ 668
Minesite costs per tonne(iv)	C$ 106	C$ 99	C$ 99
Lapa mine			
Revenues from mining operations	$ 92,160	$ 104,785	$ 115,254
Production costs	52,974	52,571	61,056
Operating margin(i)	$ 39,186	$ 52,214	$ 54,198
Amortization of property, plant and mine development	30,915	30,939	25,991
Gross profit	$ 8,271	$ 21,275	$ 28,207
Tonnes of ore milled	592,683	559,926	638,800
Gold – grams per tonne	4.64	5.83	5.59
Gold production – ounces	73,930	90,967	92,622

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 717	$ 578	$ 659
Adjustments:			
Inventory and other adjustments(ii)	15	13	8
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 732	$ 591	$ 667
By-product metal revenues	–	(1)	–
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 732	$ 590	$ 667
Minesite costs per tonne(iv)	C$ 121	C$ 117	C$ 107
Goldex mine			
Revenues from mining operations	$ 149,730	$ 133,845	$ 125,574
Production costs	63,310	61,278	64,836
Operating margin(i)	$ 86,420	$ 72,567	$ 60,738
Amortization of property, plant and mine development	41,278	55,728	52,552
Gross profit	$ 45,142	$ 16,839	$ 8,186
Tonnes of ore milled	2,545,300	2,312,567	2,116,777
Gold – grams per tonne	1.60	1.66	1.60
Gold production – ounces	120,704	115,426	100,433
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 525	$ 531	$ 646
Adjustments:			
Inventory and other adjustments(ii)	7	7	(8)
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 532	$ 538	$ 638
By-product metal revenues	–	–	–
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 532	$ 538	$ 638
Minesite costs per tonne(iv)	C$ 33	C$ 33	C$ 33
Meadowbank mine			
Revenues from mining operations	$ 384,023	$ 446,898	$ 575,856
Production costs	218,963	230,564	270,824
Operating margin(i)	$ 165,060	$ 216,334	$ 305,032
Amortization of property, plant and mine development	122,545	144,931	119,545
Gross profit	$ 42,515	$ 71,403	$ 185,487

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Tonnes of ore milled	3,915,102	4,032,852	4,129,100
Gold – grams per tonne	2.70	3.16	3.61
Gold production – ounces	312,214	381,804	452,877
Silver production – thousands of ounces	221	221	135
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 701	$ 604	$ 598
Adjustments:			
Inventory and other adjustments(ii)	26	19	6
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 727	$ 623	$ 604
By-product metal revenues	(12)	(10)	(5)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 715	$ 613	$ 599
Minesite costs per tonne(iv)	C$ 74	C$ 70	C$ 73
Canadian Malartic mine(v)			
Revenues from mining operations	$ 371,920	$ 333,280	$ 189,900
Production costs	183,635	171,473	113,916
Operating margin(i)	$ 188,285	$ 161,807	$ 75,984
Amortization of property, plant and mine development	117,665	103,050	40,973
Gross profit	$ 70,621	$ 58,757	$ 35,011
Tonnes of ore milled	9,820,696	9,544,763	5,263,100
Gold – grams per tonne	1.04	1.05	0.95
Gold production – ounces	292,514	285,809	143,008
Silver production – thousands of ounces	340	300	151
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 628	$ 600	$ 797
Adjustments:			
Inventory and other adjustments(ii)	(2)	13	(76)
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 626	$ 613	$ 721
By-product metal revenues	(20)	(17)	(20)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 606	$ 596	$ 701
Minesite costs per tonne(iv)	C$ 25	C$ 23	C$ 22

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Kittila mine			
Revenues from mining operations	$ 252,346	$ 206,357	$ 176,520
Production costs	141,871	126,095	116,893
Operating margin(i)	$ 110,475	$ 80,262	$ 59,627
Amortization of property, plant and mine development	57,361	48,648	33,683
Gross profit	$ 53,114	$ 31,614	$ 25,944
Tonnes of ore milled	1,666,732	1,464,038	1,156,400
Gold – grams per tonne	4.41	4.44	4.57
Gold production – ounces	202,508	177,374	141,742
Silver production – thousands of ounces	12	11	7
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 701	$ 711	$ 825
Adjustments:			
Inventory and other adjustments(ii)	(1)	(1)	21
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 700	$ 710	$ 846
By-product metal revenues	(1)	(1)	(1)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 699	$ 709	$ 845
Minesite costs per tonne(iv)	€ 77	€ 76	€ 78
Pinos Altos mine			
Revenues from mining operations	$ 294,377	$ 250,909	$ 251,783
Production costs	114,557	105,175	123,342
Operating margin(i)	$ 179,820	$ 145,734	$ 128,441
Amortization of property, plant and mine development	64,101	41,894	42,957
Gross profit	$ 115,719	$ 103,840	$ 85,484
Tonnes of ore processed	2,260,155	2,378,406	2,520,400
Gold – grams per tonne	3.04	2.68	2.22
Gold production – ounces	192,772	192,974	171,019
Silver production – thousands of ounces	2,505	2,384	1,731

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 594	$ 545	$ 721
Adjustments:			
Inventory and other adjustments(ii)	(9)	33	(3)
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 585	$ 578	$ 718
By-product metal revenues	(229)	(191)	(185)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 356	$ 387	$ 533
Minesite costs per tonne(iv)	$ 49	$ 45	$ 48
Creston Mascota deposit at Pinos Altos			
Revenues from mining operations	$ 62,967	$ 66,472	$ 59,573
Production costs	27,341	26,278	28,007
Operating margin(i)	$ 35,626	$ 40,194	$ 31,566
Amortization of property, plant and mine development	18,898	17,868	9,626
Gross profit	$ 16,728	$ 22,326	$ 21,940
Tonnes of ore processed	2,119,245	2,098,812	1,793,800
Gold – grams per tonne	1.12	1.34	1.3
Gold production – ounces	47,296	54,703	47,842
Silver production – thousands of ounces	201	159	88
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 578	$ 480	$ 585
Adjustments:			
Inventory and other adjustments(ii)	10	(6)	26
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 588	$ 474	$ 611
By-product metal revenues	(72)	(44)	(33)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 516	$ 430	$ 578
Minesite costs per tonne(iv)	$ 13	$ 12	$ 16

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2016	2015	2014
La India mine **(vi)**			
Revenues from mining operations	$ 142,529	$ 124,679	$ 93,512
Production costs	49,745	49,578	36,949
Operating margin(i)	$ 92,784	$ 75,101	$ 56,563
Amortization of property, plant and mine development	72,043	81,430	43,356
Gross profit	$ 20,741	$ (6,329)	$ 13,207
Tonnes of ore processed	5,837,404	5,371,419	4,773,190
Gold – grams per tonne	0.81	0.95	0.98
Gold production – ounces	115,162	104,362	75,093
Silver production – thousands of ounces	486	263	178
Total cash costs per ounce of gold produced ($ per ounce basis)(vi):			
Production costs	$ 432	$ 475	$ 516
Adjustments:			
Inventory and other adjustments(ii)	36	–	16
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 468	$ 475	$ 532
By-product metal revenues	(73)	(39)	(45)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 395	$ 436	$ 487
Minesite costs per tonne(iv)	$ 9	$ 9	$ 8

Notes:

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

(ii) Under the Company's revenue recognition policy, revenue is recognized when legal title passes. 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 production not yet recognized as revenue. Other adjustments include the addition of smelting, refining and marketing charges to production costs.

(iii) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. Total cash costs per ounce of gold produced is presented on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (before deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. The calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne (discussed below) as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

(iv) Minesite costs per tonne is not a recognized measure under IFRS 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 and comprehensive income for inventory production costs, 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 by-product 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 IFRS.

THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

(v) On June 16, 2014, Agnico Eagle and Yamana jointly acquired 100% of Osisko by way of the Osisko Arrangement. As a result of the Osisko Arrangement, Agnico Eagle and Yamana each indirectly own 50% of Osisko (now Canadian Malartic Corporation) and Canadian Malartic GP, which now holds the Canadian Malartic mine. The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine since the date of acquisition.

(vi) The La India mine achieved commercial production on February 1, 2014. The calculation of total cash costs per ounce of gold produced for the year ended December 31, 2014 excludes 3,492 ounces of payable gold production as they were produced prior to the achievement of commercial production.

Annual Audited Consolidated Financial Statements

(Prepared in accordance with International Financial Reporting Standards)

AGNICO EAGLE

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, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (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, 2016 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, 2016 and 2015, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the two years in the period ended December 31, 2016, and our report dated March 27, 2017 expressed an unqualified opinion thereon.

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

Toronto, Canada
March 27, 2017

MANAGEMENT CERTIFICATION

Management of Agnico Eagle Mines Limited ("Agnico Eagle" or 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, 2016. 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 2013. Based on its assessment, management concluded that, as of December 31, 2016, 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, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada
March 27, 2017

By /s/ SEAN BOYD

Sean Boyd
Vice-Chairman 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, 2016 and 2015, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the years then ended. 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, 2016 and 2015 and the consolidated results of its operations and its cash flows for each of the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 27, 2017 expressed an unqualified opinion thereon.

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

Toronto, Canada
March 27, 2017

AGNICO EAGLE MINES LIMITED
CONSOLIDATED BALANCE SHEETS

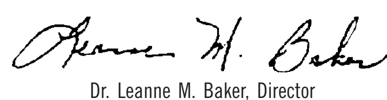
(thousands of United States dollars, except share amounts)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 539,974	$ 124,150
Short-term investments	8,424	7,444
Restricted cash	398	685
Trade receivables (notes 6 and 17)	8,185	7,714
Inventories (note 7)	443,714	461,976
Income taxes recoverable (note 23)	–	817
Available-for-sale securities (notes 6 and 8)	92,310	31,863
Fair value of derivative financial instruments (notes 6 and 20)	364	87
Other current assets (note 9(a))	136,810	194,689
Total current assets	1,230,179	829,425
Non-current assets:		
Restricted cash	764	741
Goodwill	696,809	696,809
Property, plant and mine development (note 10)	5,106,036	5,088,967
Other assets (note 9(b))	74,163	67,238
Total assets	$7,107,951	$6,683,180
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 228,566	$ 243,786
Reclamation provision (note 12)	9,193	6,245
Interest payable (note 14)	14,242	14,526
Income taxes payable (note 23)	35,070	14,852
Finance lease obligations (note 13(a))	5,535	9,589
Current portion of long-term debt (note 14)	129,896	14,451
Fair value of derivative financial instruments (notes 6 and 20)	1,120	8,073
Total current liabilities	423,622	311,522
Non-current liabilities:		
Long-term debt (note 14)	1,072,790	1,118,187
Reclamation provision (note 12)	265,308	276,299
Deferred income and mining tax liabilities (note 23)	819,562	802,114
Other liabilities (note 15)	34,195	34,038
Total liabilities	2,615,477	2,542,160
EQUITY		
Common shares (note 16): Outstanding — 225,465,654 common shares issued, less 500,514 shares held in trust	4,987,694	4,707,940
Stock options (notes 16 and 18)	179,852	216,232
Contributed surplus	37,254	37,254
Deficit	(744,453)	(823,734)
Accumulated other comprehensive income	32,127	3,328
Total equity	4,492,474	4,141,020
Total liabilities and equity	$7,107,951	$6,683,180

Commitments and contingencies (note 25)

On behalf of the Board:

Sean Boyd, CPA, CA, Director



Dr. Leanne M. Baker, Director

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(thousands of United States dollars, except per share amounts)

	Year Ended December 31,	
	2016	2015
REVENUES		
Revenues from mining operations (note 17)	$2,138,232	$1,985,432
COSTS, EXPENSES AND OTHER INCOME		
Production[(i)]	1,031,892	995,295
Exploration and corporate development	146,978	110,353
Amortization of property, plant and mine development (note 10)	613,160	608,609
General and administrative	102,781	96,973
Impairment loss on available-for-sale securities (note 8)	–	12,035
Finance costs (note 14)	74,641	75,228
(Gain) loss on derivative financial instruments (note 20)	(9,468)	19,608
Gain on sale of available-for-sale securities (note 8)	(3,500)	(24,600)
Environmental remediation (note 12)	4,058	2,003
Gain on impairment reversal (note 22)	(120,161)	–
Foreign currency translation loss (gain)	13,157	(4,728)
Other expenses	16,233	12,028
Income before income and mining taxes	268,461	82,628
Income and mining taxes expense (note 23)	109,637	58,045
Net income for the year	$ 158,824	$ 24,583
Net income per share — basic (note 16)	$ 0.71	$ 0.11
Net income per share — diluted (note 16)	$ 0.70	$ 0.11
Cash dividends declared per common share	$ 0.36	$ 0.32
COMPREHENSIVE INCOME		
Net income for the year	$ 158,824	$ 24,583
Other comprehensive income (loss):		
Items that may be subsequently reclassified to net income:		
Available-for-sale securities and other investments:		
Unrealized change in fair value of available-for-sale securities	36,757	4,822
Reclassification to impairment loss on available-for-sale securities (note 8)	–	12,035
Reclassification to gain on sale of available-for-sale securities (note 8)	(3,500)	(24,600)
Income tax impact of reclassification items (note 23)	467	1,684
Income tax impact of other comprehensive income (loss) items (note 23)	(4,925)	(613)
	28,799	(6,672)
Items that will not be subsequently reclassified to net income:		
Pension benefit obligations:		
Remeasurement gain (loss) of pension benefit obligations (note 15(a))	612	(205)
Income tax impact (note 23)	76	32
	688	(173)
Other comprehensive income (loss) for the year	29,487	(6,845)
Comprehensive income for the year	$ 188,311	$ 17,738

Note:

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

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF EQUITY

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

	Common Shares Outstanding						
	Shares	Amount	Stock Options	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
Balance December 31, 2014	214,236,234	$4,599,788	$200,830	$ 37,254	$(779,382)	$10,000	$4,068,490
Net income	–	–	–	–	24,583	–	24,583
Other comprehensive loss	–	–	–	–	(173)	(6,672)	(6,845)
Total comprehensive income (loss)	–	–	–	–	24,410	(6,672)	17,738
Transactions with owners:							
Shares issued under employee stock option plan (notes 16 and 18(a))	747,683	22,326	(4,654)	–	–	–	17,672
Stock options (notes 16 and 18(a))	–	–	20,056	–	–	–	20,056
Shares issued under incentive share purchase plan (note 18(b))	512,438	14,033	–	–	–	–	14,033
Shares issued under dividend reinvestment plan	345,734	9,305	–	–	–	–	9,305
Shares issued for joint acquisition of Malartic CHL property (note 5)	459,197	13,441	–	–	–	–	13,441
Shares issued for acquisition of Soltoro Ltd. (note 5)	770,429	24,351	–	–	–	–	24,351
Shares issued to settle CMGP Convertible Debentures previously issued by Osisko	871,680	24,779	–	–	–	–	24,779
Dividends declared ($0.32 per share)	–	–	–	–	(68,762)	–	(68,762)
Restricted Share Unit plan and Long Term Incentive Plan (notes 16 and 18(c))	(292,600)	(83)	–	–	–	–	(83)
Balance December 31, 2015	217,650,795	$4,707,940	$216,232	$ 37,254	$(823,734)	$ 3,328	$4,141,020
Net income	–	–	–	–	158,824	–	158,824
Other comprehensive income	–	–	–	–	688	28,799	29,487
Total comprehensive income	–	–	–	–	159,512	28,799	188,311
Transactions with owners:							
Shares issued under employee stock option plan (notes 16 and 18(a))	6,492,907	245,128	(53,025)	–	–	–	192,103
Stock options (notes 16 and 18(a))	–	–	16,645	–	–	–	16,645
Shares issued under incentive share purchase plan (note 18(b))	344,778	15,443	–	–	–	–	15,443
Shares issued under dividend reinvestment plan	224,732	8,893	–	–	–	–	8,893
Shares issued under flow-through share private placement (note 16)	374,869	13,593	–	–	–	–	13,593
Dividends declared ($0.36 per share)	–	–	–	–	(80,231)	–	(80,231)
Restricted Share Unit plan, Performance Share Unit plan, and Long Term Incentive Plan (notes 16 and 18(c,d))	(122,941)	(3,303)	–	–	–	–	(3,303)
Balance December 31, 2016	224,965,140	$4,987,694	$179,852	$ 37,254	$(744,453)	$32,127	$4,492,474

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars)

	Year Ended December 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income for the year	$ 158,824	$ 24,583
Add (deduct) items not affecting cash:		
Amortization of property, plant and mine development (note 10)	613,160	608,609
Deferred income and mining taxes (note 23)	7,609	6,550
Gain on sale of available-for-sale securities (note 8)	(3,500)	(24,600)
Stock-based compensation (note 18)	33,804	35,822
Impairment loss on available-for-sale securities (note 8)	–	12,035
Gain on impairment reversal (note 22)	(120,161)	–
Foreign currency translation loss (gain)	13,157	(4,728)
Other	14,012	3,145
Adjustment for settlement of reclamation provision	(2,719)	(1,385)
Changes in non-cash working capital balances:		
Trade receivables	(471)	52,019
Income taxes	28,082	(2,333)
Inventories	20,355	(40,547)
Other current assets	53,009	(74,106)
Accounts payable and accrued liabilities	(35,408)	20,464
Interest payable	(1,136)	710
Cash provided by operating activities	778,617	616,238
INVESTING ACTIVITIES		
Additions to property, plant and mine development (note 10)	(516,050)	(449,758)
Acquisitions, net of cash and cash equivalents acquired (note 5)	(12,434)	(12,983)
Net purchases of short-term investments	(980)	(2,823)
Net proceeds from sale of available-for-sale securities and other investments (note 8)	9,461	61,075
Purchases of available-for-sale securities and other investments (note 8)	(33,774)	(19,815)
Decrease in restricted cash	287	49,785
Cash used in investing activities	(553,490)	(374,519)
FINANCING ACTIVITIES		
Dividends paid	(71,375)	(59,512)
Repayment of finance lease obligations (note 13(a))	(10,004)	(23,657)
Proceeds from long-term debt	125,000	436,000
Repayment of long-term debt	(405,374)	(697,086)
Notes issuance (note 14)	350,000	50,000
Long-term debt financing (note 14)	(3,415)	(1,689)
Repurchase of common shares for stock-based compensation plans (notes 16 and 18(c,d))	(15,576)	(11,899)
Proceeds on exercise of stock options (note 18(a))	192,103	17,672
Common shares issued (note 16)	29,027	9,411
Cash provided by (used in) financing activities	190,386	(280,760)
Effect of exchange rate changes on cash and cash equivalents	311	(14,346)
Net increase (decrease) in cash and cash equivalents during the year	415,824	(53,387)
Cash and cash equivalents, beginning of year	124,150	177,537
Cash and cash equivalents, end of year	$ 539,974	$ 124,150
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (note 14)	$ 71,401	$ 69,414
Income and mining taxes paid	$ 105,184	$ 81,112

See accompanying notes

AGNICO EAGLE MINES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of United States dollars, except share and per share amounts, unless otherwise indicated)

December 31, 2016

1. CORPORATE INFORMATION

Agnico Eagle Mines Limited ("Agnico Eagle" or the "Company") is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development. The Company's mining operations are located in Canada, Mexico and Finland and the Company has exploration activities in Canada, Europe, Latin America and the United States. Agnico Eagle is a public company incorporated under the laws of the Province of Ontario, Canada with its head and registered office located at 145 King Street East, Suite 400, Toronto, Ontario, M5C 2Y7. The Company is listed on the Toronto Stock Exchange and the New York Stock Exchange. Agnico Eagle sells its gold production into the world market.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company (the "Board") on March 27, 2017.

2. BASIS OF PRESENTATION

A) *Statement of Compliance*

The accompanying consolidated financial statements of Agnico Eagle have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in United States ("US") dollars.

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. Significant accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented.

B) *Basis of Presentation*

Subsidiaries

These consolidated financial statements include the accounts of Agnico Eagle and its consolidated subsidiaries. All intercompany balances, transactions, income and expenses and gains or losses have been eliminated on consolidation. Subsidiaries are consolidated where Agnico Eagle has the ability to exercise control. Control of an investee exists when Agnico Eagle is exposed to variable returns from the Company's involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

Joint Arrangements

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement between two or more parties. This exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. These consolidated financial statements include the Company's interests in the assets, liabilities, revenues and expenses of the joint operations, from the date that joint control commenced. Agnico Eagle's 50% interest in Canadian Malartic Corporation and Canadian Malartic GP ("the Partnership"), the general partnership that holds the Canadian Malartic mine located in Quebec, has been accounted for as a joint operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Business Combinations

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition related costs are expensed as incurred.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the consolidated statements of income, unless the preliminary fair value of contingent consideration as at the acquisition date is finalized before the twelve month measurement period in which case the adjustment is allocated to the identifiable assets acquired and liabilities assumed retrospectively to the acquisition date.

Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the consolidated statements of income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

Non-controlling interests represent the fair value of net assets in subsidiaries that are not held by the Company as at the date of acquisition. Non-controlling interests are presented in the equity section of the consolidated balance sheets.

In a business combination achieved in stages, the Company remeasures any previously held equity interest at its acquisition date fair value and recognizes any gain or loss in the consolidated statements of income.

B) Non-current Assets and Disposal Groups Held For Sale and Discontinued Operations

The Company classifies a non-current asset or disposal group as held for sale if it is highly probable that they will be sold in their current condition within one year from the date of classification. Assets and disposal groups that meet the criteria to be classified as an asset held for sale are measured at the lower of carrying amount and fair value less costs to dispose and the Company stops amortizing such assets from the date they are classified as held for sale. Assets and disposal groups that meet the criteria to be classified as held for sale are presented separately in the consolidated balance sheets.

If the carrying amount of the asset prior to being classified as held for sale is greater than the fair value less costs to dispose, the Company recognizes an impairment loss. Any subsequent change in the measurement amount of items classified as held for sale is recognized as a gain, to the extent of any cumulative impairment charges previously recognized to the related asset or disposal group, or as a further impairment loss.

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the entity, both operationally and for financial reporting purposes, that has been disposed of or is classified as held for sale and represents: a) a separate significant line of business or geographical area of operations; b) a part of a single co-ordinated plan to dispose of an area of operations; or c) a subsidiary acquired exclusively for resale. The results of the disposal groups or regions which are discontinued operations are presented separately in the consolidated statements of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Foreign Currency Translation

The functional currency of the Company, for each subsidiary and for joint arrangements, is the currency of the primary economic environment in which it operates. The functional currency of all of the Company's operations is the US dollar.

Once the Company determines the functional currency of an entity, it is not changed unless there is a change in the relevant underlying transactions, events and circumstances. Any change in an entity's functional currency is accounted for prospectively from the date of the change, and the consolidated balance sheets are translated using the exchange rate at that date.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- Monetary items are translated at the closing rate in effect at the consolidated balance sheet date;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- Revenue and expense items are translated using the average exchange rate during the period.

D) Cash and Cash Equivalents

The Company's 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. The Company 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.

E) Short-term Investments

The Company's short-term investments include financial instruments with remaining maturities of greater than three months but less than one year 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.

F) Inventories

Inventories consist of ore stockpiles, concentrates, dore bars and supplies. Inventories are carried at the lower of cost and net realizable value ("NRV"). Cost is determined using the weighted average basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories includes direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, amortization of property, plant and mine development directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. When interruptions to production occur, an adjustment is made to the costs included in inventories, such that they reflect normal capacity. Abnormal costs are expensed in the period they are incurred.

The current portion of ore stockpiles, ore in leach pads and inventories is determined based on the expected amounts to be processed within the next twelve months. Ore stockpiles, ore on leach pads and inventories not expected to be processed or used within the next twelve months are classified as long-term.

NRV is estimated by calculating the net selling price less costs to be incurred in converting the relevant inventories to saleable product and delivering it to a customer. Costs to complete are based on management's best estimate as

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

at the consolidated balance sheet date. An NRV impairment may be reversed in a subsequent period if the circumstances that triggered the impairment no longer exist.

G) Financial Instruments

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, short-term investments, restricted cash, trade receivables, available-for-sale securities, accounts payable and accrued liabilities, long-term debt (including convertible debentures) and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as trade receivables, accounts payable and accrued liabilities and long-term debt (excluding convertible debentures) are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value through the consolidated statements of income.

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 recorded using trade date accounting. Investments are designated as available-for-sale based on the criteria that the Company does not hold these for trading purposes. The cost basis of available-for-sale securities is determined using the average cost method and they are carried at fair value. Unrealized gains and losses recorded to measure available-for-sale securities at fair value are recognized in other comprehensive income.

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 significant or prolonged, an impairment charge is recorded in the consolidated statements of income and comprehensive income. The Company assesses whether a decline in value is considered to be significant or prolonged 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 and the financial condition of the investee.

Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments (primarily option and forward contracts) to manage exposure to fluctuations in by-product metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs. The Company 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 and comprehensive income or in equity as a component of accumulated other comprehensive income, 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 at each reporting period. Realized gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

H) Goodwill

Goodwill is recognized in a business combination if the cost of the acquisition exceeds the fair values of the identifiable net assets acquired. Goodwill is then allocated to the cash generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, the Company assesses for indicators of impairment at each reporting period end and, if an indicator of impairment is identified, goodwill is tested for impairment at that time. If the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount, an impairment loss is recognized. Goodwill impairment losses are not reversed.

The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal.

l) Mining Properties, Plant and Equipment and Mine Development Costs

Mining properties, plant and equipment and mine development costs are recorded at cost, less accumulated amortization and accumulated impairment losses.

Mining Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing 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 commercial production commences, 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. Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category of plant and equipment.

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income and comprehensive income when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the end of the construction period. Amortization is charged according to either the units-of-production method or on a

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of property, plant and equipment are based on estimated mine lives as determined by proven and probable mineral reserves. Remaining mine lives at December 31, 2016 range from 1 to 18 years.

Mine Development Costs

Mine development costs incurred after the commencement of commercial production are capitalized when they are expected to have a future economic benefit. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors which enables the Company to extract ore underground.

The Company records amortization on underground mine development costs on a units-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the identified component of the ore body. The units-of-production method defines the denominator as the total tonnage of proven and probable mineral reserves.

Deferred Stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Borrowing Costs

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Company are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest rate method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding. The interest element of the lease is charged to the consolidated statement of income as a finance cost. An asset leased under a finance lease is amortized over the shorter of the lease term and its useful life.

All other leases are recognized as operating leases. Operating lease payments are recognized as an operating expense in the consolidated statements of income on a straight-line basis over the lease term.

J) *Development Stage Expenditures*

Development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined. Costs that are directly attributable to mine development are capitalized as property, plant and mine development to the extent that they are necessary to bring the property to commercial production.

Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- Completion of a reasonable period of testing mine plant and equipment;
- Ability to produce minerals in saleable form (within specifications); and
- Ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant and mine development and open-pit stripping activities.

K) *Impairment of Long-lived Assets*

At the end of each reporting period the Company assesses whether there is any indication that long-lived assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. The impairment loss

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts.

Any impairment charge that is taken on a long-lived asset except goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, a recovery should be recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. Impairments and subsequent reversals are recorded in the consolidated statement of income in the period in which they occur.

L) Debt

Debt is initially recorded at fair value, net of financing costs incurred. Debt is subsequently measured at amortized cost. Any difference between the amounts received and the redemption value of the debt is recognized in the consolidated statements of income over the period to maturity using the effective interest rate method. Convertible debentures are accounted for as a financial liability measured at fair value in the consolidated statements of income.

M) Reclamation Provisions

Asset retirement obligations ("AROs") arise from the acquisition, development and construction 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 Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company's best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and mine development. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of income.

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.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of income.

Environmental remediation liabilities ("ERLs") are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive 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. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, 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 value of the ERL. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of income. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERL in the consolidated statements of income.

N) Post-employment Benefits

In Canada, the Company 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 10.0% of the designated executives' income is contributed by the Company.

The Company also provides a non-registered supplementary executive retirement defined benefit plan for certain current and former 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 (including the cost of any benefits provided for past service), the net interest cost on the net defined liability/asset, and the effects of settlements and curtailments related to special events. Pension fund assets are measured at their current fair values. The costs of pension plan improvements are recognized immediately in expense when they occur. Remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income (loss) and are subsequently transferred to retained earnings.

Defined Contribution Plan

The Company recognizes the contributions payable to a defined contribution plan in exchange for services rendered by employees as an expense, unless another policy requires or permits the inclusion of the contribution in the cost of an asset. After deducting contributions already paid, a liability is recorded throughout each period to reflect unpaid but earned contributions. If the contribution paid exceeds the contribution due for the service before the end of the reporting period, the Company recognizes that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Defined Benefit Plan

Plan assets are measured at their fair value at the consolidated balance sheet date and are deducted from the present value of plan liabilities to arrive at a net defined benefit liability/asset. The defined benefit obligation reflects the expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost represents the actuarially calculated present value of the benefits earned by the active employees in each period and reflects the economic cost for each period based on current market conditions. The

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

current service cost is based on the most recent actuarial valuation. The net interest on the net defined benefit liability/asset is the change during the period in the defined benefit liability/asset that arises from the passage of time.

Past service cost represents the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service costs from plan amendments that increase or decrease vested or unvested benefits are recognized immediately in net income at the earlier of when the related plan amendment occurs or when the entity recognizes related restructuring costs or termination benefits.

Gains or losses on plan settlements are measured as the difference in the present value of the defined benefit obligation and settlement price. This results in a gain or loss being recognized when the benefit obligation settles. Actuarial gains and losses are recorded on the consolidated balance sheets as part of the benefit plan's funded status. Gains and losses are recognized immediately in other comprehensive income and are subsequently transferred to retained earnings and are not subsequently recognized in net income.

O) Contingent Liabilities and Other Provisions

Provisions are recognized when a present obligation exists (legal or constructive), as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the consolidated balance sheet date, measured using the expected cash flows discounted for the time value of money. The increase in provision (accretion) due to the passage of time is recognized as a finance cost in the consolidated statements of income.

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

P) Stock-based Compensation

The Company offers equity-settled awards (the employee stock option plan, incentive share purchase plan, restricted share unit plan and performance share unit plan) to certain employees, officers and directors of the Company.

Employee Stock Option Plan ("ESOP")

The Company's ESOP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. 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 and comprehensive income 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cost is recorded over the vesting period of the award to the same expense category of the award recipient's payroll costs and the corresponding entry is recorded in equity. Equity-settled awards are not remeasured subsequent to the initial grant date. The dilutive impact of stock option grants is factored into the Company's reported diluted net income per share. The stock option expense incorporates an expected forfeiture rate, estimated based on expected employee turnover.

Incentive Share Purchase Plan ("ISPP")

Under the ISPP, directors (excluding non-executive directors), officers and employees (the "Participants") of the Company may contribute up to 10.0% of their basic annual salaries and the Company contributes an amount equal to 50.0% of each Participant's contribution. All common shares subscribed for under the ISPP are issued by the Company.

The Company records an expense equal to its cash contribution to the ISPP. No forfeiture rate is applied to the amounts accrued. Where an employee leaves prior to the vesting date, any accrual for contributions by the Company during the vesting period related to that employee is reversed.

Restricted Share Unit ("RSU") Plan

The RSU plan is open to directors and certain employees, including senior executives, of the Company. Common shares are purchased and held in a trust until they have vested. The cost is recorded over the vesting period of the award to the same expense category as the award recipient's payroll costs. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Performance Share Unit ("PSU") Plan

The PSU plan is open to senior executives of the Company. Common shares are purchased and held in a trust until they have vested. PSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the PSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the PSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Q) Revenue Recognition

Revenue from mining operations consists of gold revenues, net of smelting, refining, transportation and other marketing charges. Revenues from by-product metal sales are shown net of smelter charges as part of revenues from mining operations.

Revenue from the sale of gold and silver is recognized when the following conditions have been met:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 of 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 the risks and rewards of ownership of the 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.

R) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item of the consolidated balance sheets.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

S) Net Income Per Share

Basic net income per share is calculated by dividing net income for a given period by the weighted average number of common shares outstanding during that same period. Diluted net income per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. Convertible debt is dilutive whenever its impact on net income, including mark-to-market gains (losses), interest and tax expense, per ordinary share obtainable on conversion is less than basic net income per share. The weighted average number of common shares used to determine diluted net income per share includes an adjustment, using the treasury stock method, for stock options outstanding. Under the treasury stock method:

- The exercise of options is assumed to occur at the beginning of the period (or date of issuance, if later);
- The proceeds from the exercise of options 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 (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net income per share calculation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T) Income Taxes

Current and deferred tax expenses are recognized in the consolidated statements of income except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current tax expense is based on substantively enacted statutory tax rates and laws at the consolidated balance sheet date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of such assets and liabilities measured using tax rates and laws that are substantively enacted at the consolidated balance sheet date and effective for the reporting period when the temporary differences are expected to reverse.

Deferred taxes are not recognized in the following circumstances:

- Where a deferred tax liability arises from the initial recognition of goodwill;
- Where a deferred tax asset or liability arises on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither net income or taxable profits; and
- For temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses and tax credits carried forward and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized except as noted above.

At each reporting period, previously unrecognized deferred tax assets are reassessed to determine whether it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Recently Issued Accounting Pronouncements

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date.

During 2016, the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Company in the future. Overall, there is no significant impact expected on the balance sheet or statement of equity from the adoption of IFRS 9.

Classification and measurement

The only change in IFRS 9 in respect of the classification of financial liabilities is that for those designated at fair value through profit or loss ("FVTPL"), fair value changes attributable to the Company's own credit risk are presented in OCI. IFRS 9

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories:

- Debt instruments at amortized cost;
- Debt instruments at fair value through OCI ("FVOCI") with cumulative gains and losses reclassified to profit or loss upon derecognition;
- Debt instruments, derivatives and equity instruments at FVTPL; and
- Equity instruments designated at FVOCI with no recycling of gains and losses upon derecognition.

The Company is still evaluating its different financial assets to ensure appropriate classification under IFRS 9.

Impairment

The new impairment requirements are based on a forward-looking expected credit loss model. The model applies to debt instruments measured at amortized cost or at FVOCI, as well as lease receivables, trade receivables, contracts assets (as defined in IFRS 15), and loan commitments and financial guarantee contracts that are not at fair value through profit or loss. The Company does not hold significant amounts of these types of financial assets and therefore does not expect these changes to have a significant impact.

Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact as the Company does not currently apply hedge accounting.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company plans to adopt the new standard (including the clarifications issued by the IASB in April 2016) on the required effective date. During 2016, the Company commenced its preliminary assessment of IFRS 15 and some of the key issues it has identified, and its initial views and perspectives, are set out below. These are based on the work completed to date and the Company's current interpretation of IFRS 15 and may be subject to changes as more detailed analysis is completed and as interpretations evolve more generally. Furthermore, the Company is considering and will continue to monitor any further development. To date, the issues set out immediately below were identified by the Company as requiring further consideration.

Provisionally priced sales

Some of the Company's sales of metal in concentrate contain provisional pricing features. Under IAS 18, revenue is recognized under these contracts based on forward prices at the time of delivery, which is when the risks and rewards of ownership of the concentrate pass to the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company is currently evaluating the accounting treatment of these contracts under IFRS 15. The impact is expected to be immaterial. In 2016, revenue from concentrate sales contracts was approximately 0.7% of total revenue.

Other presentation and disclosure requirements

IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016, the Company started to consider the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* which brings most leases on-balance sheet for lessees by eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17 – *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain practical expedients. In 2017, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable; however, actual results may differ materially from these estimates. The key areas where significant judgments, estimates and assumptions have been made are summarized below.

Proven and Probable Mineral Reserves

Proven and probable mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The estimates are based on information compiled by "qualified persons" as defined under the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Such an analysis relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates requires complex geological judgments to interpret the data. The estimation of recoverable proven and probable mineral reserves is based upon factors such as estimates of commodity prices, future capital requirements and production costs, geological and metallurgical assumptions and judgments made in estimating the size and grade of the ore body and foreign exchange rates.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

As the economic assumptions used may change and as additional geological information is acquired during the operation of a mine, estimates of proven and probable mineral reserves may change. Such changes may impact the Company's consolidated balance sheets and consolidated statements of income and comprehensive income, including:

- The carrying value of the Company's property, plant and mine development and goodwill may be affected due to changes in estimated future cash flows;
- Amortization charges in the consolidated statements of income and comprehensive income may change where such charges are determined using the units-of-production method or where the useful life of the related assets change;
- Capitalized stripping costs recognized in the consolidated balance sheets as either part of mining properties or as part of inventories or charged to income may change due to changes in the ratio of ore to waste extracted; and
- Reclamation provisions may change where changes to the proven and probable mineral reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral is demonstrable.

Production Stage of a Mine

As each mine is unique, significant judgment is required to determine the date that a mine enters the production stage. The Company considers the factors outlined in note 3 to these consolidated financial statements to make this determination.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Reclamation Provisions

Environmental remediation costs will be incurred by the Company at the end of the operating life of the Company's mining properties. Management assesses its reclamation provision each reporting period or when new information becomes available. The ultimate environmental remediation costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of reclamation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate and changes in discount rates. These uncertainties may result in future actual expenditures differing from the amount of the current provision. As a result, there could be significant adjustments to the provisions established that would affect future financial results. The reclamation provision as at the reporting date represents management's best estimate of the present value of the future environmental remediation costs required.

Income and Mining Taxes

Management is required to make estimates regarding the tax basis of assets and liabilities and related deferred income and mining tax assets and liabilities, amounts recorded for uncertain tax positions, the measurement of income and mining tax expense, and estimates of the timing of repatriation of income. Several of these estimates require management to make

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

assessments of future taxable profit and, if actual results are significantly different than the Company's estimates, the ability to realize the deferred income and mining tax assets recorded on the consolidated balance sheets could be affected.

Amortization

Property, plant and mine development comprise a large portion of the Company's total assets and as such the amortization of these assets has a significant effect on the Company's consolidated financial statements. Amortization is charged according to the pattern in which an asset's future economic benefits are expected to be consumed. The determination of this pattern of future economic benefits requires management to make estimates and assumptions about useful lives and residual values at the end of the asset's useful life. Actual useful lives and residual values may differ significantly from current assumptions.

Impairment and Impairment Reversals

The Company evaluates each asset or CGU (excluding goodwill, which is assessed for impairment annually regardless of indicators and is not eligible for impairment reversals) in each reporting period to determine if any indicators of impairment or impairment reversal exist. When completing an impairment test, the Company calculates the estimated recoverable amount of CGUs, which requires management to make estimates and assumptions with respect to items such as future production levels, operating and capital costs, long-term commodity prices, foreign exchange rates, discount rates, exploration potential, and closure and environmental remediation costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Accordingly, it is possible that some or the entire carrying amount of the assets or CGUs may be further impaired or the impairment charge reversed with the impact recognized in the consolidated statements of income and comprehensive income.

Joint Arrangements

Judgment is required to determine when the Company has joint control of a contractual arrangement, which requires a continuous assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Management evaluated its joint arrangement with Yamana Gold Inc. ("Yamana") to each acquire 50.0% of the shares of Osisko (now Canadian Malartic Corporation) under the principles of IFRS 11 Joint Arrangements. The Company concluded that the arrangement qualified as a joint operation upon considering the following significant factors:

- The requirement that the joint operators purchase all output from the investee and investee restrictions on selling the output to any third party;
- The parties to the arrangement are substantially the only source of cash flow contributing to the continuity of the arrangement; and
- If the selling price drops below cost, the joint operators are required to cover any obligations the entity cannot satisfy.

5. ACQUISITIONS

Gunnarn Mining AB

On June 11, 2015, Agnico Eagle Sweden AB ("AE Sweden") an indirect wholly-owned subsidiary of the Company, acquired 55.0% of the issued and outstanding common shares of Gunnarn Mining AB ("Gunnarn") from Orex Minerals Inc. ("Orex"), by way of a share purchase agreement (the "Gunnarn SPA"). The operation and governance of Gunnarn and the Barsele project are governed by a joint venture agreement among the Company, AE Sweden, Orex and Gunnarn (the "Gunnarn JVA").

Under the Gunnarn SPA, the consideration for the acquisition of the 55.0% of Gunnarn's outstanding common shares was $10.0 million, comprised of $6.0 million in cash payable at closing and payments of $2.0 million in cash or, at AE Sweden's sole discretion, shares of the Company on each of the first and second anniversary of the closing. Under the Gunnarn JVA, AE Sweden committed to incur an aggregate of $7.0 million of exploration expenses at the Barsele project by June 11, 2018, 45.0% or $3.1 million of which is considered accrued purchase consideration. Accordingly, the Company's total purchase consideration for the acquisition of its 55.0% interest in Gunnarn was $13.1 million. AE Sweden may earn an additional 15.0% interest in Gunnarn under the Gunnarn JVA if it completes a feasibility study in respect of the Barsele project.

The Gunnarn JVA also provides AE Sweden with the right to nominate a majority of the members of the board of directors of Gunnarn (based on current shareholdings) and AE Sweden is the sole operator of the Barsele project and paid customary management fees.

In connection with the transaction, Orex also obtained a 2.0% net smelter return royalty on production from the Barsele property, which the Company may repurchase at any time for $5.0 million.

The Gunnarn acquisition was accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling $0.6 million were capitalized to the mining properties acquired.

On September 25, 2015, Orex assigned its interest in the Gunnarn JV Agreement to Barsele Minerals Corp. ("Barsele Minerals"), which was at the time a wholly-owned subsidiary of Orex. All of the shares of Barsele Minerals were subsequently distributed to shareholders of Orex under a plan of arrangement.

5. 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	$ 5,994
Accrued consideration	7,150
Total purchase price to allocate	$13,144

Fair value of assets acquired and liabilities assumed:	
Mining properties	$20,021
Cash and cash equivalents	3
Other current assets	35
Accounts payable and accrued liabilities	(80)
Long-term debt	(29)
Other liabilities	(6,806)
Net assets acquired	$13,144

Soltoro Ltd.

On June 9, 2015, the Company acquired all of the issued and outstanding common shares of Soltoro Ltd. ("Soltoro"), including common shares issuable on the exercise of Soltoro's outstanding options and warrants, by way of a plan of arrangement under the *Canada Business Corporations Act* (the "Soltoro Arrangement"). At the time of its acquisition, Soltoro was a TSX Venture listed exploration company focused on the discovery of precious metals in Mexico.

Each outstanding share of Soltoro was exchanged under the Soltoro Arrangement for: (i) C$0.01 in cash; (ii) 0.00793 of an Agnico Eagle common share; and (iii) one common share of Palamina Corp., a company that was newly formed in connection with the Soltoro Arrangement.

Pursuant to the Soltoro Arrangement, Soltoro transferred all mining properties located outside of the state of Jalisco, Mexico to Palamina Corp., and retained all mining properties located within the state of Jalisco, Mexico. Agnico Eagle had no interest in Palamina Corp. upon the closing of the Soltoro Arrangement.

Agnico Eagle's total purchase price of $26.7 million was comprised of $2.4 million in cash, including $1.6 million in cash contributed to Palamina Corp., and 770,429 Agnico Eagle common shares issued from treasury. The Soltoro acquisition was accounted for as an asset acquisition and transaction costs associated with the acquisition totaling $1.4 million were capitalized to the mining properties acquired separately from the purchase price allocation set out below.

5. 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	$ 2,366
Agnico Eagle common shares issued for acquisition	24,351
Total purchase price to allocate	$26,717
Fair value of assets acquired and liabilities assumed:	
Mining properties	$27,053
Cash and cash equivalents	2,375
Available-for-sale securities	17
Other current assets	130
Plant and equipment	33
Accounts payable and accrued liabilities	(1,134)
Other current liabilities	(1,757)
Net assets acquired	$26,717

Malartic CHL Property

On March 19, 2015, Agnico Eagle, Yamana and the Partnership completed the purchase of a 30.0% interest in the Malartic CHL property from Abitibi Royalties Inc. ("Abitibi") in exchange for 459,197 Agnico Eagle common shares, 3,549,695 Yamana common shares and 3.0% net smelter return royalties to each of Abitibi and Osisko Gold Royalties Ltd. on the Malartic CHL property. Total Agnico Eagle common share consideration issued was valued at $13.4 million based on the closing price of the common shares on March 18, 2015. The Malartic CHL property is located adjacent to the Company's jointly owned Canadian Malartic mine and the remaining 70.0% interest in the Malartic CHL property was jointly acquired through the June 16, 2014 acquisition of Osisko (the predecessor to Canadian Malartic Corporation). Concurrent with the transaction closing, each of Abitibi, Agnico Eagle, Yamana, the Partnership and Canadian Malartic Corporation released and discharged the others with respect to all proceedings previously commenced by Abitibi with respect to the Malartic CHL property. As a result of the transaction, Agnico Eagle and Yamana jointly own a 100% interest in the Malartic CHL property through their respective indirect interests in the Partnership.

6. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

For items that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing their classification at the end of each reporting period.

During the year ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The Company's financial assets and liabilities include cash and cash equivalents, short-term investments, restricted cash, trade receivables, available-for-sale securities, accounts payable and accrued liabilities, long-term debt and derivative financial instruments.

The fair values of cash and cash equivalents, short-term investments, restricted cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

Long-term debt is recorded on the consolidated balance sheets at December 31, 2016 at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting the credit spread based on the Company's credit rating, to future related cash flows which is categorized within Level 2 of the fair value hierarchy. As at December 31, 2016, the Company's long-term debt had a fair value of $1,319.7 million (December 31, 2015 – $1,226.5 million).

The following table sets out the Company's financial assets and liabilities measured at fair value on a recurring basis as at December 31, 2016 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trade receivables	$ –	$ 8,185	$ –	$ 8,185
Available-for-sale securities	86,736	5,574	–	92,310
Fair value of derivative financial instruments	–	364	–	364
Total financial assets	$86,736	$14,123	$ –	$100,859
Financial liabilities:				
Fair value of derivative financial instruments	$ –	$ 1,120	$ –	$ 1,120
Total financial liabilities	$ –	$ 1,120	$ –	$ 1,120

6. FAIR VALUE MEASUREMENT (Continued)

The following table sets out the Company's financial assets and liabilities measured at fair value on a recurring basis as at December 31, 2015 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trade receivables	$ –	$ 7,714	$ –	$ 7,714
Available-for-sale securities	27,630	4,233	–	31,863
Fair value of derivative financial instruments	–	87	–	87
Total financial assets	$27,630	$12,034	$ –	$ 39,664
Financial liabilities:				
Fair value of derivative financial instruments	$ –	$ 8,073	$ –	$ 8,073
Total financial liabilities	$ –	$ 8,073	$ –	$ 8,073

Valuation Techniques

Trade Receivables

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).

Available-for-sale Securities

Available-for-sale securities representing shares of publicly traded entities are recorded at fair value using quoted market prices (classified within Level 1 of the fair value hierarchy). Available-for-sale securities representing shares of non-publicly traded entities or non-transferable shares of publicly traded entities are recorded at fair value using external broker-dealer quotations corroborated by option pricing models (classified within Level 2 of the fair value hierarchy).

Derivative Financial Instruments

Derivative financial instruments classified within Level 2 of the fair value hierarchy are recorded at fair value using external broker-dealer quotations corroborated by option pricing models or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Derivative financial instruments are classified as fair value through profit and loss.

7. INVENTORIES

	As at December 31, 2016	As at December 31, 2015
Ore in stockpiles and on leach pads	$ 90,536	$ 88,633
Concentrates and dore bars	108,193	108,657
Supplies	244,985	264,686
Total current inventories	$443,714	$461,976
Non-current ore in stockpiles and on leach pads[i]	62,780	61,167
Total inventories	$506,494	$523,143

Note:

(i) Ore that the Company does not expect to process within 12 months is classified as long-term and is recorded in the other assets line item on the consolidated balance sheets.

During the year ended December 31, 2016, a charge of $6.6 million (2015 – $8.6 million) was recorded within production costs to reduce the carrying value of inventories to their net realizable value.

8. AVAILABLE-FOR-SALE SECURITIES

	As at December 31, 2016	As at December 31, 2015
Cost	$ 91,200	$ 64,832
Accumulated impairment losses	(36,017)	(36,842)
Unrealized gains in accumulated other comprehensive income	37,634	4,030
Unrealized losses in accumulated other comprehensive income	(507)	(157)
Total estimated fair value of available-for-sale securities	$ 92,310	$ 31,863

During the year ended December 31, 2016, the Company received net proceeds of $6.0 million (2015 – $54.4 million) and recognized a gain before income taxes of $3.5 million (2015 – $24.6 million) on the sale of certain available-for-sale securities.

During the year ended December 31, 2016, the Company recorded an impairment loss of nil (2015 – $12.0 million) on certain available-for-sale securities that were determined to have an impairment that was significant or prolonged.

9. OTHER ASSETS

(a) Other Current Assets

	As at December 31, 2016	As at December 31, 2015
Federal, provincial and other sales taxes receivable	$ 77,380	$ 89,313
Prepaid expenses	47,416	71,811
Insurance receivable	–	12,288
Other	12,014	21,277
Total other current assets	$136,810	$194,689

(b) Other Assets

	As at December 31, 2016	As at December 31, 2015
Non-current ore in stockpiles and on leach pads	$62,780	$61,167
Other assets	11,383	6,071
Total other assets	$74,163	$67,238

10. PROPERTY, PLANT AND MINE DEVELOPMENT

	Mining Properties	Plant and Equipment	Mine Development Costs	Total
As at December 31, 2014	$ 1,939,940	$ 2,009,247	$1,206,678	$ 5,155,865
Additions	103,664	174,477	283,221	561,362
Disposals	(88)	(6,269)	(1,757)	(8,114)
Amortization	(168,612)	(352,090)	(99,444)	(620,146)
Transfers between categories	(209,294)	239,041	(29,747)	–
As at December 31, 2015	1,665,610	2,064,406	1,358,951	5,088,967
Additions	53,072	244,018	279,119	576,209
Gain on impairment reversal	83,992	36,169	–	120,161
Disposals	(1,890)	(17,658)	–	(19,548)
Amortization	(207,383)	(342,208)	(110,162)	(659,753)
Transfers between categories	12,135	39,556	(51,691)	–
As at December 31, 2016	$ 1,605,536	$ 2,024,283	$1,476,217	$ 5,106,036
As at December 31, 2015				
Cost	$ 3,330,464	$ 4,273,798	$1,867,172	$ 9,471,434
Accumulated amortization and net impairments	(1,664,854)	(2,209,392)	(508,221)	(4,382,467)
Net carrying amount – December 31, 2015	$ 1,665,610	$ 2,064,406	$1,358,951	$ 5,088,967
As at December 31, 2016				
Cost	$ 2,593,659	$ 4,233,945	$2,050,980	$ 8,878,584
Accumulated amortization and net impairments	(988,122)	(2,209,663)	(574,763)	(3,772,548)
Net carrying amount – December 31, 2016	$ 1,605,537	$ 2,024,282	$1,476,217	$ 5,106,036

As at December 31, 2016, assets under construction, and therefore not yet being depreciated, included in the net carrying amount of property, plant and mine development amounted to $532.3 million (December 31, 2015 – $350.7 million).

During the year ended December 31, 2016, the Company disposed of property, plant and mine development with a carrying value of $19.5 million (2015 – $8.1 million). The loss on disposal was recorded in the other expenses line item in the consolidated statements of income and comprehensive income.

10. PROPERTY, PLANT AND MINE DEVELOPMENT (Continued)

Geographic Information:

	As at December 31, 2016	As at December 31, 2015
Northern Business:		
Canada	$3,266,594	$3,196,494
Finland	867,257	851,867
Southern Business:		
Mexico	961,943	1,030,364
United States	10,242	10,242
Total property, plant and mine development	$5,106,036	$5,088,967

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2016	As at December 31, 2015
Trade payables	$111,173	$121,633
Wages payable	42,522	40,020
Accrued liabilities	55,893	51,533
Other liabilities	18,978	30,600
Total accounts payable and accrued liabilities	$228,566	$243,786

In 2016 and 2015, the other liabilities balance consisted primarily of various employee payroll tax withholdings and other payroll taxes.

12. 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. Assumptions based on current economic conditions, which the Company believes are reasonable, have been used to estimate the reclamation provision. However, actual reclamation costs will ultimately depend on future economic conditions and costs for the necessary reclamation work. Changes in reclamation provision estimates during the period reflect changes in cash flow estimates as well as assumptions including discount and inflation rates. The discount rates used in the calculation of the reclamation provision at December 31, 2016 ranged between 0.74% and 2.35% (December 31, 2015 – between 0.48% and 2.37%).

12. RECLAMATION PROVISION (Continued)

The following table reconciles the beginning and ending carrying amounts of the Company's asset retirement obligations. The settlement of the obligation is estimated to occur through to 2069.

	Year Ended December 31, 2016	Year Ended December 31, 2015
Asset retirement obligations – long-term, beginning of year	$269,068	$242,615
Asset retirement obligations – current, beginning of year	4,443	2,863
Current year additions and changes in estimate, net	(9,112)	64,305
Current year accretion	3,847	4,178
Liabilities settled	(1,113)	(1,496)
Foreign exchange revaluation	(1,474)	(38,954)
Reclassification from long-term to current, end of year	(5,953)	(4,443)
Asset retirement obligations – long-term, end of year	$259,706	$269,068

The following table reconciles the beginning and ending carrying amounts of the Company's environmental remediation liability. The settlement of the obligation is estimated to occur through to 2025.

	Year Ended December 31, 2016	Year Ended December 31, 2015
Environmental remediation liability – long-term, beginning of year	$ 7,231	$ 7,302
Environmental remediation liability – current, beginning of year	1,802	3,906
Current year additions and changes in estimate, net	243	180
Liabilities settled	(1,606)	(562)
Foreign exchange revaluation	1,172	(1,793)
Reclassification from long-term to current, end of year	(3,240)	(1,802)
Environmental remediation liability – long-term, end of year	$ 5,602	$ 7,231

13. LEASES

(a) Finance 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 IAS 17 – Leases. The sale-leaseback agreements have an average effective annual interest rate of 3.3% and the average length of the contracts is five years.

13. LEASES (Continued)

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, 2016, the total net book value of assets recorded under sale-leaseback finance leases amounted to $5.3 million (December 31, 2015 – $7.1 million).

The Company has agreements with third party providers of mobile equipment. These arrangements represent finance leases in accordance with the guidance in IAS 17 – Leases. The leases are for two to seven years and have an average effective annual interest rate of 8.2%.

As a result of its June 16, 2014 joint acquisition of Osisko, Agnico Eagle assumed indirect attributable secured finance lease obligations of C$38.3 million ($35.3 million) provided in separate tranches with maturities ranging between 2015 and 2019 and a 7.5% interest rate. As at December 31, 2016, the Company's attributable finance lease obligations amounted to $5.9 million (December 31, 2015 – $13.7 million).

The following table sets out future minimum lease payments under finance leases together with the present value of the net minimum lease payments:

	As at December 31, 2016			As at December 31, 2015		
	Minimum Finance Lease Payments	Interest	Present Value	Minimum Finance Lease Payments	Interest	Present Value
Within 1 year	$ 5,955	$ 420	$ 5,535	$10,191	$ 602	$ 9,589
Between 1 – 5 years	6,630	311	$ 6,319	10,057	510	9,547
Total	$12,585	$ 731	$11,854	$20,248	$1,112	$19,136

As at December 31, 2016, the total net book value of assets recorded under finance leases, including sale-leaseback finance leases, was $21.1 million (December 31, 2015 – $38.0 million). The amortization of assets recorded under finance leases is included in the amortization of property, plant and mine development line item of the consolidated statements of income and comprehensive income.

13. LEASES (Continued)

(b) Operating Leases

The Company has a number of operating lease agreements involving office facilities. Some of the leases for office facilities contain escalation clauses for increases in operating costs and property taxes. Future minimum lease payments required to meet obligations that have initial or remaining non-cancellable lease terms in excess of one year are as follows:

	As at December 31, 2016	As at December 31, 2015
Within 1 year	$ 3,691	$ 1,780
Between 1 – 3 years	4,780	2,479
Between 3 – 5 years	2,127	2,205
Thereafter	9,543	10,272
Total	$20,141	$16,736

During the year ended December 31, 2016, $2.1 million (year ended December 31, 2015 – $1.4 million) of operating lease payments were recognized in the consolidated statements of income.

14. LONG-TERM DEBT

	As at December 31, 2016	As at December 31, 2015
Credit Facility(i)(ii)	$ (6,416)	$ 258,083
2016 Notes(i)	347,716	–
2015 Note(i)	49,429	49,364
2012 Notes(i)	198,894	198,722
2010 Notes(i)	598,167	597,567
Other attributable debt instruments	14,896	28,902
Total debt	$1,202,686	$1,132,638
Less: current portion	129,896	14,451
Total long-term debt	$1,072,790	$1,118,187

(i) Inclusive of deferred financing costs. The terms of the 2016 Notes, 2015 Note, 2012 Notes and 2010 Notes are defined below.

(ii) Amounts outstanding under the Credit Facility (as defined below) were fully repaid as at December 31, 2016. The December 31, 2016 balance relates to deferred financing costs which are being amortized on a straight-line basis until the maturity date of June 22, 2021. Credit Facility availability is reduced by outstanding letters of credit, amounting to $0.8 million at December 31, 2016.

14. LONG-TERM DEBT (Continued)

Scheduled Debt Principal Repayments

	2017	2018	2019	2020	2021	2022 and Thereafter	Total
2016 Notes	$ –	$ –	$ –	$ –	$ –	$350,000	$ 350,000
2015 Note	–	–	–	–	–	50,000	50,000
2012 Notes	–	–	–	–	–	200,000	200,000
2010 Notes	115,000	–	–	360,000	–	125,000	600,000
Other attributable debt instruments	14,896	–	–	–	–	–	14,896
Total	$129,896	$ –	$ –	$360,000	$ –	$725,000	$1,214,896

Credit Facility

On September 30, 2015, the Company amended its unsecured revolving bank credit facility (the "Credit Facility"), extending the maturity date from June 22, 2019 to June 22, 2020 and amending pricing terms.

On October 26, 2016, the Company further amended the Credit Facility to, among other things, extend the maturity date from June 22, 2020 to June 22, 2021 and amend pricing terms.

At December 31, 2016, the Credit Facility was fully repaid (December 31, 2015 – drawn down by $265.0 million). Outstanding letters of credit under the Credit Facility resulted in Credit Facility availability of $1,199.2 million at December 31, 2016.

2016 Notes

On June 30, 2016, the Company closed a $350.0 million private placement of guaranteed senior unsecured notes (the "2016 Notes") which, on issuance, had a weighted average maturity of 9.43 years and weighted average yield of 4.77%. Proceeds from the offering of the 2016 Notes were used to repay amounts outstanding under the Credit Facility.

The following table sets out details of the individual series of the 2016 Notes:

	Principal	Interest Rate	Maturity Date
Series A	$100,000	4.54%	6/30/2023
Series B	200,000	4.84%	6/30/2026
Series C	50,000	4.94%	6/30/2028
Total	$350,000		

2015 Note

On September 30, 2015, the Company closed a private placement consisting of a $50.0 million guaranteed senior unsecured note (the "2015 Note") with a September 30, 2025 maturity date and a yield of 4.15%. An amount equal to or greater than the net proceeds from the 2015 Note must be applied toward mining projects in the Province of Quebec, Canada.

14. LONG-TERM DEBT (Continued)

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 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
Total	$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" and, together with the 2016 Notes, the 2015 Note and the 2012 Notes, the "Notes") which, on issuance, had a weighted average maturity of 9.84 years and weighted average yield of 6.59%.

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
Total	$600,000		

CMGP Convertible Debentures

In connection with its joint acquisition of Osisko on June 16, 2014, the Partnership was assigned and assumed certain outstanding debt obligations of Osisko relating to the Canadian Malartic mine. Agnico Eagle's indirect attributable interest in such debt instruments included senior unsecured convertible debentures (the "CMGP Convertible Debentures") with principal outstanding of C$37.5 million ($34.6 million), a November 2017 maturity date and a 6.875% interest rate.

On June 30, 2015, the negotiated early settlement of all of the CMGP Convertible Debentures was completed. As a result of this settlement, 871,680 Agnico Eagle common shares with a fair value of $24.8 million were released from a depositary to the holders of the CMGP Convertible Debentures along with a cash payment of $10.1 million to settle the Company's share of the obligations. In the year ended December 31, 2015, a mark-to-market loss of $2.4 million was recorded in the other expenses line item of the consolidated statements of income and comprehensive income related to the CMGP Convertible Debentures. Additional cash consideration of $3.2 million was paid to the holders of the CMGP Convertible Debentures upon settlement and was recorded in the other expenses line item of the consolidated statements of income and comprehensive income. As at December 31, 2015, the CMGP Convertible Debentures had principal outstanding of nil.

14. LONG-TERM DEBT (Continued)

Other Loans

In connection with its joint acquisition of Osisko on June 16, 2014, the Partnership was assigned and assumed certain outstanding debt obligations of Osisko relating to the Canadian Malartic mine. Agnico Eagle's indirect attributable interest in such debt obligations included a secured loan facility (the "CMGP Loan"). A scheduled repayment of C$20.0 million ($15.4 million) was made on June 30, 2016, resulting in attributable outstanding principal of C$20.0 million ($14.9 million) as at December 31, 2016 (December 31, 2015 – $28.9 million).

Covenants

Payment and performance of Agnico Eagle's obligations under the Credit Facility and the Notes is guaranteed by each of its material 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 note purchase agreements pursuant to which the Notes were issued (the "Note Purchase Agreements") contain covenants that restrict, among other things, the ability of the Company to amalgamate or otherwise transfer its assets, sell material assets, carry on a business other than one related to mining and the ability of the Guarantors to incur indebtedness.

The Credit Facility and Note Purchase Agreements also require the Company to maintain a total net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio below a specified maximum value.

The CMGP Loan requires the Partnership to maintain a minimum EBITDA to interest expense ratio and a maximum debt to EBITDA ratio.

The Company was in compliance with all covenants contained in the Credit Facility and Note Purchase Agreements as at December 31, 2016. The Partnership was in compliance with all CMGP Loan covenants as at December 31, 2016.

Interest on Long-term Debt

Total long-term debt interest costs incurred during the year ended December 31, 2016 were $63.1 million (2015 – $58.8 million).

Total borrowing costs capitalized to property, plant and mine development during the year ended December 31, 2016 were $3.1 million (2015 – $1.7 million) at a capitalization rate of 1.70% (2015 – 1.25%).

During the year ended December 31, 2016, cash interest paid on the Credit Facility was $3.6 million (2015 – $8.7 million), cash standby fees paid on the Credit Facility were $5.2 million (2015 – $3.8 million) and cash interest paid on the Notes was $59.8 million (2015 – $49.4 million).

15. OTHER LIABILITIES

Other liabilities consist of the following:

	As at December 31, 2016	As at December 31, 2015
Long-term portion of capital lease obligations (note 13(a))	$ 6,319	$ 9,547
Pension benefit obligations (note 15(a))	19,273	17,146
Other	8,603	7,345
Total other liabilities	$34,195	$34,038

(a) Pension Benefit Obligations

Executives Plan

Agnico Eagle provides the Executives Plan for certain current and former senior officers. It is considered a defined benefit plan as defined in IAS 19 – Employee Benefits with a pension formula based on final average earnings in excess of the amounts payable from the registered plan. 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 estimated average remaining service life of the plan at December 31, 2016 is 2.0 years. The funded status of the Executives Plan is based on actuarial valuations performed as of December 31, 2016.

15. OTHER LIABILITIES (Continued)

The funded status of the Executives Plan for 2016 and 2015 is as follows:

	Year Ended December 31,	
	2016	**2015**
Reconciliation of the Executives Plan assets:		
Executives Plan assets, beginning of year	$ 2,011	$ 2,278
Agnico Eagle's contributions	327	312
Benefit payments	(88)	(202)
Administrative Expenses	(119)	–
Interest on Executives Plan assets	86	83
Net return on Executives Plan assets excluding interest	(86)	(83)
Effect of exchange rate changes	61	(377)
Executives Plan assets, end of year	2,192	2,011
Reconciliation of Executives Plan defined benefit obligation:		
Defined benefit obligation, beginning of year	10,641	11,895
Service cost	326	435
Benefit payments	(88)	(202)
Interest cost	456	445
Actuarial losses arising from changes in economic assumptions	400	–
Actuarial (gains) losses arising from Executives Plan experience	(185)	48
Effect of exchange rate changes	317	(1,980)
Defined benefit obligation, end of year	11,867	10,641
Net defined benefit liability, end of year	$ 9,675	$ 8,630

15. OTHER LIABILITIES (Continued)

The components of Agnico Eagle's pension expense recognized in the consolidated statements of income relating to the Executives Plan are as follows:

	Year Ended December 31,	
	2016	**2015**
Service cost	$326	$435
Administrative Expenses	119	–
Interest cost on defined benefit obligation	456	445
Interest on Executives Plan assets	(86)	(83)
Pension expense	$815	$797

The remeasurements of the net defined benefit liability recognized in other comprehensive income (loss) relating to the Executives Plan are as follows:

	Year Ended December 31,	
	2016	**2015**
Actuarial losses relating to the defined benefit obligation	$215	$ 48
Net return on Executives Plan assets excluding interest	86	83
Total remeasurements of the net defined benefit liability	$301	$131

In 2017, the Company expects to make contributions of $0.2 million and benefit payments of $0.1 million related to the Executives Plan.

The following table sets out significant weighted average assumptions used in measuring the Company's Executives Plan defined benefit obligation:

	As at December 31,	
	2016	**2015**
Assumptions:		
Discount rate – beginning of year	4.0%	4.0%
Discount rate – end of year	3.8%	4.0%
Rate of compensation increase	3.0%	3.0%

15. OTHER LIABILITIES (Continued)

The following is a summary of the effect of changes in significant actuarial assumptions on the Company's Executives Plan defined benefit obligation:

	As at December 31, 2016
Change in assumption:	
0.5% increase in discount rate	$(766)
0.5% decrease in discount rate	845
0.5% increase in the rate of compensation increase	19
0.5% decrease in the rate of compensation increase	(19)

The summary of the effect of changes in significant actuarial assumptions was prepared using the same methods and actuarial assumptions as those used for the calculation of the Executives Plan defined benefit obligation as at the end of the fiscal year, except for the change in the single actuarial assumption being evaluated. The modification of several actuarial assumptions at the same time could lead to different results.

Other Plans

In addition to the Executives Plan, the Company maintains the Basic Plan and the Supplemental Plan. Under the Basic Plan, Agnico Eagle contributes 5.0% of certain employees' base employment compensation to a defined contribution plan. In 2016, $9.7 million (2015 – $9.8 million) was contributed to the Basic Plan, $0.2 million of which related to contributions for key management personnel (2015 – $0.2 million). 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 10.0% of the designated executive's earnings for the year (including salary and short-term bonus). In 2016, the Company made $1.4 million (2015 – $1.3 million) in notional contributions to the Supplemental Plan, $0.9 million (2015 – $0.9 million) of which related to contributions for key management personnel. The Company's liability related to the Supplemental Plan is $7.1 million at December 31, 2016 (December 31, 2015 – $5.3 million). The Supplemental Plan is accounted for as a cash balance plan.

16. EQUITY

Common Shares

The Company's authorized share capital includes an unlimited number of common shares with no par value. As at December 31, 2016, Agnico Eagle's issued common shares totaled 225,465,654 (December 31, 2015 – 218,028,368), less 500,514 common shares held in a trust (December 31, 2015 – 377,573 common shares held in a trust).

369,972 common shares are held in a trust in connection with the Company's RSU plan (December 31, 2015 – 373,785 common shares held in a trust). 124,500 common shares are held in a trust in connection with the Company's PSU plan (December 31, 2015 – nil).

16. EQUITY (Continued)

In the first quarter of 2015, a Long Term Incentive Plan ("LTIP") was implemented for certain employees of the Partnership and Canadian Malartic Corporation, both of which are jointly-owned, comprised of 50.0% deferred cash, 25.0% Agnico Eagle common shares and 25.0% Yamana common shares and vesting over a period ranging between 18 to 36 months. As at December 31, 2016, 6,042 Agnico Eagle common shares were held in a trust in connection with the LTIP (December 31, 2015 – 3,788 common shares held in a trust).

The trusts have been evaluated under IFRS 10 – Consolidated Financial Statements and are consolidated in the accounts of the Company, with shares held in trust offset against the Company's issued shares in its consolidated financial statements. The common shares purchased and held in a trust are excluded from the basic net income per share calculations until they have vested. All of the non-vested common shares held in a trust are included in the diluted net income per share calculations, unless the impact is anti-dilutive.

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at December 31, 2016 were exercised:

Common shares outstanding at December 31, 2016	224,965,140
Employee stock options	5,478,837
Common shares held in a trust in connection with the RSU plan (note 18(c)), PSU plan (note 18(d)) and LTIP	500,514
Total	230,944,491

Net Income Per Share

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

	Year Ended December 31,	
	2016	**2015**
Net income for the year	$158,824	$ 24,583
Weighted average number of common shares outstanding – basic (in thousands)	222,737	216,168
Add: Dilutive impact of common shares related to the RSU plan, PSU plan and LTIP	639	300
Add: Dilutive impact of employee stock options	2,378	633
Weighted average number of common shares outstanding – diluted (in thousands)	225,754	217,101
Net income per share – basic	$ 0.71	$ 0.11
Net income per share – diluted	$ 0.70	$ 0.11

Diluted net income per share has been calculated using the treasury stock method. In applying the treasury stock method, outstanding employee stock options 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 per share as the impact would be anti-dilutive.

16. EQUITY (Continued)

For the year ended December 31, 2016, 20,000 (year ended December 31, 2015 – 6,806,055) employee stock options were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

Flow-through share private placement

On March 10, 2016, the Company raised approximately C$25.0 million ($18.7 million) through the issuance of 374,869 flow-through common shares at a price of C$66.69 per common share. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the issuer, subject to a renouncement process. At the time the flow-through shares were issued, the sale of tax deductions were deferred and were presented in the accounts payable and accrued liabilities line item in the consolidated balance sheets because the Company had not yet fulfilled its obligation to pass on the tax deductions to the investor. At the time the Company fulfills its obligation, the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense. The closing price of the Company's common shares on the March 10, 2016 issuance date was C$48.49, resulting in an increase to share capital of approximately C$18.2 million ($13.6 million). The initial C$6.8 million ($5.1 million) liability is drawn down as eligible expenditures are incurred because the Company has a positive intention to renounce these expenses. During the year ended December 31, 2016, the liability was fully extinguished based on eligible expenditures incurred.

17. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES

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 by-product metals. The revenue from by-product metals is primarily generated by production at the LaRonde mine in Canada (silver, zinc and copper) and the Pinos Altos mine in Mexico (silver).

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 and copper. The prices of these metals can fluctuate significantly and are affected by numerous factors beyond the Company's control.

During the year ended December 31, 2016, four customers each contributed more than 10.0% of total revenues from mining operations for a combined total of approximately 80.9% of revenues from mining operations in the Northern and Southern business units. However, because 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. As at December 31, 2016, the Company had $8.2 million (December 31, 2015 – $7.7 million) in receivables relating to provisionally priced concentrate sales. For the year ended December 31, 2016, the Company recognized mark-to-market gains of $0.6 million (year ended December 31, 2015 – losses of $0.5 million) on concentrate receivables.

17. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES (Continued)

	Year Ended December 31,	
	2016	**2015**
Revenues from mining operations:		
Gold	$2,049,871	$1,911,500
Silver	85,096	66,991
Zinc	1,413	505
Copper	1,852	6,436
Total revenues from mining operations	$2,138,232	$1,985,432

In 2016, precious metals (gold and silver) accounted for 99.9% of Agnico Eagle's revenues from mining operations (2015 – 99.7%). The remaining revenues from mining operations consisted of net by-product metal revenues from non-precious metals.

18. STOCK-BASED COMPENSATION

(a) Employee Stock Option Plan

The Company's ESOP provides for the grant 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 5.0% of the Company's common shares issued and outstanding at the date of grant.

On April 24, 2001, the Compensation Committee of the Board adopted a policy pursuant to which stock options granted after that date have a maximum term of five years. In 2016, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP to 31,300,000 common shares.

Of the 2,160,075 stock options granted under the ESOP in 2016, 540,027 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2021, vest in equal installments on each anniversary date of the grant over a three-year period. Of the 3,068,080 stock options granted under the ESOP in 2015, 688,995 stock options vested immediately. The remaining stock options, all of which expire in 2020, 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 common shares from treasury to settle the obligation.

18. STOCK-BASED COMPENSATION (Continued)

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

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	12,082,212	C$43.65	11,913,210	C$48.84
Granted	2,160,075	36.65	3,068,080	29.09
Exercised	(6,492,907)	38.48	(747,683)	29.68
Forfeited	(141,038)	38.42	(92,314)	40.40
Expired	(2,129,505)	76.46	(2,059,081)	57.20
Outstanding, end of year	5,478,837	C$34.40	12,082,212	C$43.65
Options exercisable, end of year	1,606,558	C$40.27	7,519,120	C$50.71

The average share price of Agnico Eagle's common shares during the year ended December 31, 2016 was C$58.52 (year ended December 31, 2015 – C$36.16).

The weighted average grant date fair value of stock options granted in 2016 was C$9.69 (2015 – $C8.10).

The following table sets out information about Agnico Eagle's stock options outstanding and exercisable at December 31, 2016:

	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$28.03 – C$38.15	4,747,712	3.15 years	C$31.65	907,308	C$31.06
C$40.66 – C$66.17	731,125	1.16 years	$ 52.25	699,250	$ 52.23
C$28.03 – C$66.17	5,478,837	2.89 years	C$34.40	1,606,558	C$40.27

The weighted average remaining contractual term of stock options exercisable at December 31, 2016 was 2.08 years.

The Company has reserved for issuance 5,478,837 common shares in the event that these stock options are exercised.

18. STOCK-BASED COMPENSATION (Continued)

The number of common shares available for the grant of stock options under the ESOP as at December 31, 2016 and December 31, 2015 was 6,289,059 and 2,678,591, respectively.

Subsequent to the year ended December 31, 2016, 2,003,140 stock options were granted under the ESOP, of which 500,796 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2022, 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:

	Year Ended December 31,	
	2016	2015
Risk-free interest rate	0.89%	1.50%
Expected life of stock options (in years)	2.5	2.7
Expected volatility of Agnico Eagle's share price	45.0%	45.0%
Expected dividend yield	1.33%	1.69%

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 total compensation expense for the ESOP recorded in the general and administrative line item of the consolidated statements of income and comprehensive income for 2016 was $16.6 million (2015 – $20.1 million). Of the total compensation cost for the ESOP, $0.3 million was capitalized as part of the property, plant and mine development line item of the consolidated balance sheets in 2016 (2015 – $0.6 million).

(b) Incentive Share Purchase Plan

On June 26, 1997, the Company's shareholders approved the ISPP to encourage Participants to purchase Agnico Eagle's common shares at market value. In 2009, the ISPP was amended to remove non-executive directors as eligible Participants.

Under the ISPP, Participants may contribute up to 10.0% of their basic annual salaries and the Company contributes an amount equal to 50.0% of each Participant's contribution. All common shares subscribed for under the ISPP are issued by the Company. The total compensation cost recognized in 2016 related to the ISPP was $5.1 million (2015 – $4.7 million).

In 2016, 344,778 common shares were subscribed for under the ISPP (2015 – 512,438) for a value of $15.4 million (2015 – $14.0 million). In May 2015, the Company's shareholders approved an increase in the maximum number of common shares reserved for issuance under the ISPP to 7,100,000 from 6,100,000. As at December 31, 2016, Agnico Eagle has reserved for issuance 1,554,970 common shares (2015 – 1,899,748) under the ISPP.

(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 as eligible participants.

18. STOCK-BASED COMPENSATION (Continued)

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 equity and is amortized as compensation expense over the vesting period of three years.

In 2016, 354,592 (2015 – 423,822) RSUs were granted with a grant date fair value of $28.62 (2015 – $27.99). In 2016, the Company funded the RSU plan by transferring $10.1 million (2015 – $11.5 million) to an employee benefit trust that then purchased common shares of the Company in the open market. The grant date fair value of the RSUs generally approximates the cost of purchasing the shares in the open market. Once vested, the common shares in the trust are distributed to settle the obligation along with a cash payment reflecting the accumulated amount that would have been paid as dividends had the common shares been outstanding.

Compensation expense related to the RSU plan was $10.4 million in 2016 (2015 – $12.0 million). Compensation expense related to the RSU plan is included as part of the general and administrative line item of the consolidated statements of income and comprehensive income.

Subsequent to the year ended December 31, 2016, 360,500 RSUs were granted under the RSU plan.

(d) Performance Share Unit Plan

Beginning in 2016, the Company adopted a PSU plan for senior executives of the Company. PSUs are subject to vesting requirements over a three year period based on specific performance measurements established by the Company. The fair value for the portion of the PSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest.

In 2016, 183,000 (2015 – nil) PSUs were granted with a grant date fair value of $32.20. The Company funded the PSU plan by transferring $5.3 million (2015 – nil) to an employee benefit trust that then purchased common shares of the Company in the open market. Once vested, the common shares in the trust are distributed to settle the obligation along with a cash payment reflecting the accumulated amount that would have been paid as dividends had the common shares been outstanding.

Compensation expense related to the PSU plan was $2.2 million in 2016 (2015 – nil). Compensation expense related to the PSU plan is included as part of the general and administrative line item of the consolidated statements of income and comprehensive income.

Subsequent to the year ended December 31, 2016, 182,000 PSUs were granted under the PSU plan.

19. CAPITAL AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, commodity price risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management policy is to support the delivery of the Company's financial targets while minimizing the potential adverse effects on the Company's performance.

Risk management is carried out by a centralized treasury department under policies approved by the Board. The Company's financial activities are governed by policies and procedures and its financial risks are identified, measured and managed in accordance with its policies and risk tolerance.

a) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, commodity prices and foreign exchange rates, will affect the value of Agnico Eagle's financial instruments. The Company can choose to either accept market risk or mitigate it through the use of derivatives and other economic hedging strategies.

i. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations that have floating interest rates.

The impact of a 1.0% change in interest rates on income before income and mining taxes and equity as at December 31, 2016 is approximately $2.6 million (2015 – $4.5 million).

ii. Commodity Price Risk

a. Metal Prices

Agnico Eagle's revenues from mining operations and net income are sensitive to metal prices. Changes in the market price of gold may 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 by-product metals (silver, zinc and copper) may be attributed to factors such as demand and global mine production levels.

In order to mitigate the impact of fluctuating by-product metal prices, the Company occasionally enters into derivative financial instrument contracts under its Board-approved Risk Management Policies and Procedures. The Company has a long-standing policy of no forward gold sales. However, the policy does allow the Company to use other economic hedging strategies, where appropriate, to mitigate by-product metal pricing risks. The Company occasionally buys put options, enters into price collars and enters into forward contracts to protect minimum by-product 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 by-product metal prices. The Company's policy does not allow speculative trading.

b. Fuel

To mitigate the risks associated with fluctuating diesel fuel prices, the Company uses derivative financial instruments as economic hedges of the price risk on a portion of its diesel fuel costs (refer to note 20 to these consolidated financial statements for further details on derivative financial instruments).

iii. Foreign Currency Risk

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 economic hedging transactions under the Board-approved Foreign Exchange Risk Management Policies and Procedures to hedge part of its foreign currency exposure. The policy does not

19. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

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 financial instrument strategy includes the use of purchased puts, sold calls, collars and forwards that are not held for speculative purposes (refer to note 20 to these consolidated financial statements for further details on the Company's derivative financial instruments).

The following table sets out the translation impact on income before income and mining taxes and equity for the year ended December 31, 2016 of a 10.0% change in the exchange rate of the US dollar relative to the Canadian dollar, Euro and Mexican peso, with all other variables held constant.

	Impact on Income Before Income and Mining Taxes and Equity	
	10.0% Strengthening of the US Dollar	10.0% Weakening of the US Dollar
Canadian dollar	$7,015	$(7,015)
Euro	$2,159	$(2,159)
Mexican peso	$ (66)	$ 66

b) Credit Risk

Credit risk is the risk that a third party might fail to fulfill its obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents, short-term investments, restricted cash, trade receivables and derivative financial instruments. The Company holds its cash and cash equivalents, restricted cash and short-term investments in highly rated financial institutions resulting in a low level of credit risk. For trade receivables and derivative financial instruments, historical levels of default have been negligible, resulting in a low level of credit risk. The Company mitigates credit risk by dealing with recognized credit-worthy counterparties and limiting concentration risk. For derivative financial instrument liabilities, the Company assumes no credit risk when the fair value of an instrument is negative. The maximum exposure to credit risk is equal to the carrying amount of the instruments as follows:

	As at December 31, 2016	As at December 31, 2015
Cash and cash equivalents	$539,974	$124,150
Short-term investments	8,424	7,444
Restricted cash	1,162	1,426
Trade receivables	8,185	7,714
Derivative financial instrument assets	364	87
Total	$558,109	$140,821

19. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

c) *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its risk of a shortage of funds by monitoring its debt rating and projected cash flows taking into account the maturity dates of existing debt and other payables. The Company manages exposure to liquidity risk by maintaining cash balances, having access to undrawn credit facilities and access to public debt markets. Contractual maturities relating to finance lease obligations are detailed in note 13(a) to these consolidated financial statements and contractual maturities relating to long-term debt are detailed in note 14 to these consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities and derivative financial instruments, have maturities within one year of December 31, 2016.

d) *Capital Risk Management*

The Company's primary capital management objective is to maintain an optimal capital structure to support current and long-term business activities and to provide financial flexibility in order to maximize value for equity holders.

Agnico Eagle's capital structure comprises a mix of long-term debt and total equity as follows:

	As at December 31, 2016	As at December 31, 2015
Long-term debt	$1,202,686	$1,132,638
Total equity	4,492,474	4,141,020
Total	$5,695,160	$5,273,658

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the requirements of financial covenants. To effectively manage its capital requirements, Agnico Eagle has in place a rigorous planning, budgeting and forecasting process to ensure it has the appropriate liquidity to meet its operating and growth objectives. The Company has the ability to adjust its capital structure by various means.

See note 14 to these consolidated financial statements for details related to Agnico Eagle's compliance with its long-term debt covenants.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Currency Risk Management

The Company utilizes foreign exchange economic hedges to reduce the variability in expected future cash flows arising from changes in foreign currency exchange rates. The Company is primarily exposed to currency fluctuations relative to the US dollar as a portion of the Company's operating costs and capital expenditures are denominated in foreign currencies; primarily the Canadian dollar, the Euro and the Mexican peso. These potential currency fluctuations increase the volatility of, and could have a significant impact on, the Company's production costs. The economic hedges relate to a portion of the foreign currency denominated cash outflows arising from foreign currency denominated expenditures. The Company does not apply hedge accounting to these arrangements.

As at December 31, 2016, the Company had outstanding foreign exchange zero cost collars. 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, 2016, the zero cost collars related to $179.4 million of 2017

20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

expenditures and the Company recognized mark-to-market adjustments in the (gain) loss on derivative financial instruments line item of the consolidated statements of income and comprehensive income. Mark-to-market gains and losses related to foreign exchange derivative financial instruments are recorded at fair value based on broker-dealer quotations corroborated by option pricing models that utilize period end forward pricing of the applicable foreign currency to calculate fair value.

The Company's other foreign currency derivative strategies in 2016 and 2015 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 for Canadian dollars and Mexican pesos. All of these derivative transactions expired prior to period end such that no derivatives were outstanding as at December 31, 2016 or December 31, 2015. The call option premiums were recognized in the (gain) loss on derivative financial instruments line item of the consolidated statements of income and comprehensive income.

Commodity Price Risk Management

To mitigate the risks associated with fluctuating diesel fuel prices, the Company uses derivative financial instruments as economic hedges of the price risk on a portion of diesel fuel costs associated with the Meadowbank mine's diesel fuel exposure as it relates to operating costs. There were derivative financial instruments outstanding as at December 31, 2016 relating to 1.0 million gallons of heating oil (December 31, 2015 – 7.0 million gallons of heating oil). The related mark-to-market adjustments prior to settlement were recognized in the (gain) loss on derivative financial instruments line item of the consolidated statements of income and comprehensive income. The Company does not apply hedge accounting to these arrangements.

Mark-to-market gains and 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, 2016 and December 31, 2015, there were no metal derivative positions. The Company may from time to time utilize short-term financial instruments as part of its strategy to minimize risks and optimize returns on its by-product metal sales.

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

	Year Ended December 31,	
	2016	**2015**
Premiums realized on written foreign exchange call options	$ (2,569)	$ (2,654)
Realized loss (gain) on warrants	543	(9,072)
Unrealized (gain) loss on warrants[(i)]	(580)	2,213
Realized loss on currency and commodity derivatives	357	29,297
Unrealized gain on currency and commodity derivatives[(i)]	(7,219)	(176)
(Gain) loss on derivative financial instruments	$ (9,468)	$ 19,608

Note:

(i) Unrealized 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 and comprehensive income and through the other line item of the consolidated statements of cash flows.

21. 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 Operating Decision Maker ("CODM"), the Chief Executive Officer for the purpose of allocating resources and assessing performance and that represent more than 10.0% of the combined revenue from mining operations, income or loss or total assets of all operating segments. Each of the Company's significant operating mines and projects are considered to be separate operating segments. Certain operating segments that do not meet the quantitative thresholds are still disclosed where the Company believes that the information is useful. The CODM also reviews segment income (defined as revenues from mining operations less production costs, exploration and corporate development expenses and impairment losses and reversals) 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 including the Amaruq deposit, Canadian Malartic joint operation, Meliadine project and Kittila mine
Southern Business:	Pinos Altos mine, Creston Mascota deposit at Pinos Altos and La India mine
Exploration:	United States Exploration office, Europe Exploration office, Canada Exploration offices and Latin America Exploration office

Revenues from mining operations and production costs for the reportable segments are reported net of intercompany transactions.

Corporate and other assets and specific income and expense items are not allocated to reportable segments.

21. SEGMENTED INFORMATION (Continued)

Year Ended December 31, 2016	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Gain on Impairment Reversal	Segment Income (Loss)
Northern Business:					
LaRonde mine	$ 388,180	$ (179,496)	$ –	$ –	$ 208,684
Lapa mine	92,160	(52,974)	–	–	39,186
Goldex mine	149,730	(63,310)	–	–	86,420
Meadowbank mine	384,023	(218,963)	(63,488)	37,161	138,733
Canadian Malartic joint operation	371,920	(183,635)	(4,044)	–	184,241
Meliadine project	–	–	–	83,000	83,000
Kittila mine	252,346	(141,871)	–	–	110,475
Total Northern Business	1,638,359	(840,249)	(67,532)	120,161	850,739
Southern Business:					
Pinos Altos mine	294,377	(114,557)	–	–	179,820
Creston Mascota deposit at Pinos Altos	62,967	(27,341)	–	–	35,626
La India mine	142,529	(49,745)	–	–	92,784
Total Southern Business	499,873	(191,643)	–	–	308,230
Exploration	–	–	(79,446)	–	(79,446)
Segments totals	$2,138,232	$(1,031,892)	$(146,978)	$120,161	$1,079,523
Total segments income					$1,079,523
Corporate and other:					
Amortization of property, plant and mine development					(613,160)
General and administrative					(102,781)
Finance costs					(74,641)
Gain on derivative financial instruments					9,468
Gain on sale of available-for-sale securities					3,500
Environmental remediation					(4,058)
Foreign currency translation loss					(13,157)
Other expenses					(16,233)
Income before income and mining taxes					$ 268,461

21. SEGMENTED INFORMATION (Continued)

Year Ended December 31, 2015	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Segment Income (Loss)
Northern Business:				
LaRonde mine	$ 318,207	$(172,283)	$ –	$145,924
Lapa mine	104,785	(52,571)	–	52,214
Goldex mine	133,845	(61,278)	–	72,567
Meadowbank mine	446,898	(230,564)	(43,676)	172,658
Canadian Malartic joint operation	333,280	(171,473)	(6,093)	155,714
Kittila mine	206,357	(126,095)	–	80,262
Total Northern Business	1,543,372	(814,264)	(49,769)	679,339
Southern Business:				
Pinos Altos mine	250,909	(105,175)	–	145,734
Creston Mascota deposit at Pinos Altos	66,472	(26,278)	–	40,194
La India mine	124,679	(49,578)	–	75,101
Total Southern Business	442,060	(181,031)	–	261,029
Exploration	–	–	(60,584)	(60,584)
Segments totals	$1,985,432	$(995,295)	$(110,353)	$879,784
Total segments income				$879,784
Corporate and other:				
Amortization of property, plant and mine development				(608,609)
General and administrative				(96,973)
Impairment loss on available-for-sale securities				(12,035)
Finance costs				(75,228)
Loss on derivative financial instruments				(19,608)
Gain on sale of available-for-sale securities				24,600
Environmental remediation				(2,003)
Foreign currency translation gain				4,728
Other expenses				(12,028)
Income before income and mining taxes				$ 82,628

21. SEGMENTED INFORMATION (Continued)

	Total Assets as at	
	December 31, 2016	December 31, 2015
Northern Business:		
LaRonde mine	$ 808,981	$ 834,881
Lapa mine	16,473	50,951
Goldex mine	248,766	201,257
Meadowbank mine	500,207	595,682
Canadian Malartic joint operation	1,956,285	2,012,648
Meliadine project	781,999	561,271
Kittila mine	961,392	933,362
Total Northern Business	5,274,103	5,190,052
Southern Business:		
Pinos Altos mine	667,123	585,735
Creston Mascota deposit at Pinos Altos	60,308	70,670
La India mine	428,005	501,179
Total Southern Business	1,155,436	1,157,584
Exploration	198,738	199,606
Corporate and other	479,674	135,938
Total assets	$7,107,951	$6,683,180

The following table sets out the carrying amount of goodwill by segment for the years ended December 31, 2015 and December 31, 2016:

	Meliadine Project	La India Mine	Canadian Malartic Joint Operation	Total
Cost	$ 200,064	$39,017	$657,792	$ 896,873
Accumulated impairment	(200,064)	–	–	(200,064)
Carrying amount	$ –	$39,017	$657,792	$ 696,809

AGNICO EAGLE MINES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(thousands of United States dollars, except share and per share amounts, unless otherwise indicated)

December 31, 2016

21. SEGMENTED INFORMATION (Continued)

The following table sets out capital expenditures by segment:

	Capital Expenditures Year Ended December 31,	
	2016	**2015**
Northern Business:		
LaRonde mine	$ 64,288	$ 67,342
Lapa mine	–	6,491
Goldex mine	78,388	48,818
Meadowbank mine	38,248	65,230
Canadian Malartic joint operation	60,434	43,368
Meliadine project	116,136	66,747
Kittila mine	75,904	56,404
Total Northern Business	433,398	354,400
Southern Business:		
Pinos Altos mine	59,572	61,829
Creston Mascota deposit at Pinos Altos	9,287	4,195
La India mine	10,507	23,379
Total Southern Business	79,366	89,403
Corporate and other	3,286	5,955
Total capital expenditures	$516,050	$449,758

The following table sets out revenues from mining operations by geographic area(i):

	Year Ended December 31,	
	2016	**2015**
Canada	$1,386,013	$1,337,017
Mexico	499,873	442,058
Finland	252,346	206,357
Total revenues from mining operations	$2,138,232	$1,985,432

(i) Presented based on the location of the mine from which the product originated.

21. SEGMENTED INFORMATION (Continued)

The following table sets out non-current assets by geographic area:

	Non-current Assets as at	
	December 31, 2016	December 31, 2015
Canada	$3,970,435	$3,878,644
Mexico	1,010,063	1,082,524
Finland	887,032	882,345
United States	10,242	10,242
Total non-current assets	$5,877,772	$5,853,755

22. IMPAIRMENT AND IMPAIRMENT REVERSALS

Goodwill Impairment Testing

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, the Company assesses for indicators of impairment at each reporting period end and if an indicator of impairment is identified, goodwill and long-lived assets are tested for impairment at that time. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. An impairment loss is recognized for any excess of the carrying amount of the asset over its recoverable amount.

The estimated recoverable amount of the Canadian Malartic joint operation segment as at December 31, 2016 and December 31, 2015 was determined on the basis of fair value less costs to dispose of the Canadian Malartic mine as well as the exploration properties included in the joint operation. The estimated recoverable amount of the Canadian Malartic mine was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 6.00% (2015 – 5.25%), commensurate with the estimated level of risk associated with the Canadian Malartic mine. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of $1,250 per ounce (in real terms) (2015 – $1,150 to $1,250 per ounce), foreign exchange rates of US$0.75:C$1.00 to US$0.80:C$1.00 (2015 – US$0.75:C$1.00 to US$0.80:C$1.00), an inflation rate of 2.0% (2015 – 2.0%), and capital, operating and reclamation costs based on applicable life-of-mine plans. Exploration properties within the joint operation were valued by reference to comparable recent transactions. The Canadian Malartic joint operation segment estimated recoverable amount exceeded its carrying amount at December 31, 2016 and December 31, 2015. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

Impairment Reversals

The Company assesses for indicators of impairment reversal on long-lived assets other than goodwill that have previously been impaired at each reporting period end. If an indicator of impairment reversal is identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. An impairment loss recognized in a prior period can only be reversed if there are subsequent changes in the estimates or significant assumptions that were used to determine the recoverable amount since the impairment loss was recognized. A gain on impairment reversal is recognized for any excess of the recoverable amount of the asset over its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued.

22. IMPAIRMENT AND IMPAIRMENT REVERSALS (Continued)

In 2016, the Company completed an internal technical study on the Amaruq satellite deposit at the Meadowbank mine. Board approval for the development of the project was received on February 15, 2017. The favourable project economics and the expected potential for extensions to the Company's current mine plan in relation to the Amaruq satellite deposit at the Meadowbank mine is an impairment reversal indicator for the Meadowbank mine CGU. The updated mine plan represents an observable indication that the value of the CGU has increased significantly and is a favourable change to the extent and manner in which the asset is expected to be used. There is significant judgement involved in the determination of whether a previously recognized impairment loss should be reversed.

The estimated recoverable amount of the Meadowbank mine CGU as at December 31, 2016 was determined on the basis of fair value less costs to dispose of the mine. The estimated recoverable amount of the Meadowbank mine CGU was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 7.25% (2015 – 3.75%), commensurate with the estimated level of risk associated with the Meadowbank mine CGU. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of $1,250 per ounce (in real terms), foreign exchange rates of US$0.75:C$1.00 to US$0.80:C$1.00, an inflation rate of 2.0%, and capital, operating and reclamation costs based on applicable life-of-mine plans. The estimated recoverable amount of the Meadowbank mine CGU exceeded its carrying amount at December 31, 2016. The Meadowbank mine CGU's maximum impairment reversal is limited to the difference between the current carrying amount and the previous carrying amount less amortization that would have been recognized had the assets not been previously impaired. Certain assets that are not expected to be utilized in conjunction with the Amaruq satellite deposit had recoverable amounts less than their current carrying amounts and therefore no impairment reversal was applied. The Company determined that the Amaruq satellite deposit will utilize some of the existing infrastructure at the Meadowbank mine, primarily the mill, camp, road and airstrip, to generate cashflows at the Amaruq satellite deposit and these assets were written up to the maximum of the previous carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. A gain on impairment reversal of $37.2 million ($27.6 million, net of tax) was recognized in the gain on impairment reversal line item in the consolidated statements of income and comprehensive income to increase the carrying amount of related plant and equipment. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

In 2016, the Company completed internal studies to optimize the previous Meliadine mine plan that had been outlined in an updated NI 43-101 technical report dated February 11, 2015. These internal studies evaluated various opportunities to improve the project economics and the after-tax internal rate of return. Board approval for development of the project was received on February 15, 2017. The favourable project economics and the expected potential for extensions to the Company's current mine plan is an impairment reversal indicator for the Meliadine project CGU. The updated mine plan represents an observable indication that the value of the CGU has increased significantly and is a favourable change to the extent and manner in which the asset is expected to be used. There is significant judgment involved in the determination of whether a previously recognized impairment loss should be reversed.

The estimated recoverable amount of the Meliadine project CGU as at December 31, 2016 was determined on the basis of fair value less costs to dispose of the mine. The estimated recoverable amount of the Meliadine project CGU was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 9.00% (2015 – 7.50%), commensurate with the estimated level of risk associated with the Meliadine project CGU. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of $1,250 per ounce (in real terms), foreign exchange rates of US$0.75:C$1.00 to US$0.80:C$1.00, an inflation rate of 2.0% and capital, operating and reclamation costs based on applicable life-of-mine plans. As the Meliadine project CGU's estimated recoverable amount exceeded the previous carrying amount less amortization that would have been recognized had the assets not been impaired, a gain on impairment reversal of $83.0 million ($53.6 million, net of tax) was recognized in the gain on impairment reversal line item in the consolidated statements of income and comprehensive income to increase the carrying amount of the related

22. IMPAIRMENT AND IMPAIRMENT REVERSALS (Continued)

mining property. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

Key Assumptions

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. Gold price estimates were determined using forecasts of future prices prepared by industry analysts, which were available as at or close to the valuation date. Foreign exchange estimates are based on a combination of currency forward curves and estimates that reflect the outlooks of major global financial institutions.

23. INCOME AND MINING TAXES

Income and mining taxes expense is made up of the following components:

	Year Ended December 31,	
	2016	**2015**
Current income and mining taxes	$102,028	$51,495
Deferred income and mining taxes:		
Origination and reversal of temporary differences	7,609	6,550
Total income and mining taxes expense	$109,637	$58,045

23. INCOME AND MINING TAXES (Continued)

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

	Year Ended December 31,	
	2016	**2015**
Combined federal and composite provincial tax rates	26.0%	26.0%
Expected income tax expense at statutory income tax rate	$ 69,666	$21,442
Increase (decrease) in income and mining taxes resulting from:		
Mining taxes	33,949	19,042
Tax law changes	(1,557)	4,357
Impact of foreign tax rates	(9,370)	(8,499)
Permanent differences	2,387	1,359
Impact of foreign exchange on deferred income tax balances	14,562	20,344
Total income and mining taxes expense	$109,637	$58,045

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

	As at December 31, 2016	As at December 31, 2015
Mining properties	$1,046,218	$1,039,105
Net operating and capital loss carry forwards	(80,227)	(86,126)
Mining taxes	(76,344)	(75,410)
Reclamation provisions and other liabilities	(70,085)	(75,455)
Total deferred income and mining tax liabilities	$ 819,562	$ 802,114

23. INCOME AND MINING TAXES (Continued)

	Year Ended December 31,	
	2016	**2015**
Deferred income and mining tax liabilities – beginning of year	$802,114	$797,192
Income and mining tax impact recognized in net income	7,888	6,025
Income tax impact recognized in other comprehensive income (loss)	4,458	(1,103)
Reduction of flow-through share liability	5,102	–
Deferred income and mining tax liabilities – end of year	$819,562	$802,114

The Company operates in different jurisdictions and, accordingly, it is subject to income and other taxes under the various tax regimes in the countries in which it operates. The tax rules and regulations in many countries are highly complex and subject to interpretation. The Company may be subject in the future to a review of its historic income and other tax filings and, in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules and regulations to the Company's business conducted within the country involved.

The deductible temporary differences and unused tax losses in respect of which a deferred tax asset has not been recognized in the consolidated balance sheets are as follows:

	As at December 31, 2016	As at December 31, 2015
Net capital loss carry forwards	$ 34,298	$ 90,647
Other deductible temporary differences	202,614	213,879
Unrecognized deductible temporary differences and unused tax losses	$236,912	$304,526

The Company also has unused tax credits of $12.9 million as at December 31, 2016 (December 31, 2015 – $9.9 million) for which a deferred tax asset has not been recognized.

Capital loss carry forwards and other deductible temporary differences have no expiry date while the unused tax credits expire in 2020.

The Company has $410.5 million (2015 – $412.8 million) of taxable temporary differences associated with its investments in subsidiaries for which deferred income tax has not been recognized, as the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

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

24. EMPLOYEE BENEFITS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

During the year ended December 31, 2016, employee benefits expense was $479.1 million (2015 – $463.0 million). There were no related party transactions in 2016 or 2015 other than compensation of key management personnel. Key management personnel include the members of the Board and the senior leadership team.

	Year Ended December 31,	
	2016	2015
Salaries, short-term incentives and other benefits	$16,620	$13,620
Post-employment benefits	1,489	1,452
Share-based payments	13,591	13,919
Total	$31,700	$28,991

25. 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, 2016, the total amount of these guarantees was $251.6 million.

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 the Kittila mine's operations commenced, the Company has been required to pay 2.0% on net smelter returns, defined as revenue less processing costs. The royalty is paid on an annual basis in the following year.
- The Company is committed to pay 2.0% net smelter return on the Barsele property in Sweden. The net smelter return is defined as gross proceeds less refining costs. Payment should be done quarterly one month in arrears. The Company has a buyout option to purchase the right to be paid the royalty, for an aggregate consideration of US$5 million.
- The Partnership is committed to pay a royalty on production from certain properties in Quebec, Canada. The type of royalty agreements include, but are not limited to, net smelter return royalties, with percentages ranging from 1.5% to 5.0%.
- The Company is committed to pay a royalty on production from certain properties in Quebec, Canada. 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 Mexico. The type of royalty agreements include, but are not limited to, net smelter return royalties, with percentages ranging from 0.5% 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.

25. COMMITMENTS AND CONTINGENCIES (Continued)

The Company had the following purchase commitments as at December 31, 2016, of which $29.4 million related to capital expenditures:

	Purchase Commitments
2017	$43,289
2018	8,562
2019	6,520
2020	5,035
2021	3,854
Thereafter	16,971
Total	$84,231

26. ONGOING LITIGATION

On August 2, 2016, the Partnership was served with a class action lawsuit with respect to allegations involving the Canadian Malartic mine. The complaint is in respect of "neighbourhood annoyances" arising from dust, noise, vibrations and blasts at the mine. The plaintiffs are seeking damages in an unspecified amount as well as punitive damages in the amount of $20.0 million. Proceedings for the certification of the class are scheduled for April 11 and 12, 2017. The Company and the Partnership will take all necessary steps to defend themselves from this lawsuit.

On August 15, 2016, the Partnership received notice of an application for injunction relating to the Canadian Malartic mine, which has been filed under the *Environment Quality Act* (Quebec). A hearing related to an interlocutary injunction was completed on March 17, 2017 and a decision of the Superior Court of Quebec is pending. The request for injunction aims to restrict the Canadian Malartic mine's mining operations to sound levels and mining volumes below the limits to which it is subject. Agnico Eagle and the Partnership have reviewed the injunction request, consider the request without merit and will take all reasonable steps to defend against this injunction. While at this time the potential impacts cannot be definitively determined, the Company expects that if the injunction were to be granted there would be a negative impact on the operations of the Canadian Malartic mine, which could include a reduction in production.

27. SUBSEQUENT EVENTS

Dividends Declared

On February 15, 2017, Agnico Eagle announced that the Board approved the payment of a quarterly cash dividend of $0.10 per common share (a total value of approximately $22.5 million), paid on March 15, 2017 to holders of record of the common shares of the Company on March 1, 2017.

Purchase of Otis Gold Corporation Common Shares

On February 28, 2017, the Company completed the purchase of 14,420,000 common shares of Otis Gold Corporation ("Otis") pursuant to a private placement. The Company paid C$0.35 per Otis common share, for total consideration of approximately C$5.0 million. Upon the closing of the transaction, Agnico Eagle held approximately 9.95% of the issued and outstanding common shares of Otis on a non-diluted basis.

27. SUBSEQUENT EVENTS (Continued)

Purchase of GoldQuest Mining Corporation Common Shares

On March 8, 2017, the Company completed the purchase of 38,100,000 common shares of GoldQuest Mining Corporation ("GoldQuest") pursuant to a private placement. The Company paid C$0.60 per GoldQuest common share, for total consideration of approximately C$22.9 million. Upon the closing of the transaction, Agnico Eagle held approximately 15.0% of the issued and outstanding common shares of GoldQuest on a non-diluted basis.

Shareholder Information

Auditors
Ernst & Young LLP

Solicitors
Davies Ward Philips & Vineberg LLP
(Toronto and New York)

Listings
New York Stock Exchange and
the Toronto Stock Exchange
Stock Symbol: AEM

Transfer Agent
Computershare Trust Company of Canada
1-800-564-6253

Investor Relations
(416) 947-1212

Annual Meeting of Shareholders
Friday, April 28, 2017 at 11:00 AM
Sheraton Toronto Centre Hotel
(Grand Ballroom)
123 Queen Street West
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On the back cover: (top) In 2016, Agnico Eagle's LaRonde mine poured its 5 millionth ounce of gold since production began in 1988; (bottom) From 1957 to 1990, Agnico produced more than 25 million ounces of silver from its mines in Cobalt, Ontario.

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AGNICO EAGLE

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