AGNICO EAGLE MINES LTD

FORM 6-K
(Report of Foreign Issuer)

Filed 04/01/05 for the Period Ending 12/31/04

Telephone	4169471212
CIK	0000002809
Symbol	AEM
SIC Code	1040 - Gold And Silver Ores
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

AGNICO EAGLE MINES LTD

FORM 6-K
(Report of Foreign Issuer)

Filed 4/1/2005 For Period Ending 12/31/2004

Address	145 KING STREET EAST SUITE 500
	TORONTO, M5C 2Y7
Telephone	416-947-1212
CIK	0000002809
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

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Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the Month of April 2005

Agnico-Eagle Mines Limited
(Translation of registrant's name into English)

145 King Street East, Suite 500, Toronto, Ontario M5C 2Y7

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

SIGNATURE

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

AGNICO-EAGLE MINES LIMITED

Date: April 1, 2005

By: /s/ DAVID GAROFALO

Vice-President, Finance & Chief
Financial Officer

EXHIBIT INDEX

Exhibit	Description of Exhibit
99.1	Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular dated March 21, 2005
99.2	Management's Discussion and Analysis
99.3	Annual Audited Consolidated Financial Statements

QuickLinks

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Exhibit 99.1

AGNICO-EAGLE
MINES LIMITED

Notice of Annual and Special Meeting of Shareholders
Friday, May 6, 2005
Management Proxy Circular

AGNICO-EAGLE MINES LIMITED

Suite 500
145 King Street East
Toronto, Ontario
M5C 2Y7

NOTICE OF 2005 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Date: Friday, May 6, 2005

Time: 10:30 a.m. (Toronto time)

Place: St. Lawrence Great Hall
East Room — 3 rd Floor
157 King Street East
Toronto, Ontario M5C 1G9

Business of the Meeting:

(1) Receipt of the financial statements of Agnico-Eagle for the year ended December 31, 2004 and the auditors' report on the statements;

(2) Election of directors;

(3) Appointment of auditors;

(4) Consideration of and, if deemed advisable, passing of an ordinary resolution reconfirming the Shareholders Rights Plan of Agnico-Eagle; and

(5) Consideration of any other business which may be properly brought before the Annual and Special Meeting of Shareholders.

By order of the Board of Directors

DAVID GAROFALO
Vice-President, Finance & Chief Financial Officer
March 21, 2005

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

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished in connection with the solicitation by the management of Agnico-Eagle Mines Limited of proxies for the use at its Annual and Special Meeting of Shareholders. Unless otherwise stated, all information in this Circular is given as of March 21, 2005 and all dollar amounts are stated in Canadian dollars.

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SECTION 1: VOTING INFORMATION

Who is soliciting my proxy?

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

What will I be voting on?

You will be voting on:

- election of directors (page 4);
- appointment of Ernst & Young LLP as the Corporation's auditors (page 7);
- reconfirmation of the Shareholders Rights Plan; and
- other business brought before the meeting if any other matter is put to a vote.

What else will happen at the meeting?

The financial statements for the year ended December 31, 2004 together with the auditors' report on these statements will be presented to the meeting.

How will these matters be decided at the meeting?

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

How many votes do I have?

You will have one vote for every common share of the Corporation you own at the close of business on March 21, 2005, the record date for the meeting. To vote shares that you acquired after the record date, you must, no later than the commencement of the meeting:

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

How many shares are eligible to vote?

At the close of business on March 21, 2005, the record date for this meeting, there were 86,125,229 common shares of the Corporation outstanding. Each common share held at that date entitles you to one vote. Fidelity Management & Research Company, Fidelity Management Trust Company and Fidelity International Limited have filed reports with securities regulators stating that they collectively have control over 8,998,466 (or approximately 10.35%) of Agnico-Eagle's common shares and corporate bonds and warrants convertible into common shares. To the knowledge of the directors and senior officers of the Corporation, no other person or corporation owns or exercises control or direction over 10% or more of the outstanding common shares.

How do I vote?

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

Voting by proxy

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

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

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

How will my proxy be voted?

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

(i) **for the election of management's nominees as directors;**

(ii) **for the appointment of management's nominees as the auditors and the authorization of the directors to fix the remuneration of the auditors;**

(iii) **for the reconfirmation of the Shareholder Rights Plan; and**

(iv) **for management's proposals generally.**

What if I want to revoke my proxy?

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

How are proxies solicited?

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

How can a non-registered shareholder vote?

If your common shares are not registered in your name, they will be held by an intermediary such as a trust corporation, securities broker or other financial institution. Each intermediary has its own procedures which should be carefully followed by non-registered shareholders to ensure that their shares are voted at the meeting. If you are a non-registered shareholder, you should have received this Circular, together with the proxy from your intermediary. To vote in person at the meeting, follow the instructions set out on the form of proxy, appoint yourself a proxyholder, and return the form of proxy to the Depositary. Do not otherwise complete the proxy or voting instruction form sent to you as you will be voting at the meeting.

SECTION 2: BUSINESS OF THE MEETING

Election of Directors

The articles of Agnico-Eagle provide for a minimum of five and a maximum of twelve directors. By special resolution of the shareholders of Agnico-Eagle approved at the annual and special meeting of Agnico-Eagle held on June 27, 1996, the shareholders authorized the Board of Directors to determine the number of directors within that minimum and maximum. The number of directors to be elected is eight as determined by the Board

of Directors by resolution passed on April 23, 2003. The names of the proposed nominees for election as directors are listed below. Each director will hold office until the next annual meeting of shareholders of Agnico-Eagle or until their successors are elected or appointed or the position is vacated. Under the Corporation's retirement policy, directors elected or appointed before April 14, 1998 are required to retire at the age of 75 and directors elected or appointed on or after April 14, 1998 are required to retire at the age of 70. Mr. Kraft will turn 75 years old during September of 2005. The Board of Directors intends to waive the effect of the retirement policy in order to allow Mr. Kraft to hold office until the next annual meeting of the shareholders of Agnico-Eagle. **The persons named on the enclosed form of proxy intend to VOTE FOR the election of the proposed nominees whose names are set out below and who are all currently directors of Agnico-Eagle unless a shareholder has specified in his proxy that his or her common shares are to be withheld from voting for the election of directors.** The common share ownership amounts presented in the table do not include common shares underlying immediately exercisable options.

Dr. Leanne M. Baker , 52, of Tiburon, California, is a director of Agnico-Eagle. Dr. Baker currently acts as a consultant to companies in the mining and financial services industries. Previously, Dr. Baker was employed by Salomon Smith Barney where she was one of the top-ranked mining sector equity analysts in the United States. Dr. Baker has an M.S. and a Ph.D. in mineral economics from the Colorado School of Mines. Dr. Baker is also a director of New Sleeper Gold Corporation, a mining exploration corporation which trades on the TSX Venture Exchange. Dr. Baker has been a director since January 1, 2003.	Member of the Audit Committee	3,500 common shares 25,500 Options
Douglas R. Beaumont, P.Eng. , 72, of Toronto, Ontario, is a director of Agnico-Eagle. Mr. Beaumont, now retired, is a former Senior Vice-President, Process Technology with SNC Lavalin. Mr. Beaumont is a graduate of Queen's University (B.Sc.). Mr. Beaumont has been a director of Agnico-Eagle since February 25, 1997.	Member of the Compensation and Corporate Governance Committees [(1)]	5,976 common shares 44,500 Options
Sean Boyd, CA , 46, of Newmarket, Ontario, is the President and Chief Executive Officer and a director of Agnico-Eagle. Mr. Boyd has been with Agnico-Eagle since 1985. Prior to his appointment as President and Chief Executive Officer in 1998, Mr. Boyd served as Vice-President and Chief Financial Officer from 1996 to 1998, Treasurer and Chief Financial Officer from 1990 to 1996, Secretary-Treasurer during a portion of 1990, and Comptroller from 1985 to 1990 and prior to that was a chartered accountant with Clarkson Gordon. Mr. Boyd is a graduate of the University of Toronto (B.Comm.). Mr. Boyd has been a director of Agnico-Eagle since April 14, 1998, and is also Vice-Chairman and Chief Executive Officer of Contact Diamond Corporation ("Contact Diamond") [(2)] , a 44.2% equity investee of Agnico-Eagle traded on the TSX. Mr. Boyd is also a director of Golden Goliath Resources Ltd., a junior exploration corporation which trades on the TSX Venture Exchange.		94,162 common shares 539,900 Options

Eberhard (Ebe) Scherkus , 53, of Oakville, Ontario, is the Executive Vice-President and Chief Operating Officer and a director of Agnico-Eagle. Mr. Scherkus has been with Agnico-Eagle since 1985. Prior to his appointment as Executive Vice-President and Chief Operating Officer in 1998, Mr. Scherkus served as Vice-President, Operations from 1996 to 1998 and as a manager of Agnico-Eagle LaRonde Division from 1986 to 1996. Mr. Scherkus is a graduate of McGill University (B.Sc.). Mr. Scherkus was appointed director of Agnico-Eagle effective January 17, 2005. Mr. Scherkus also serves as a director of Contact Diamond and as a director of Riddarhyttan Resources AB, a Stockholm Stock Exchange listed company in which Agnico-Eagle holds a 14% equity interest.		49,303 common shares 413,000 Options
Bernard Kraft, CA-IFA, C.B.V., A.S.A., C.F.E. , 74, of Toronto, Ontario, is a director of Agnico-Eagle. Mr. Kraft is a senior partner of the Toronto accounting firm Kraft, Berger, Grill, Schwartz, Cohen & March LLP, Chartered Accountants and a principal in Kraft Yabrov Valuations Inc. Mr. Kraft is a member of the Canadian Institute of Chartered Business Valuators, the Association of Certified Fraud Examiners and the American Society of Appraisers. Mr. Kraft has been a director of Agnico-Eagle since March 12, 1992. Mr. Kraft is also a director of Canadian Shield Resources Inc., a mining exploration corporation which trades on the TSX Venture Exchange.	Chairman of the Audit Committee and Member of the Compensation Committee	5,976 common shares 42,500 Options
Mel Leiderman, CA, TEP , 53, of Toronto, Ontario, is a director of Agnico-Eagle. Mr. Leiderman is the managing partner of the Toronto accounting firm Lipton, Wiseman, Altbaum & Partners LLP. Mr. Leiderman is a graduate of the University of Windsor (B.A.). Mr. Leiderman has been a director since January 1, 2003.	Chairman of the Compensation Committee and Member of the Audit Committee	2,000 common shares 25,500 Options
James D. Nasso , 71, of Toronto, Ontario, is Chairman of the Board of Directors and a director of Agnico-Eagle. Mr. Nasso, recently retired, founded and was the President of Unilac Limited, a manufacturer of infant formula, for 36 years. Mr. Nasso is a graduate of St. Francis Xavier University (B. Comm.). Mr. Nasso has been a director of Agnico-Eagle since June 27, 1986. Mr. Nasso is also a director and Chairman of Contact Diamond.	Member of the Audit Committee	17,751 common shares 32,500 Options

Howard R. Stockford, P.Eng. , 63, of Toronto, Ontario, is an independent consultant to the mining industry. Mr. Stockford was Executive Vice-President of Aur Resources Inc. ("Aur"), a mining company which is traded on the TSX, from 1989 until his retirement at the end of 2004. From 1983 to 1989, Mr. Stockford was Vice-President of Aur. Mr. Stockford is a member of the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") and has previously served as Chairman of both the Winnipeg and Toronto branches of the CIM and as President of the CIM national body. Mr. Stockford is also a member of the Prospectors and Developers Association of Canada, the Geological Association of Canada and the Society of Economic Geologists. Mr. Stockford is a graduate of the Royal School of Mines, Imperial College, London University (B.Sc.). Mr. Stockford is not currently a director of Agnico-Eagle. Mr. Stockford is a director of Aur, an office he has held since 1983, and a director of Nuinsco Resources Limited, an office he has held since March of 2005.

As of the date of this Circular, Mr. Stockford does not hold any common shares or Options.

(1) The other member of the Corporate Governance Committee is currently Ernest Sheriff who will not be standing for re-election at the meeting.

(2) Contact Diamond was formerly known as Sudbury Contact Mines Limited ("Sudbury Contact"). On September 30, 2004, Sudbury Contact changed its name to "Contact Diamond Corporation" and sold all of its precious metal properties to Agnico-Eagle pursuant to a shareholder approved reorganization. Articles of Amendment were filed by Sudbury Contact on the same date. References herein to Contact Diamond are deemed to be references to Sudbury Contact if the date of the information referred to is prior to September 30, 2004.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to VOTE FOR the appointment of Ernst & Young LLP as Agnico-Eagle's auditors, and for the directors to fix the remuneration of the auditors unless a shareholder has specified in his proxy that his or her common shares are to be withheld from voting for the appointment of Ernst & Young LLP as Agnico-Eagle's auditors. Representatives of Ernst & Young LLP are expected to be present at the meeting to respond to appropriate questions and make a statement if they wish to do so. Ernst & Young LLP became Agnico-Eagle's auditors in 1983. Fees paid to Ernst & Young LLP for 2004 and 2003 are set out below.

($ thousands)	Year ended December 31, 2004	Year ended December 31, 2003
Audit fees	$ 245	$ 230
Employee benefit plan	18	11
Prospectus-related fees	62	—
French translation fees	50	24
Tax consulting fees	116	152
	$ 491	$ 417

Audit fees were paid for professional services rendered by the auditors for the audit of Agnico-Eagle's annual financial statements and related statutory and regulatory filings.

Employee benefit plan fees were paid for professional services rendered by the auditors for the audit of the financial statements of Agnico-Eagle's employee benefit plans and the related statutory and regulatory filings.

Prospectus-related fees were paid for professional services rendered by the auditors in connection with Agnico-Eagle's filing of preliminary and final base shelf prospectuses on October 27, 2004 and November 15, 2004, respectively, and the filing of a prospectus supplement on November 15, 2004, in connection with the qualification of common shares that may be issued to certain holders of Agnico-Eagle warrants who reside in the United States. These services consisted of the audit or review, as required, of financial statements included in the prospectuses, reviewing documents filed with securities regulatory authorities, correspondence with securities regulatory authorities and all other services required by regulatory authorities in connection with the filing of these documents.

French translation fees were paid for professional services rendered by the auditors in connection with the translation of securities regulatory filings required to comply with securities laws in certain Canadian jurisdictions.

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

All other fees were paid for services other than the fees listed above and included fees for access to Ernst & Young LLP publications and due diligence assistance for proposed transactions.

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

Financial Statements

The audited annual financial statements for the year ended December 31, 2004 have been mailed to Agnico-Eagle shareholders with this Circular.

Renewal of Shareholder Rights Plan

General and Background to the Rights Plan

In 1999, the Board adopted a shareholder rights plan (the "Rights Plan") to protect shareholders from unfair, abusive or coercive treatment in the event of a take-over bid. Shareholder approval of the Rights Plan was received on June 25, 1999 and the Rights Plan was reconfirmed by the shareholders of Agnico-Eagle on June 21, 2002. The Rights Plan is currently effective, but is subject to reconfirmation by the shareholders of Agnico-Eagle at the meeting. Shareholders will be asked to consider a resolution reconfirming the Rights Plan and all rights ("Rights") issued pursuant to the Rights Plan at the meeting. The text of the resolution is set out in Appendix B to this Circular.

If the Rights Plan is reconfirmed by the shareholders at the meeting, the Rights Plan will remain in effect until it expires on the close of Agnico-Eagle's annual meeting to be held in 2009. If the Rights Plan is not reconfirmed at the meeting, the Rights Plan and any outstanding Rights will cease to be of any further force or effect as at the close of such meeting unless a Flip-in Event (as defined in Appendix C) has occurred prior to such time.

For a detailed summary of the Rights Plan and other relevant information pertaining to it, please see Appendix C to this Circular.

Directors' Recommendation

The Rights Plan was adopted to assist the Board in ensuring fair treatment of shareholders in the event that a person or group of persons seeks to acquire control of the Corporation through unfair take-over strategies to which the Corporation and its shareholders may be particularly vulnerable because of the different securities laws applicable in Canada and the United States, the principal trading markets for Agnico-Eagle's shares. **The Board has determined that the Rights Plan is in the best interests of Agnico-Eagle and its shareholders and unanimously recommends that shareholders VOTE FOR the reconfirmation of the Rights Plan.**

The persons named in the enclosed form of proxy intend to vote for the resolution approving the reconfirmation of the Rights Plan unless a shareholder has specified in his proxy that his or her common shares are to be voted against the resolution approving the reconfirmation of the Rights Plan.

Shareholders' Approval

Approval by a majority of the votes cast by Independent Shareholders (as defined in Appendix C under the heading "Terms of the Rights Plan — Independent Shareholders") present, in person or by proxy at the meeting is required to reconfirm the Rights Plan. To the knowledge of Agnico-Eagle, there are no non-Independent Shareholders as of the date of this Circular. The text of the resolution reconfirming the Rights Plan is set out in Appendix B to this Circular. Assuming there are no non-Independent shareholders at the meeting, such resolution must be passed by a majority of the votes cast by the holders of common shares who vote in respect thereof in order for the Rights Plan to be reconfirmed.

SECTION 3: COMPENSATION AND OTHER INFORMATION

Report on Executive Compensation

Compensation Philosophy

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

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

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

- base salary and benefits;
- annual incentive compensation; and
- long-term incentive compensation in the form of stock options.

The Compensation Committee reviews each component of compensation for each officer and makes compensation recommendations to the Board. In its evaluation of each officer, the Compensation Committee considers, among other things, evaluations prepared by the Chairman and CEO for each officer other than the CEO, and an evaluation prepared by the Chairman for the CEO. The Board reviews the recommendations and gives final approval on compensation of Agnico-Eagle's officers. The Board has complete discretion over the amount and composition of each officer's compensation.

Base Salary

Base salary is the principal component of an executive officer's compensation package. Annual base salaries are established using internal and external surveys of average base salaries paid to officers of other mining companies of similar size as Agnico-Eagle. The Compensation Committee also conducts its own surveys to determine the level of compensation paid to its officers relative to mining companies of similar size to Agnico-Eagle. Base salary levels take into account the officers' individual responsibilities, experience, performance and contribution toward enhancing shareholder value and should be in line with average base salaries paid to officers having comparable responsibilities at other North American mining and gold companies. By keeping base salaries at or near the average base salaries for the mining industry, Agnico-Eagle has more flexibility in tying reward to performance as a greater percentage of compensation earned by officers of Agnico-Eagle can be paid in the form of bonuses and stock-option grants, which are payable at the discretion of Agnico-Eagle.

No salary increases were granted to the executive officers of Agnico-Eagle for 2004. However, on January 7, 2005, the Board determined, upon the recommendation of the Compensation Committee, to increase the 2005 base salary of Agnico-Eagle's officers by an average of approximately 9% in light of the significant improvement in Agnico-Eagle's financial and operational performance in 2004 and the results of the Compensation Committee's review of internally and externally generated surveys of mining companies similar in size to Agnico-Eagle which indicated that Agnico-Eagle's base salaries were at or below average.

Annual Incentive Compensation

Annual incentive compensation for Agnico-Eagle's officers is based equally on two factors, namely, Agnico-Eagle's performance and the officers' contribution to that performance. Agnico-Eagle's performance is based on its achievements of various specific targets such as return on equity and profitability. Until January 7, 2005, Agnico-Eagle's compensation policy provided for a limit on the annual incentive compensation as a percentage of base salary to 50% of base salary for Mr. Boyd, 40% of base salary for Mr. Scherkus and 35% of base salary for all other vice-presidents of Agnico-Eagle. The Compensation Committee conducted a survey which indicated that these upper limits on annual incentive compensation were lower than comparable corporations to Agnico-Eagle in the mining industry. As the base salaries of Agnico-Eagle's officers have been in recent years in line with the industry average, the Compensation Committee recommended the Board approve an increase in the maximum bonuses payable to such officers to 75% of base salary for the President and Chief Executive Officer, to 60% of base salary for the Executive Vice-President and Chief Operating Officer, to 50% of base salary for the Vice-President, Finance and Chief Financial Officer and to 40% of base salary for each of the Vice-President, Corporate Development and Vice-President, Exploration.

For 2004, the Compensation Committee rated Agnico-Eagle's performance at 85% based on the following achievements which were counter-balanced by Agnico-Eagle's failure to meet its gold production targets:

Operations and Corporation Development

- maintaining gold reserves at 7.9 million ounces and a 19% increase in regional global gold resources to 12.9 million;
- a vast improvement in operating results with record gold production, record low cash costs and record earnings and cash flow;
- achievement of completion tests under Agnico-Eagle's bank facility;
- the acquisition of a minority interest in Riddarhyttan Resources AB which owns the Suurikuusikko gold deposit in Finland, thereby establishing a position in a highly prospective new gold camp at a very low entry price;

Exploration and Projects

- initiation of underground programs at both Lapa and Goldex;
- acquisition of key land package in Nevada adjacent to the Cortez Hills discovery;

Financial

- raising of $23 million in flow-through shares at a 33% premium to Agnico-Eagle's then share price to finance underground programs at the Lapa and Goldex properties;
- refinancing of bank facility which features a US$100 million three-year revolving credit facility on significantly improved terms and pricing relative to the previous bank facility;
- incremental cash flow of over US$6 million realized from foreign exchange hedge position, thereby reducing cash operating cost per ounce by over US$20 and contributing approximately US$0.08 per share to net earnings;
- increase of 11% in Agnico-Eagle's share price compared to a 7% decline in the S&P/TSX Capped Gold Index in 2004.

Accordingly, since 50% of an officer's bonus is determined by Agnico-Eagle's performance, each of the officers of Agnico-Eagle was awarded a bonus in respect of Agnico-Eagle's performance equal to half of 85% of the maximum bonus payable to such officers under the revised executive compensation policy described above.

The remaining 50% of the bonus for each of the Named Executive Officers (other than the President and the Chief Executive Officer) was determined by the individual performance of such officer as assessed by the Chairman of the Board and the President and Chief Executive Officer with reference to the achievements noted above, as applicable to each Named Executive Officer. Based on this assessment, the Compensation Committee's recommendation with respect to the portion of each of the Named Executive Officers' bonus based on individual performance ranged from 75% to 90% of the maximum bonus allocated to individual performance.

Stock Options

Stock options tie officers' compensation to increases in the value of the Corporation's common shares and therefore provide an incentive to enhance shareholder value. Grants of stock options are based on three factors:

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

During 2004, the Compensation Committee completed an internal compensation survey which indicted that the number of options issued to the senior management of Agnico-Eagle as a percentage of shares of Agnico-Eagle outstanding was in line with industry averages.

Share Ownership

In order to align the interests of Agnico-Eagle and those of its officers and employees, the Corporation encourages stock ownership and facilitates this through its incentive share purchase plan. Details of this plan can be found on page 14 of this Circular.

All of the Corporation's officers own common shares of Agnico-Eagle. The following table summarizes each officer's holdings as at March 21, 2005:

Sean Boyd, Director, President and Chief Executive Officer	94,162
Eberhard Scherkus, Director, Executive Vice-President and Chief Operating Officer	49,303
David Garofalo, Vice-President, Finance and Chief Financial Officer	22,834
Donald G. Allan, Vice-President, Corporate Development	3,287
Alain Blackburn, Vice-President, Exploration	3,588

Chief Executive Officer's 2004 Compensation

Mr. Boyd served as President and Chief Executive Officer of the Corporation and received a $600,000 base salary and a bonus of $393,000 in 2004. In determining the base salary and bonus of Mr. Boyd, the Compensation Committee reviewed externally prepared industry surveys, an internally generated industry survey and public information regarding base salaries paid to chief executive officers of public mining companies of comparable size and complexity. The Committee also considered other factors such as Mr. Boyd's responsibilities and contribution to business performance such as his leadership in connection with the continued pursuit of Agnico-Eagle's regional growth strategy. The principal responsibilities of the President and Chief Executive Officer include selecting and appointing senior officers, establishing and monitoring long-term strategic corporate objectives and supervising Agnico-Eagle's mining exploration and development activities.

The bonus granted to Mr. Boyd was based on the Compensation Committee's rating of Agnico-Eagle's performance at 85% and of Mr. Boyd's performance at 90%.

Position	Corporate % of Maximum Bonus	Individual % of Maximum Bonus	Overall % Corporate/Individual	Maximum Bonus as % of Base Salary	Cash Bonus Paid
President and Chief Executive Officer	85%	90%	87.5%	75%	$ 393,000

In increasing Mr. Boyd's base salary and determining his individual performance, the Compensation Committee considered his contribution to the following achievements of Agnico-Eagle:

- the turnaround in operating and share price performance in 2004 when compared to 2003;
- the acquisition by Agnico-Eagle of a 14.1% stake in Riddarhyttan Resources AB, a corporation whose principal asset is a 100% interest in the Suurikuusikko gold deposit in Finland;
- steering Agnico-Eagle through operating challenges and the re-evaluation of the Corporation's mining plan in order to reduce mining risk;
- the successful increase of reserves at the LaRonde Mine; and
- continued rationalization of Agnico-Eagle's structure, including the implementation of plans to increase Contact Diamond's independence from the Corporation and the acquisition by the Corporation of Contact Diamond's gold and other precious metal exploration properties in Canada and the United States.

The foregoing report is submitted by the Compensation Committee of the Board of Directors.

Mel Leiderman, CA, TEP, Chairman
Bernard Kraft, CA·IFA, C.B.V., A.S.A., C.F.E.
Douglas R. Beaumont

Composition of Compensation Committee

The Compensation Committee consists of Mel Leiderman, Bernard Kraft, Doug Beaumont and Dr. Alan Green. Mr. Green ceased to be a member of the Compensation Committee when he resigned from the Board of Directors on January 17, 2005. As of March 21, 2005, no additional members had been added to the Committee. None of the members of the Committee is an officer or employee or former officer or employee of the Corporation or any of its subsidiaries and all of the members are considered to be unrelated to and independent from Agnico-Eagle.

Compensation of Officers

The executive officers of Agnico-Eagle are:

- Sean Boyd, President and Chief Executive Officer
- Eberhard Scherkus, Executive Vice-President and Chief Operating Officer
- David Garofalo, Vice-President, Finance and Chief Financial Officer
- Donald G. Allan, Vice-President, Corporate Development
- Alain Blackburn, Vice-President, Exploration

Anton Adamcik was the Vice-President, Environment of Agnico-Eagle until his retirement on March 1, 2004. Mr. Adamcik continues to provide services to Agnico-Eagle as a consultant and has entered into a consulting agreement with Agnico-Eagle and offers consulting services in consideration for enhanced pension and other benefits.

Barry Landen ceased to be Agnico-Eagle's Vice-President, Corporate Affairs on December 7, 2004.

The following Summary Compensation Table sets out compensation during the three fiscal years ended December 31, 2004 for the President and Chief Executive Officer, the Vice-President, Finance and Chief Executive Officer and the three other most highly compensated officers (collectively the "Named Executive Officers") of Agnico-Eagle measured by base salary and bonus earned during the fiscal year ended December 31, 2004.

Summary Compensation Table — Agnico-Eagle Mines Limited

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Securities Under Options**	**All Other Compensation (1)**
Sean Boyd	2004	600,000	393,000	90,000	47,268
President and	2003	600,000	—	—	30,574
Chief Executive Officer	2002	555,481	275,000	225,000	27,701
Eberhard Scherkus	2004	435,000	228,000	70,000	54,656
Executive Vice-President and	2003	435,000	—	—	23,074
Chief Operating Officer	2002	402,596	150,000	135,000	22,430
David Garofalo	2004	290,000	120,000	50,000	31,644
Vice-President, Finance and	2003	290,000	—	—	3,324
Chief Financial Officer	2002	270,000	88,000	75,000	15,896
Donald G. Allan	2004	220,000	70,000	40,000	35,139
Vice-President,	2003	220,000	—	—	13,376
Corporate Development	2002	200,000 (2)	45,000	50,000	6,250
Alain Blackburn	2004	200,000	65,000	50,000	36,470
Vice-President,	2003	175,000	75,000	—	13,376
Exploration	2002	152,885	36,000	25,000	13,830

(1) Consists of annual contributions made by Agnico-Eagle on behalf of the Named Executive Officers under the Corporation's defined contribution pension plan (see "Pension Arrangements"), premiums paid for term life insurance and automobile allowances for the Named Executive Officers.

(2) Mr. Allan joined the Corporation in May 2002. This amount represents his annualized salary as if he had been employed for the full year.

Stock Option Plan

Under the Corporation's Stock Option Plan, options to purchase common shares may be granted to directors, officers, employees and service providers of the Corporation. The exercise price of options granted may not be less than the closing market price for the common shares of the Corporation on the Toronto Stock Exchange on the day prior to the date of grant. At the annual and special meeting of shareholders of the Corporation held on May 28, 2004, a resolution was passed by the shareholders approving amendments to the Stock Option Plan as follows:

- to reduce the maximum term of options granted under the Stock Option Plan from ten to five years;
- to limit the number of stock options issued in any one year to 1% of the Corporation's shares outstanding; and
- to implement a mandatory delayed vesting of options.

There are 5,229,635 common shares of the Corporation reserved for issuance under the Stock Option Plan (which includes options available for future grants and unexercised options). The maximum amount of shares issuable under the Stock Option Plan is 6.07% of the Corporation's 86,125,229 common shares outstanding as at March 21, 2005.

The Stock Option Plan restricts the entitlement to loans, guarantees or other support arrangements to facilitate option exercises to eligible persons who are not directors or officers of the Corporation. During 2004, no loans, guarantees or other financial assistance were provided under the plan.

The following table sets out stock option awards received by the Named Executive Officers during the year ended December 31, 2004.

Option grants of Agnico-Eagle Mines Limited during 2004

Name	Securities Under Options	% of Total Option Grants in Year	Exercise Price	Market Value of Underlying Options on Date of Grant	Expiration Date
Sean Boyd	90,000	7	$ 16.69	NIL	January 12, 2009
Ebe Scherkus	70,000	5	16.69	NIL	January 12, 2009
David Garofalo	50,000	4	16.69	NIL	January 12, 2009
Donald Allan	40,000	3	16.69	NIL	January 12, 2009
Alain Blackburn	50,000	4	16.69	NIL	January 12, 2009

The following table shows, for each Named Executive Officer, the number of common shares acquired through the exercise of stock options of the Corporation during the year ended December 31, 2004, the aggregate value realized upon exercise and the number of unexercised options under the Stock Option Plan as at December 31, 2004. The value realized upon exercise is the difference between the market value of common shares on the exercise date and the exercise price of the option. The value of unexercised in-the-money options at December 31, 2004 is the difference between the exercise price of the options and the market value of Agnico-Eagle's common shares on December 31, 2004, which was $16.52 per share of the Corporation's common stock.

Aggregate option exercises during 2004 and year end option values

			Unexercised options at December 31, 2004		Value of unexercised in-the-money options at December 31, 2004 ($)	
Name	**Securities acquired at exercise**	**Aggregate value realized ($)**	**Exerciseable**	**Unexerciseable**	**Exerciseable**	**Unexerciseable**
Agnico-Eagle Mines Limited						
Sean Boyd	85,100	$ 638,788	347,400	67,500	768,138	Nil
Ebe Scherkus	58,200	$ 658,550	260,500	52,500	740,610	Nil
David Garofalo	15,000	$ 148,700	100,500	37,500	123,810	Nil
Donald G. Allan	Nil	Nil	60,000	30,000	Nil	Nil
Alain Blackburn	Nil	Nil	95,500	37,500	79,110	Nil

The following table shows, as at December 31, 2004, compensation plans under which equity securities of Agnico-Eagle are authorized for issuance from treasury. The information has been aggregated by plans approved by shareholders and plans not approved by shareholders, of which there are none.

Plan Category	Number of securities to be issued on exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuances under equity compensation plans
Equity compensation plans approved by shareholders	2,383,150	$ 15.16	2,846,485
Equity compensation plans not approved by shareholders	Nil	Nil	Nil

Incentive Share Purchase Plan

In 1997, the shareholders of Agnico-Eagle approved the Share Purchase Plan to encourage directors, officers and full-time employees of Agnico-Eagle to purchase common shares of Agnico-Eagle. Full-time employees who have been continuously employed by Agnico-Eagle or its subsidiaries for at least twelve months are eligible at the beginning of each fiscal year to elect to participate in the Share Purchase Plan. Eligible

employees may contribute up to 10% of their basic annual salary through monthly payroll deductions or quarterly payments by cheque. Directors may contribute up to 100% of their annual Board and committee retainer fees. Agnico-Eagle contributes an amount equal to 50% of the individual's contributions and issues shares which have a market value equal to the total contributions (individual and Corporation) under the Share Purchase Plan. Agnico-Eagle has reserved 1,151,272 common shares for issuance under the plan.

Pension Arrangements

Two individual Retirement Compensation Arrangement Plans (RCA Plans) for Mr. Boyd and Mr. Scherkus provide pension benefits which are generally equal (on an after-tax basis) to what the pension benefits would be if they were provided directly from a registered pension plan. There are no pension benefit limits under the RCA Plans. The RCA Plans provide an annual pension at age 60 equal to 2% of the executive's final three-year average pensionable earnings for each year of continuous service with the Corporation, less the annual pension payable under the Corporation's basic defined contribution plan. Payments under the RCA Plans are secured by a letter of credit from a Canadian chartered bank.

The following chart provides illustrations of the total estimated pension payable from both the RCA Plan and the Basic Plan assuming various current pensionable earnings, current ages and total years of service to retirement at age 60. In all cases, it was assumed that current pensionable earnings would increase at the rate of 3% per annum, compounded annually.

		Total Years of Service with the Corporation to Age 60 (1)				
Current Earnings	**Current Age**	**15 years**	**20 years**	**25 years**	**30 years**	**35 years**
$400,000	45	$ 176,400	$ 235,000	$ 294,000	$ 352,700	$ 411,50
	50	152,100	202,900	253,600	304,300	355,00
	55	131,200	175,000	218,700	262,500	306,20
	60	113,200	150,900	188,700	226,400	264,20
$500,000	45	$ 220,300	$ 293,700	$ 367,100	$ 440,600	$ 514,00
	50	190,000	253,400	316,700	380,000	443,40
	55	163,900	218,500	273,200	327,800	382,50
	60	141,400	188,500	235,600	282,800	329,90
$600,000	45	264,300	352,400	440,600	528,700	616,80
	50	228,000	304,000	380,000	456,000	532,00
	55	196,700	262,300	327,800	393,400	458,90
	60	169,700	226,200	282,800	339,300	395,90
$700,000	45	308,400	411,200	514,000	616,800	719,60
	50	266,000	354,700	443,400	532,000	620,70
	55	229,500	306,000	382,500	458,900	535,40
	60	197,900	263,900	329,900	395,900	461,90

(1) All amounts are stated in Canadian dollars.

At December 31, 2004, the two individuals under the RCA Plans had the following years of service:

- Mr. Boyd 19 years
- Mr. Scherkus 19 years

Accordingly, the total projected pension payable at retirement from both the RCA Plan and the Basic Plan for Mr. Boyd and Mr. Scherkus are $557,650 and $247,835 per annum, respectively. The 2004 annual service cost and total accrued pension obligation, respectively, for each of Mr. Boyd and Mr. Scherkus as at December 31, 2004 are as follows: Mr. Boyd — $203,500 and $1,763,300, Mr. Scherkus — $146,700 and $1,430,700. The annual service cost represents the value of the projected pension benefit earned during the year. The total accrued pension obligation represents the value of the projected pension benefit earned for all service to date. The pensionable earnings for the purposes of the RCA Plans consist of all basic remuneration and do not include benefits, bonuses, automobile or other allowances, and unusual payments.

Employment Contracts/Termination Arrangements

Agnico-Eagle has employment agreements with all executive officers which provide for an annual base salary, bonus and certain pension, health, dental and other insurance and automobile benefits. The agreements were amended in December 2002 and provide minimum annual base salaries for the Named Executive Officers as follows:

• Mr. Boyd	$600,000
• Mr. Scherkus	$435,000
• Mr. Garofalo	$290,000
• Mr. Allan	$220,000
• Mr. Blackburn	$200,000

These amounts may be increased at the discretion of the Board of Directors upon the recommendation of the Compensation Committee. If the individual agreements are terminated other than for cause, death or disability, or upon their resignations following certain events, all of the above named individuals would be entitled to a payment equal to two and one-half times the annual base salary at the date of termination plus an amount equal to two and one-half times the annual bonus (averaged over the preceding two years) and a continuation of benefits for up to two years or until the individual commences new employment. Certain events that would trigger a severance payment are:

- a substantial alteration of responsibilities;
- a reduction of base salary or benefits;
- an office relocation of greater than 50 miles;
- a failure to obtain a satisfactory agreement from any successor to assume the individual's employment agreement or provide the individual with a comparable position, duties, salary and benefits; or
- any change in control of the Corporation.

Compensation of Directors

Mr. Boyd, who is a director, and is also the President and Chief Executive Officer of the Corporation and Mr. Scherkus, who is a director and is also the Executive Vice-President and Chief Operating Officer, receive no remuneration for their services as directors.

The table below summarizes the annual retainers and attendance fees paid to the other directors during the year ended December 31, 2004. On March 17, 2004, the Compensation Committee decided to implement changes to the directors' compensation structure to improve corporate governance practices and to compensate directors for the increased risk, workload and responsibilities demanded by their positions.

	Compensation paid during the period from January — June 2004	**Compensation from July1 — December 31, 2004**
Annual board retainer	$ 18,000	$ 20,000
Annual retainer for Chairman of the Board	$ 50,000	$ 50,000
Annual retainer for Chairman of the Audit Committee	$ 3,000	$ 7,500
Annual retainer for chairpersons of other Board committees	$ 3,000	$ 5,000
Board meeting attendance fee	$ 1,000	$ 1,500
Long-distance Board meeting attendance fee	$ 1,500	$ 2,000
Board meeting phone attendance fee	$ 1,000	$ 750

In addition to the changes made to the annual retainers and attendance fees, on March 17, 2004, the Compensation Committee also implemented the following changes related to director compensation.

- To align the interests of directors with those of shareholders, directors, other than Mr. Boyd and Mr. Scherkus, are now required to own the equivalent of at least three years of their annual retainer fee in Agnico-Eagle's stock. Directors have a period of three years to achieve this ownership level either through open market purchases or through participation in Agnico-Eagle's Incentive Share Purchase Plan.

- Each director, other than Mr. Boyd and Mr. Scherkus, will be eligible to be granted a maximum of 7,500 options per year under Agnico-Eagle's Stock Option Plan. Beginning with the 2005 fiscal year, individual grants will be determined annually by the Compensation Committee based on performance evaluations for each director.

During the year ended December 31, 2004, Agnico-Eagle issued a total of 5,000 common shares under its Incentive Share Purchase Plan to its directors. Agnico-Eagle will provide healthcare benefits to Mr. Sheriff for a period of five years after his resignation from the Board.

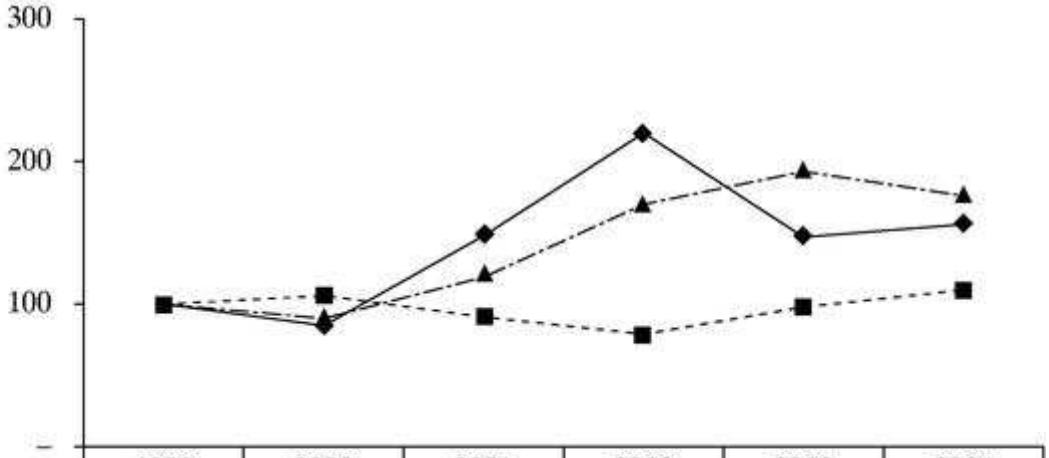
Indebtedness of Directors, Executive Officers and Senior Officers

During the year ended December 31, 2004, there was no outstanding indebtedness to Agnico-Eagle by any of its officers or directors made in connection with the purchase of securities of Agnico-Eagle. In addition, during the year ended December 31, 2004 and as at March 21, 2005, the only officer indebted to the Corporation was Alain Blackburn, Vice-President, Exploration. The non-interest bearing loan was advanced by Agnico-Eagle to Mr. Blackburn in 1999 for the purchase of a residence as a relocation incentive. The loan matures in 2024 and is secured by a second mortgage on the residence of Mr. Blackburn which provides for full recourse against the assets of Mr. Blackburn. As at December 31, 2004, the amount outstanding under this loan was $97,500.30. As at March 21, 2005, the amount outstanding under this loan was $96,442.69. The highest aggregate amount of indebtedness outstanding under the loan in 2004 was $102,500. Agnico-Eagle will no longer make loans to officers under any circumstances.

Performance Graph

The following graph compares the total cumulative return of $100 invested in the Corporation's common shares on December 31, 1999 with the cumulative total return for each of The S&P/TSX Composite Index and the S&P/TSX Capped Gold Index over the five-year period ended December 31, 2004 (in each case, assuming reinvestment of dividends). The table shows what a $100 investment in each of the above mentioned indices and in Agnico-Eagle common shares, made at December 31, 1999, would be worth in each of the five years following the initial investment.

Agnico-Eagle Mines Limited Stock Price vs. S&P/TSX Indices (1)



	1999	2000	2001	2002	2003	2004
Agnico-Eagle Mines Limited	100	85	148	220	147	156
S&P/TSX Composite Index	100	106	91	79	98	110
S&P/TSX Gold Index	100	90	119	170	193	176

Note:

(1) Assumes reinvestment of dividends paid in 2000, 2001 and 2002 of Cdn$0.03 per Common Share and Cdn.$0.04 in 2003 and 2004, respectively.

Additional Items

Corporate Governance

Under the rules of the Toronto Stock Exchange, the Corporation is required to disclose information relating to its system of corporate governance. The Corporation's corporate governance disclosure is set out in Appendix D to this Circular under the heading "Corporate Governance". In addition to describing the Corporation's governance practices with reference to the rules of the Toronto Stock Exchange, Appendix D to this Circular indicates how these governance practices align with the requirements and U.S. Securities and Exchange Commission regulations under the *Sarbanes-Oxley Act of 2002* ("SOX") and the recent amendments under the rules of the New York Stock Exchange (the "NYSE Amendments").

The Board meets without management regularly at the request of the directors and at least once each quarter after each Board meeting held to consider interim and annual financial statements. In 2004, the Board met without management on six separate occasions including the four scheduled quarterly meetings.

Directors' and Officers' Liability Insurance

The Corporation has purchased, at its expense, directors' and officers' liability insurance policies to provide insurance against possible liabilities incurred by them in their capacity as directors and officers of the Corporation. The premium for these policies for the period from December 31, 2004 to December 31, 2005 is

$686,150. The policies provide coverage of up to $50 million per occurrence, to a maximum of $50 million per annum. There is no deductible for directors and officers and a $250,000 deductible for each claim made by the Corporation ($1 million deductible for securities claims). The insurance applies in circumstances where the Corporation may not indemnify its directors and officers for their acts or omissions.

Additional Information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada and a registrant under the United States Securities Exchange Act of 1934 and is therefore required to file certain documents with various securities commissions. To obtain a copy of any of the following documents, please contact the Director, Investor Relations:

- the Corporation's most recent Annual Information Form consisting of the Corporation's Annual Report on Form 20-F under the United States Securities Exchange Act of 1934;
- the Corporation's Audited Annual Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2004, which includes the Corporation's financial information;
- any interim financial statements of the Corporation subsequent to the financial statements for the year ended December 31, 2004; and
- the Management Proxy Circular.

Alternatively, these documents may be viewed at the Corporation's website at http://www.agnico-eagle.com or on the SEDAR website at http://www.sedar.com .

General

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

Directors' Approval

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

March 21, 2005

DAVID GAROFALO
Vice-President, Finance & Chief Financial Officer

APPENDIX A

RECORD OF ATTENDANCE BY DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2004

Director	Board Meetings Attended	Committee Meetings Attended
Leanne M. Baker	20 of 20	5 of 5
Douglas R. Beaumont, P.Eng.	20 of 20	6 of 6
Sean Boyd, CA	20 of 20	N/A
Dr. Alan Green	20 of 20	6 of 6
Bernard Kraft, CA	20 of 20	10 of 10
Mel Leiderman, CA, TEP	20 of 20	10 of 10
James D. Nasso	20 of 20	5 of 5
Ernest Sheriff	20 of 20	1 of 1

APPENDIX B

SHAREHOLDER RIGHTS PLAN RESOLUTION

BE IT RESOLVED THAT:

1. the Rights Plan adopted by the Board of Directors of Agnico-Eagle Mines Limited (the "Corporation") on the terms of the Shareholder Rights Plan Agreement dated as of April 22, 1999 between the Corporation and Montreal Trust Company of Canada, as Rights Agent, and approved, confirmed and ratified by a resolution of the shareholders of the Corporation on June 25, 1999 and reconfirmed by the shareholders of the Corporation on June 21, 2002, is hereby reconfirmed; and

2. any director or officer of the Corporation be, and is hereby authorized and directed, for and on behalf of and in the name of the Corporation, to do all such acts and things and to execute, whether under the corporate seal of the Corporation or otherwise, and deliver all such documents and instruments as may be considered necessary or desirable to give effect to the foregoing.

APPENDIX C

SUMMARY OF SHAREHOLDER RIGHTS PLAN AND RELEVANT INFORMATION

Purpose of the Rights Plan

The Rights Plan is designed to encourage the fair treatment of shareholders in connection with any take-over bid for the Corporation. The Rights Plan provides the Board and the shareholders with more time to fully consider any unsolicited take-over bid for the Corporation without undue pressure, to allow the Board to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge. Securities legislation in Canada requires a take-over offer to remain open for only 35 days. The Board does not believe that this period is sufficient to permit the Board to determine whether there may be alternatives available to maximize shareholder value or whether other bidders may be prepared to pay more for the Corporation's shares than the offeror. Under the Rights Plan, a bidder may make a Permitted Bid (as defined below) for Voting Shares (as defined below) of the Corporation but may not take up any shares before the close of business on the 75th day after the date of the bid and unless at least 50% of the Corporation's Voting Shares not Beneficially Owned (as defined below) by the person making the bid and certain related parties are deposited, in which case the bid must be extended for 10 business days.

The Rights Plan is intended to encourage an offeror to proceed by way of Permitted Bid or to approach the Board with a view to negotiation by creating the potential for substantial dilution of the offeror's position. The Permitted Bid provisions of the Rights Plan are designed to ensure that, in any take-over bid, all shareholders are treated equally, receive the maximum available value for their investment and are given adequate time to properly assess the bid on a fully informed basis. Under the Rights Plan, a bid for less than all of the Voting Shares will not qualify as a Permitted Bid.

While existing securities legislation has substantially addressed many concerns of unequal treatment of shareholders, there remains the possibility that control or effective control of a Corporation may be acquired pursuant to a private agreement in which a small number of shareholders dispose of shares at a premium to market price which is not shared with the other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or fair sharing of any control premium among all shareholders. The Rights Plan addresses these concerns by applying to all acquisitions of Voting Shares over the 20% level.

In recent years, unsolicited bids were made for the shares of a number of Canadian public companies. Most of these companies had shareholder rights plans which were used by the target's Board of Directors to gain time to seek alternatives to the bid with the objective of enhancing shareholder value. In a number of these transactions, a change of control ultimately occurred at a price in excess of the original bid price; accordingly, the existence of a shareholder rights plan will not prevent unsolicited take-over bids for the Voting Shares of the Corporation.

It is not the intention of the Board in seeking reconfirmation of the Rights Plan to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation. Through the Permitted Bid mechanism, described in more detail below, shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Rights Plan, regardless of the acceptability of the bid to the Board. Even in the context of a bid that does not meet the Permitted Bid criteria, the Board will continue to be bound by its fiduciary duties to consider any bid for the Voting Shares in exercising its discretion whether to waive the application of the Rights Plan to the offer or to redeem the Rights. In discharging that responsibility, the directors must act honestly and in good faith with a view to the best interest of the Corporation and its shareholders. In addition, the Ontario Securities Commission has concluded in its decisions relating to shareholder rights plans that a target Corporation's Board of Directors will not be permitted to maintain a shareholder rights plan indefinitely to prevent a successful bid, but only for such time as the Board is actively seeking alternatives to a take-over bid and there is a real and substantial possibility that it can increase shareholder choice and maximize shareholder value.

The reconfirmation of the Rights Plan is not being proposed in response to, or in anticipation of, any acquisition or take-over bid. The Rights Plan does not inhibit any shareholder from using the proxy mechanism

set out in the *Business Corporations Act* (Ontario) to promote a change in the management or direction of the Corporation, including the right of holders of not less than 5% of the issued voting shares to requisition the directors to call a shareholders' meeting to transact any proper business stated in the requisition.

The reconfirmation of the Rights Plan will not lessen or affect the duty of the directors to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Rights Plan does not affect in any way the financial condition of the Corporation. The initial issuance of the Rights is not dilutive and is not expected to have any effect on the trading of the common shares. However, under certain circumstances, the exercise of the Rights may affect reported earnings per share. Even after the Separation Time (as defined below), unless the Flip-in Event (as defined below) has occurred, it is possible that the Exercise Price (as defined below) will be substantially in excess of the market price of the common shares, thereby precluding any economic motivation to exercise the Rights. In the event that a Flip-in Event has occurred and not all holders of Rights exercise their Rights, any holders not exercising their Rights may suffer substantial dilution with respect to common shares which they then hold. The Corporation is not aware, however, of any instance in which rights similar to the Rights have been exercised.

By permitting holders of Rights other than an Acquiring Person (as defined below) to acquire common shares of the Corporation at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the common shares alone or 20% or more of the Voting Shares without the Rights being terminated by the Board. The possibility of such dilution is intended to encourage such a person or group to seek to negotiate with the Board, which would be in the best position to protect the interests of the Corporation and all of its shareholders.

This issuance of Rights will not change the manner in which shareholders currently trade their common shares. Shareholders do not have to return their certificates in order to have the benefit of the Rights.

Terms of the Rights Plan

The following is a summary of the principal terms of the Rights Plan.

Issue of Rights

To implement the Rights Plan, the Board authorized the issue, effective as of the close of business on May 10, 1999 (the "Record Time"), of one Right in respect of each outstanding common share to holders of record as at the Record Time. The Board also authorized the issue of one Right in respect of each common share issued after the Record Time and prior to the Separation Time (as defined below) and the Expiration Time (as defined below). The Corporation has entered into an agreement (the "Rights Agreement") dated as of April 22, 1999, with Montreal Trust Company of Canada, as rights agent, which provides for the exercise of the Rights, the issue of certificates evidencing the Rights and other related matters.

Exercise of Rights

The Rights are not exercisable initially and certificates representing the Rights will not be sent to shareholders. Until the Separation Time (as defined below), the Rights will be transferred with the associated common shares. Subject to certain exceptions, the Rights will separate from the common shares and become exercisable eight trading days after the earlier of the first public announcement of the acquisition of beneficial ownership of 20% of the common shares of the Corporation by any person or the commencement of or announcement of a person's intention to commence a take-over bid other than a Permitted Bid which would result in such person acquiring 20% of the Corporation's common shares, or such later time as the Board may determine (in any such case, the "Separation Time"). After the Separation Time, but prior to the occurrence of a Flip-in Event (described below), each Right may be exercised to purchase one common share of the Corporation at the stipulated exercise price.

Certificates for common shares issued after the Record Time will bear a legend incorporating the Rights Agreement by reference. As soon as is practicable following the Separation Time, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to the holders of record of common shares as of the Separation Time and the Rights Certificates alone will evidence the Rights. The Rights will expire at the close of

the Corporation's annual meeting next following the tenth anniversary date of the Rights Agreement (the "Expiration Time") unless earlier redeemed or exchanged by the Corporation and subject to shareholder re-ratification of the Rights Plan and the Corporation's annual meeting following the sixth anniversary date of the Rights Agreement. The exercise price payable and the number of securities issuable upon the exercise of the Rights are subject to adjustment from time to time to prevent dilution upon the occurrence of certain corporate events affecting the Voting Shares.

Exercise Price

The initial exercise price of the Rights is $80. The exercise price of the Rights is subject to adjustment from time to time in accordance with the provisions of the Rights Agreement.

Separation Time

Until the Separation Time, the Rights will trade together with the common shares, will be represented by the common share certificates and will not be exercisable. After the Separation Time, the Rights will become exercisable, will be evidenced by Rights certificates and will be transferable separately from the common shares.

The "Separation Time" is the close of business on the eighth trading day (or such later day as may be determined by the Board) after the earlier of:

(a) the "Stock Acquisition Date", which is the date of the first public announcement of facts indicating that a person has become an Acquiring Person (as defined below); and

(b) the date of the commencement of, or first public announcement of the intent of any person (other than the Corporation or a subsidiary of the Corporation) to commence a take-over bid (other than a Permitted Bid or a Competing Permitted Bid (described below)) to acquire Beneficial Ownership of shares of the Corporation to which is attached a right to vote for the election of all directors generally ("Voting Shares") which, together with such person's Voting Shares, constitute in the aggregate more than 20% of the Voting Shares.

Permitted Bid

A "Permitted Bid" is defined in the Rights Agreement as a take-over bid made by take-over bid circular and which also complies with the following requirements:

(a) the bid is made by take-over bid circular to all holders of Voting Shares wherever resident, other than the offeror, for all outstanding Voting Shares other than those held by the offeror;

(b) Voting Shares may be deposited under the bid any time between the date of the bid and the date Voting Shares are taken up and paid for, and any Voting Shares deposited under the bid may be withdrawn until taken up and paid for; and

(c) the take-over bid must be open for at least 75 days and more than 50% of the outstanding Voting Shares of the Corporation (other than shares Beneficially Owned by the offeror on the date of the bid) must be deposited under the bid and not withdrawn before any shares may be taken up and paid for and, if 50% of the Voting Shares are so deposited and not withdrawn, an announcement of such fact must be made and the bid must remain open for a further 10 business day period.

A Permitted Bid, even if not approved by the Board, may be made directly to the shareholders of the Corporation. Shareholders' approval at a special meeting will not be required for a Permitted Bid. Instead, shareholders of the Corporation will initially have 75 days to deposit their shares.

If a potential offeror does not wish to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a bid by take-over bid circular on terms which the Board considers fair to all shareholders. In such circumstances, the Board may waive the application of the Rights Plan to that transaction, thereby allowing such bid to proceed without dilution to the offeror, and will be deemed to have waived the application of the Rights Plan to all other contemporaneous bids made by take-over bid circular.

A "Competing Permitted Bid" is a take-over bid that is made after a Permitted Bid has been made but prior to its expiry, satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 75 days so long as it is open until the later of 35 days after the date of the Competing Permitted Bid was made and 75 days after the earliest date on which a Permitted Bid then in existence was made.

Acquiring Person

In general, an "Acquiring Person" is a person who is the Beneficial Owner of 20% or more of the Corporation's outstanding Voting Shares. Currently, no Voting Shares other than the common shares are outstanding. Excluded from the definition of "Acquiring Person" are the Corporation and its subsidiaries, and any person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or more, or any combination of, an Exempt Acquisition, a Permitted Bid Acquisition, a Pro Rata Acquisition or a Voting Share Reduction. Under the Rights Plan:

(a) an "Exempt Acquisition" is a share acquisition in respect of which the Board has waived the application of the Rights Plan or which was made prior to the date of the Rights Plan;

(b) a "Permitted Bid Acquisition" is an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;

(c) a "Pro Rata Acquisition" is an acquisition of Voting Shares pursuant to a stock dividend, a stock split or other similar event or a dividend reinvestment plan or other plan made available by the Corporation to holders of all of its Voting Shares. It also means the acquisition or exercise of share purchase rights distributed pursuant to a rights offering or a public or private distribution of Voting Shares but only if the acquisition allows the acquiror to maintain its percentage holding of Voting Shares; and

(d) a "Voting Share Reduction" is an acquisition or redemption by the Corporation of Voting Shares.

Beneficial Ownership

In general, a person "Beneficially Owns" Voting Shares held by the person and Voting Shares actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the person's "Affiliates" (generally, a person that controls, is controlled by, or under common control with the other person) and "Associates" (generally includes relatives sharing the same residence, partners, corporations in which an interest is held for 10% or more of the voting securities and trusts in which a substantial beneficial interest is held). Also included are securities which the person or any of the person's Affiliates or Associates has the right to acquire within 60 days (other than customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a distribution of securities, and other than pledges of securities in the ordinary course of business).

A person is also deemed to "Beneficially Own" any securities that are Beneficially Owned by any other person with which the person is acting jointly or in concert (a "Joint Actor"). Under the Rights Agreement, a person is a Joint Actor with anyone who is a party to an agreement, commitment or understanding with the first person or another person acting jointly or in concert with the first person for the purpose of acquiring or offering to acquire Voting Shares or for the purpose of exercising jointly any voting rights.

The definition of "Beneficial Ownership" contains several exclusions whereby a person is not considered to "Beneficially Own" a security. There are exemptions from the deemed "Beneficial Ownership" provisions for institutional shareholders acting in the ordinary course of business. These exemptions apply to (i) a fund manager ("Fund Manager") which holds securities in the ordinary course of business in the performance of its duties for the account of any other person (a "Client"); (ii) a licensed trust corporation ("Trust Company") acting as trustee or administrator or in a similar capacity in relation to accounts of deceased or incompetent persons ("Estate Accounts") in relation to other accounts (each an "Other Account") and which holds such security in the ordinary course of its duties for such accounts; (iii) the administrator or the trustee (a "Plan Administrator") of one or more pension funds or plans (a "Pension Plan") registered under Canadian or U.S. law and the Pension Plan itself; or (iv) an agency (the "Crown Agent") established by statute, the ordinary business or activity of which includes the management of investment funds for employee benefit plans, pension

plans, insurance plans, or various public bodies. The foregoing exemptions only apply so long as the Fund Manager, Trust Company, Plan Administrator or Crown Agent is not then making or has not then announced an intention to make a take-over bid, other than an offer to acquire Voting Shares or other securities pursuant to certain market transactions made in the ordinary course of business, a distribution by the Corporation or by means of a Permitted Bid. A Fund Manager, Trust Company, Plan Administrator or Crown Agent which loses its exemption from deemed Beneficial Ownership under the foregoing provision will generally not become an Acquiring Person until a period of 10 days has elapsed since the first date of public announcement of its intention to make or participate in the making of a take-over bid.

A person will not be deemed to "Beneficially Own" a security because (i) the person is a Client of the same Fund Manager, an Estate Account or an Other Account of the same Trust Company, or Plan with the same Plan Administrator as another person or Pension Plan on whose account the Fund Manager, Trust Company or Plan Administrator, as the case may be, holds such security; or (ii) the person is a Client of a Fund Manager, Estate Account, Other Account or Pension Plan, and the security is owned by the Fund Manager, Trust Company or Plan Administrator, as the case may be.

Flip-in Event

Under the Rights Agreement, a Flip-in Event is any transaction or event in which any person becomes an Acquiring Person. Except as set out below, from and after the close of business on the eighth trading day following the Stock Acquisition Date:

(a) any Rights Beneficially Owned by the Acquiring Person and Affiliates, Associates and transferees of the Acquiring Person or any Joint Actors of the Acquiring Person will become void; and

(b) each Right (other than Rights which are void) will entitle the holder thereof to purchase common shares having a market price of $160 for $80.

Accordingly, a Flip-in Event that is not approved by the Board will result in significant dilution to an Acquiring Person. The Board may, with shareholder approval, at any time prior to the occurrence of a Flip-in Event, elect to redeem all of the outstanding Rights at a redemption price of $0.001 per Right.

Exchange Option

The Board will have the discretion to exchange, for the securities to which rights holders would otherwise be entitled, any form of debt, equity, securities or other assets (or any combination thereof) having a value equal to the securities to which rights holders would otherwise be entitled. If the Board determines to exercise such exchange option, the Corporation shall give notice of such exchange to the holders of such Rights stating the method by which such exchange will be effected and all rights to exercise the Rights will terminate other than the right of such holders to receive the debt, equity, securities or assets in accordance with the exchange formula authorized by the Board.

Redemption, Waiver and Termination

(a) *Redemption of Rights on Approval of Holders of Voting Shares and Rights.* The Board acting in good faith may, after having obtained the prior approval of the holders of Voting Shares or Rights, at any time prior to the later of the Stock Acquisition Date and the Separation Time, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of $.001 per Right, appropriately adjusted for anti-dilution as provided in the Rights Agreement (the "Redemption Price").

(b) *Waiver of Inadvertent Acquisition.* The Board may waive the application of the Rights Plan in respect of the occurrence of any Flip-in Event if (i) the Board has determined, following the Stock Acquisition Date and prior to the Separation Time, that a person became an Acquiring Person under the Rights Plan through inadvertence and (ii) the Acquiring Person has reduced its Beneficial Ownership of Voting Shares such that the person is no longer an Acquiring Person.

(c) *Permitted Bid Acquisition.* In the event of a successful Permitted Bid or Competing Permitted Bid, the Board shall be deemed to have elected to redeem the Rights at the Redemption Price.

(d) *Discretionary Waiver with Mandatory Waiver of Concurrent Bids.* The Board may, prior to the occurrence of the relevant Flip-in Event, waive the application of the Rights Plan to a Flip-in Event that may occur by reason of a take-over bid made by take-over bid circular to all holders of record of Voting Shares for all outstanding Voting Shares other than those held by the offeror. However, if the Board waives the application of the Rights Plan, the Board shall be deemed to have waived the application of the Rights Plan in respect of any other Flip-in Event occurring by reason of such a take-over bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted.

(e) *Redemption of Rights on Withdrawal or Termination of Bid.* Where a take-over bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, the Board may elect to redeem all the outstanding Rights at the Redemption Price and reissue Rights, whereupon all the provisions of the Rights Plan shall continue to apply as if the Separation Time had not occurred and Rights certificates had not been mailed, and the Separation Time shall be deemed not to have occurred.

If the Board is deemed to have elected or elects to redeem the Rights as described above, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights is to receive the Redemption Price (as defined in the Rights Plan). Within 10 days of any such election or deemed election to redeem the Rights, the Corporation will notify the holders of the common shares or, after the Separation Time, the holders of the Rights.

Anti-Dilution Adjustments

The exercise price of a Right, the number and kind of securities subject to purchase upon exercise of a Right, and the number of Rights outstanding, will be adjusted in certain events, including:

(a) if there is a stock dividend (other than pursuant to any dividend reinvestment program) on the common shares, or a subdivision or consolidation of the common shares, or an issuance of common shares in respect of, in lieu of or in exchange for common shares; or

(b) if the Corporation fixes a record date for the distribution to all holders of common shares of certain rights, options or warrants to acquire common shares, or for the making of a distribution to all holders of common shares of evidences of indebtedness or assets (other than regular periodic cash dividends or stock dividends payable in common shares) or other securities.

No adjustment in exercise price will be made unless it represents, on a cumulative basis with other unreflected adjustments, at least a 1% change in the exercise price.

Supplements and Amendments

The Board may amend the Rights Plan in order to cure any clerical or typographical error therein. Changes that are necessary to maintain the validity of the Rights Agreement and the Rights as a result of any change in any applicable legislation or regulation may be made by the Board and will remain effective if confirmed by the shareholders or, after the Separation Time, the holders of the Rights.

Subject to the above exceptions, any amendment, variation or deletion of or from the Rights Agreement and the Rights is subject to the prior approval of the holders of Voting Shares, or, after the Separation Time, the holders of the Rights.

Independent Shareholders

The reconfirmation of the Rights Agreement must be approved by a majority of the votes cast by Independent Shareholders present or represented by proxy at the Meeting. "Independent Shareholder" is defined in the Rights Plan to mean a holder of Voting Shares other than a holder of Voting Shares Beneficially Owned by: (i) an Acquiring Person; (ii) an Offeror; (iii) any Associate or Affiliate of such Acquiring Person or Offeror; (iv) any person acting jointly or in concert with such Acquiring Person or Offeror; and (v) any employee benefit plan, stock purchase plan, deferred profit sharing plan and any other similar plan or trust for the benefit

of employees of the Corporation or a subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a "Take-over Bid".

An "Offeror" is a person who has announced a current intention to make or who is making a "Take-over Bid". In general, a "Take-over Bid" is an offer to acquire Voting Shares or other securities of the Corporation if, assuming the Voting Shares or other securities of the Corporation subject to the offer to acquire are acquired at the date of such offer to acquire by the person making such offer to acquire, the Voting Shares Beneficially Owned by the person making the offer to acquire would constitute, in the aggregate, 20% or more of the Voting Shares of the Corporation then outstanding.

Regulatory Approvals

Any obligation of the Corporation or action contemplated by the Rights Plan shall be subject to the receipt of any requisite approval or consent from any applicable regulatory authority including, without limiting the generality of the foregoing, any necessary approvals of the NYSE, TSX or any other stock exchange.

Certain Canadian and U.S. Tax Consequences of the Rights

Canadian Tax Consequences

The Corporation did not and will not include any amount in income for the purposes of the *Income Tax Act* (Canada) (the "Act") as the issue of the Rights. Pursuant to the Act, a right to acquire additional shares of the Corporation granted to a holder of common shares does not constitute a taxable benefit to the recipient that must be included in income or that is subject to non-resident withholding tax if all holders of common shares are granted the right. Accordingly, holders of common shares should not have an income inclusion or liability for non-resident withholding tax upon the issuance of the Rights or the reconfirmation of the Rights Plan. In any event, the Corporation considers that the Rights have a negligible monetary value because the Corporation is not aware of any acquisition or take-over bid which will give rise to a Flip-in Event, and there is only a remote possibility that the Rights will be exercised.

Although a holder of a Right may have income or may be subject to non-resident withholding tax if the Rights become exercisable, are exercised or redeemed, the Corporation considers the likelihood of such an event occurring to be remote.

U.S. Tax Consequences

Neither the Corporation nor its shareholders should recognize income, gain or loss for U.S. federal income tax purposes by reason of the issuance of Rights or the reconfirmation of the Rights Plan. Although there is no authority directly addressing the issue, following an event which renders the Rights exercisable, shareholders may recognize taxable income.

The foregoing discussion concerning taxes is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of the Corporation's Voting Shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights or certificates of entitlement, taking into account their own particular circumstances and any applicable Canadian or U.S. legislation.

APPENDIX D

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation is required under the By-laws of the Toronto Stock Exchange ("TSX") to make disclosure of its corporate governance practices and provide a description of the Corporation's system of corporate governance with specific reference to the guidelines (the "TSX Guidelines") set out in the TSX Company Manual. Where the Corporation's system is different from any of those guidelines or where the guidelines do not apply, the Corporation must provide an explanation of the differences or their inapplicability.

The following Statement of Corporate Governance Practices has been prepared by the Board's Governance Committee and approved by the Board of Directors.

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

The Board of Directors and management have been following the developments in corporate governance requirements and best practices standards in both Canada and the United States. As these requirements and practices have evolved, the Corporation has responded in a positive and proactive way by assessing its practices against these requirements and modifying, or targeting for modification, practices to bring them into compliance with these corporate governance requirements and best practices standards. The Corporation has also revised the charters for the Audit Committee, the Compensation Committee and the Governance Committee to reflect the new and evolving corporate governance requirements and best practices standards in Canada and the United States.

Details of the Corporation's corporate governance practices and the responsibilities of the Board, with reference to the enumerated TSX Guidelines, are addressed below.

1. The Board should explicitly assume responsibility for stewardship of the Corporation, and specifically should assume responsibility for the following matters: (i) adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business, (ii) identification of principal risks of the business and implementation of systems of risk management, (iii) provision for succession planning, including appointment, training and monitoring of senior management, (iv) establishment of a communications policy and (v) the integrity of the Corporation's internal control and management information systems.

The Board's responsibility is to supervise the management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation.

In discharging this responsibility, the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process consists of an annual review of the Corporation's three-year business plan and, from time to time (at least annually), a meeting focused on strategic planning matters. As part of this process, the Board reviews and approves the corporate objectives proposed by the President and advises management in the development of a corporate strategy to achieve those objectives.

The Board also monitors the performance of senior management against the business plan through a periodic review process (at least every quarter) and reviews and approves promotion and succession matters. The Board reviews the principal risks inherent in the Corporation's business, including environmental, industrial and financial risks, and assesses the systems to manage these risks.

The Board considers the Corporation's approach to communications with shareholders and other stakeholders and approves specific communications initiatives from time to time. The Corporation conducts an active investor relations program. The program involves responding to shareholder inquiries, briefing analysts and fund managers with respect to reported financial results and other announcements by the Corporation, as

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

The Board, directly and through its Audit Committee, also assesses the integrity of the Corporation's internal control and management information systems.

The Board meets at least six times a year and more frequently if required. In 2004, the Board held 20 meetings.

2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.

The Board consists of eight directors. The Board believes that six of its eight current members, including Mr. Stockford, are "unrelated" within the meaning of the TSX Guidelines. With the exception of Mr. Boyd and Mr. Scherkus, all directors are independent of management and free from any interest and any business which could materially interfere with their ability to act as a director with a view to the best interests of the Corporation. In reaching this determination, the Board considered the circumstances and relationships with the Corporation and its affiliates of each of its directors. In determining that all directors except Mr. Boyd and Mr. Scherkus are independent, the Board took into consideration the fact that none of the remaining directors is an officer or employee of the Corporation or party to any material contract with the Corporation and that none receives remuneration from the Corporation in excess of directors' fees, grants and grants of stock options.

Mr. Boyd and Mr. Scherkus are considered related because they are officers of the Corporation. All directors, other than Mr. Boyd and Mr. Scherkus, also meet the independence standard as set out in SOX.

3. The Board, in the case of a corporation with a significant shareholder, should disclose whether the Board is constituted with the appropriate number of directors which are not related to either the Corporation or the significant shareholder.

The Corporation's common shares are widely held and it has no "significant shareholder" with the ability to exercise a majority of the votes for the election of directors to the Board.

4. The Board should appoint a committee of directors composed exclusively of non-management directors and unrelated directors, that is responsible for the appointment and assessment of directors.

The Corporation's Governance Committee (see description of Governance Committee under guideline number 9) is responsible for the assessment of the effectiveness of the Board as a whole and participates in the recruitment and recommendation of new nominees for appointment or election to the Board of Directors.

5. The Board should implement a process for assessing the effectiveness of the Board, its committees and individual directors.

See description of Governance Committee under guideline number 9.

6. The Board should provide an orientation and education program for new directors.

Agnico-Eagle does not have a formal orientation and education program for new directors. However, all but three of the current directors have been members of the Board for several years and are well versed in the business of Agnico-Eagle. Beginning in 2005, Agnico-Eagle will hold annual educational sessions with its directors and legal counsel to review and assess the Board's corporate governance policies which will, among other things, permit new directors to become familiar with the corporate governance policies of Agnico-Eagle as they relate to its business.

7. The Board should examine the size of the Board and undertake, where appropriate, a program to establish a Board size which facilitates effective decision making.

The size and composition of the Board is subject to periodic review by the Governance Committee.

8. The Board should review compensation of directors in light of risks and responsibilities.

Remuneration is paid to the Corporation's directors based on several factors, including time commitments, risk workload, and responsibility demanded by their positions. The Compensation Committee periodically reviews and fixes the amount and composition of the compensation of directors. On March 17, 2004, due to increased risk and workload, the Compensation Committee decided to amend the compensation of directors. For a summary of these changes, please see "Executive Compensation — Compensation of Directors" and the description of the Compensation Committee under guideline number 9.

9. The Board should ensure that its committees are generally composed of only outside directors, a majority of whom are unrelated directors.

The Board has three Committees: the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

Audit Committee

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

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

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

On April 23, 2003, the Corporation amended and restated the Audit Committee charter to incorporate the requirements of SOX, the new TSX Listing Standards and NYSE Amendments. The amended Charter provides that each member of the Audit Committee must be unrelated to and independent from the Corporation, as these terms are defined in the TSX and NYSE Amendments. In addition, each member must be financially literate and at least one member of the Audit Committee must be a financial expert, as the term is defined in SOX.

The Audit Committee is responsible for reviewing all financial statements prior to approval by the Board, all other disclosures containing financial information and all management reports which accompany any financial statements. The Audit Committee is also responsible for all internal and external audit plans, any recommendation affecting the Corporation's internal controls, the results of internal and external audits and any changes in accounting practices or policies. The Audit Committee reviews any accruals, provisions, estimates or related party transactions that have a significant impact on the Corporation's financial statements and any litigation, claim or other contingency that could have a material effect upon the Corporation's financial statements. In addition, the Audit Committee is responsible for assessing management's programs and policies relating to the adequacy and effectiveness of internal controls over the Corporation's accounting and financial systems. The Audit Committee reviews and discusses with the Chief Executive Officer and Chief Financial Officer the procedures undertaken in connection with their certifications for annual filings in accordance with the requirements of applicable securities regulatory authorities. The Audit Committee is also responsible for considering the appointment and remuneration of external auditors. The Audit Committee reports directly to the Board of Directors.

The Audit Committee is composed entirely of outside directors who are unrelated to and independent from the Corporation (currently, Mr. Nasso, Mr. Leiderman, Mr. Kraft and Ms. Baker), each of whom is financially literate. In addition, both Mr. Kraft and Mr. Leiderman are chartered accountants currently active in private practice and, as such, qualify as financial experts. The Audit Committee met five times in 2004.

Compensation Committee

The Compensation Committee is responsible for:

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

The Compensation Committee reports directly to the Board. The Charter of the Compensation Committee provides that each member of the Compensation Committee must be unrelated and independent, as these terms are defined in the TSX and NYSE Amendments.

The Compensation Committee is composed entirely of outside directors who are unrelated to and independent from the Corporation (currently, Mr. Leiderman, Mr. Beaumont and Mr. Kraft). Dr. Alan Green acted as a member of the Compensation Committee during the year ended December 31, 2004. Dr. Green's membership on the Committee ceased upon his resignation from the Board on January 17, 2005. The Compensation Committee met five times in 2004.

Governance Committee

The Governance Committee is responsible for:

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

The Governance Committee also provides a forum for a discussion of matters not readily discussed in a full Board meeting. The Charter of the Governance Committee provides that each member of the Governance Committee must be unrelated and independent, as these terms are defined in the TSX and NYSE Amendments.

The Governance Committee is composed entirely of outside directors who are unrelated to and independent from the Corporation (currently, Mr. Sheriff and Mr. Beaumont). Dr. Green acted as a member of the Governance Committee during the year ended December 31, 2004. His membership on the Committee ceased upon his resignation from the Board on January 17, 2005. The Governance Committee met once in 2004.

10. The Board should assume or assign responsibility for corporate governance issues.

See description of Governance Committee under guideline number 9.

11. The Board should define management's responsibilities and approve corporate objectives to be met by the Chief Executive Officer and assess the Chief Executive Officer against these objectives.

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

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

12. The Board should establish structures and procedures to enable the Board to function independently of management. An appropriate structure would be to appoint a chairman who is not a member of management.

Mr. Nasso is the Chairman of the Board of Directors and Mr. Boyd is the President and Chief Executive Officer of the Corporation. Mr. Nasso is not a member of management. The Board believes that the separation of the offices of Chairman and Chief Executive Officer enhances the ability of the Board to function independently of management and does not foresee the offices of Chairman and Chief Executive Officer will be held by the same person. The Board may also meet independently of management and the related directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

The Board meets without management regularly at the request of the directors and at least once each quarter after each Board meeting held to consider interim and annual financial statements. In 2004, the Board met without management on six separate occasions including the four scheduled quarterly meetings.

13. The Board should ensure that the Audit Committee is composed of unrelated directors and that the role of the Audit Committee is specifically defined.

See description of Audit Committee under guideline number 9.

14. The Board should implement a system to enable individual directors to engage outside advisors at the Corporation's expense.

The Board has a policy of permitting individual directors, subject to the approval of the Board, to engage outside legal, financial or other expert advisors at the Corporation's expense in the appropriate circumstances. For instance, in 2004, the Board engaged technical advisors to assist the Board in responding to certain inquiries from securities regulators.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.2

AGNICO-EAGLE
MINES LIMITED

Management's Discussion and Analysis
(Prepared in accordance with United States GAAP)

Agnico-Eagle Mines Limited

Management's Discussion and Analysis

Table of Contents

This Management's Discussion and Analysis ("MD&A") dated March 22, 2005 of Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2004 prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). For a reconciliation of the Company's financial results presented in US GAAP to the Company's financial results presented in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"), please see note 13 to the Company's Annual Audited Consolidated Financial Statements for year ended December 31, 2004. All dollar amounts are presented in US dollars unless otherwise specified.

Additional information relating to the Company, including the Company's Annual Report on Form 20-F for the year ended December 31, 2004, is available on the Canadian Securities Administrators' SEDAR website at www.sedar.com.

Business Overview and 2004 Highlights

The Company is a leading, intermediate-sized, gold producer with roots that go back more than 30 years. Today it operates the LaRonde gold mine in northwestern Quebec, Canada, one of the world's most mining friendly and political risk-free areas.

The Company's strategy is to build a multi-mine platform from the foundation of its LaRonde Mine. In 2004, Agnico-Eagle continued to work towards that goal by commencing development at the Lapa property, located seven miles east of LaRonde. At the Goldex property, 35 miles east of LaRonde, the Company continued the progression of its regional strategy as a bulk sampling program completed in early 2005 returned a grade that was 10% higher than previously modeled. The results of this program will be incorporated into a new mine plan which will be completed in 2005. Management currently expects Lapa and Goldex to begin contributing to the Company's production in late 2008.

With proven and probable reserves of 5.1 million ounces of gold, LaRonde is now the largest gold deposit in Canada. With the development at Lapa and Goldex in 2004 and 2005, Agnico-Eagle is on its way to achieving its strategic goal. However, Agnico-Eagle's vision extends beyond northwestern Quebec. The Company is actively pursuing opportunities in the United States and northern Mexico and has a 14% equity position in Riddarhyttan Resources AB ("Riddarhyttan") which owns the Suurikuusikko gold deposit in Finland. In addition, in the first quarter of 2005, the Company acquired an option on the Pinos Altos project in northern Mexico. Agnico-Eagle continues to focus on mining friendly, low political risk areas where the experience obtained in northwestern Quebec can be used to build or acquire new mines.

Wherever this strategy leads, Agnico-Eagle will continue to leverage off the experience gained at LaRonde. Agnico-Eagle has created a dominant land position around its LaRonde Mine with properties at different stages of development running for almost 45 kilometers along the gold-rich Cadillac-Bousquet belt. This strategic concentration, combined with decades of experience in the region, provides Agnico-Eagle with competitive advantages including; operating and development synergies, enhanced opportunities for exploration and economies of scale and serving as a base for applying its experience to any new ventures. This greatly assists in creating value for shareholders.

Agnico-Eagle's production is low-cost, which protects shareholders during periods of weaker gold prices. The Company is positioned to benefit from a stronger gold price and, throughout its 30-year history, it has never sold away the upside for its gold production.

The Company earns the majority of its revenue and generates cash flow from the production and sale of gold in both doré and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of byproduct metals, namely silver, zinc and copper.

In 2004, Agnico-Eagle increased gold production to a record level. This was a record year on numerous fronts:

- Record gold production of 271,567 ounces;
- Record mined and processed tonnage at about 3.0 million tons;
- Record low full year and fourth quarter total cash costs per ounce of $56 and $13, respectively;
- Record earnings and cash flow from operating activities at US$47.9 million and US$49.5 million, respectively; and
- Record proven and probable gold reserves of 7.9 million ounces.

Throughout this section, the terms total cash costs per ounce and minesite costs per ton are used. Both of these measures are non-GAAP measures and are discussed in more detail, including management's use of the measures and their limitations and the reconciliation of such measures to GAAP measures, on pages 7 and 8 of this MD&A.

Key Performance Drivers

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

- the spot price of gold;
- spot prices of silver, zinc and copper;
- the C$/US$ exchange rate;
- production volumes; and
- production costs.

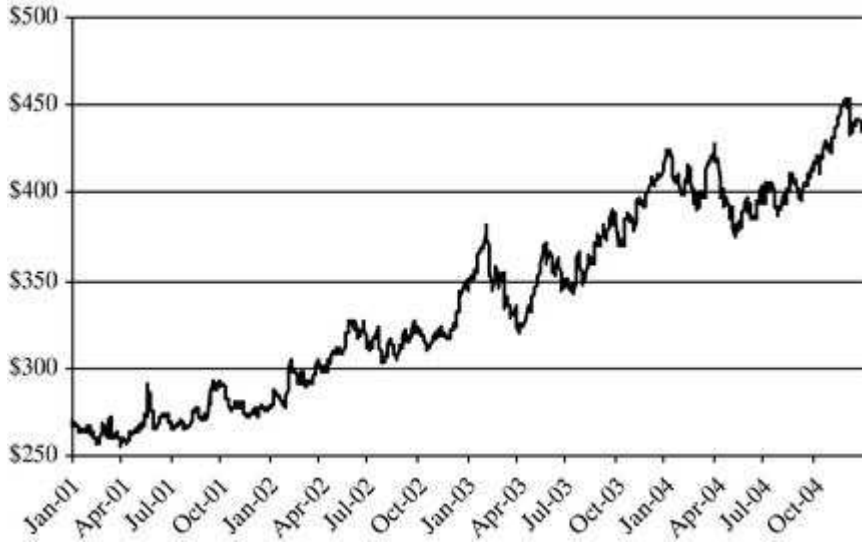
Agnico-Eagle has never sold gold forward because of the belief that low-cost production is the best protection against decreasing gold prices. As a result, the Company is positioned to benefit from rising gold prices. The sale of byproduct silver, zinc and copper is important to both revenue and total cash costs per ounce. Therefore, hedging strategies are implemented occasionally to mitigate the effects of fluctuating prices of

byproduct metals. The C$/US$ exchange rate is also an important financial driver as practically all operating costs are paid in Canadian dollars while revenue is generated in US dollars. As such, hedging strategies are also used to mitigate the impact of fluctuating exchange rates on total cash costs per ounce.

Markets

The gold price (based on Scotia Mocatta *"Metal Matters"* reports) continued to rise in 2004 reaching the highest intraday level since the late 1980s at $457/oz in December 2004. Gold prices (London PM fixes) during the year ranged from a low of $375/oz to a high of $454/oz finishing the year at $437/oz.

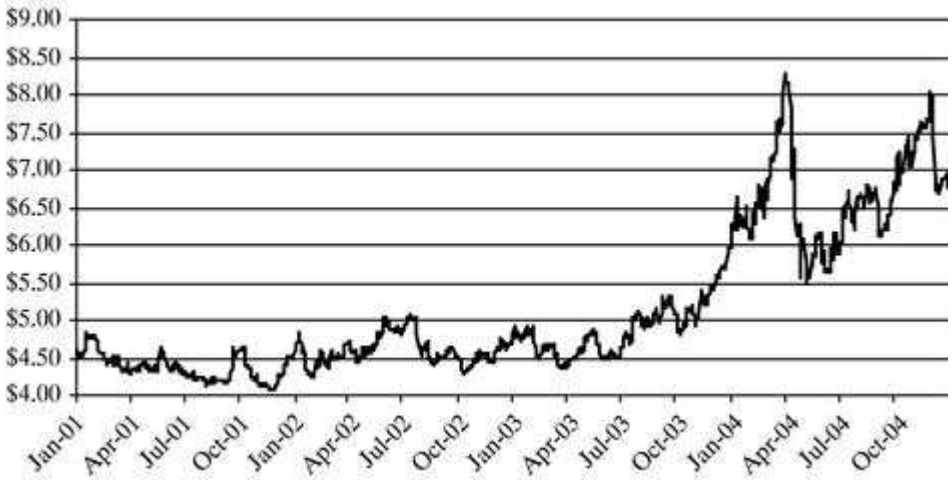
Gold PM Fix (US$/Oz)



Many factors contributed to the increase in gold prices throughout 2004. The most influential factor was continued weakness in the US dollar largely caused by growing concern about the United States trade and budget deficits. A stabilizing global economy led to increased gold demand for jewellery in 2004 after three years of declines. Investment demand, sparked by the launch of additional gold Exchange Traded Funds ("ETFs"), has also helped push prices higher. ETFs give fund managers the opportunity to buy exposure to gold bullion without owning physical metal. Producer de-hedging has also contributed to improved demand. As physical and investment demand increased throughout 2004, declining mine supply further fueled price increases. Global mine production was negatively impacted in 2004 as South African production decreased steadily throughout the year as a result of the rapid appreciation of the rand against the US dollar.

At the beginning of 2004, the silver price (based on Scotia Mocatta *"Metal Matters"* reports) continued a strong rally which began in November 2003. The rally took silver to a high of $8.44/oz in April 2004. The sharp appreciation in silver prices caused physical demand to decrease and thus prices retreated to $5.43/oz during April and May of 2004. Silver prices then appreciated gradually from these lows and prices reached $8.17/oz in December before retreating again. Despite the rapid price appreciation, industrial demand still showed modest growth in 2004 as jewellery and silverware fabricators became accustomed to the higher prices. Silver's use in photography has been declining since 1999 and is expected to continue declining as digital photography becomes more widespread. Investment demand was also a factor leading to the price changes in 2004 as the commodity became more popular with funds as a means to offset continued US dollar weakness.

Silver PM Fix (US$/Oz)



The year 2004 was a banner year for base metals in general with increased demand, stemming from the rapid economic growth in China, stimulating a worldwide price rise. Continued weakness in the US dollar, the primary currency of quoted market prices, also contributed to the increase in metal prices. Zinc and copper refined metal prices in US dollars rose over 25% and 60%, respectively, as the growth in global demand for these metals outpaced the growth in global supply. Zinc concentrate spot treatment charges fell marginally over the year as smelter shortages developed, but spot copper treatment charges rose dramatically as supplies from mine re-openings and new production overtook smelter demand. Refined copper and zinc both have mainly industrial usages. Copper is used mainly in the electrical and construction industry in the form of cable, electrical wire and pipes for plumbing. Zinc is mainly used for galvanizing to protect against corrosion to vehicles, machinery and building structures.

Results of Operations

Revenues from Mining Operations

In 2004, revenue from mining operations increased 48% to $188 million from $127 million in 2003. The increased revenue was due to both increased production volumes and increased metal prices. In 2004, Agnico-Eagle achieved record production of all metals with gold production up 15% to 271,567 ounces while byproduct silver, zinc and copper production increased by 44%, 67% and 13%, respectively.

The majority of the Company's revenue is derived from precious metal sales. In 2004, sales of gold and silver accounted for 75% of revenues, down from 84% and 88% in 2003 and 2002, respectively. The decline in the percentage of revenues from precious metals is largely due to increased revenues from byproduct copper and zinc as a result of a sharp increase in prices for each metal. Revenues from mining operations are accounted for

net of related smelting, refining, transportation and other charges. In 2005, Agnico-Eagle anticipates precious metal sales to account for 78% of overall revenue. The table below summarizes net revenue by metal:

	2004	2003	2002
Revenues from mining operations (thousands):			
Gold	$ 105,528	$ 85,566	$ 80,177
Silver	35,289	20,584	14,115
Zinc	33,044	14,218	14,762
Copper	14,188	6,452	(1,027)
	$ 188,049	$ 126,820	$ 108,027
Production:			
Gold (ounces)	271,567	236,653	260,183
Silver (000's ounces)	5,699	3,953	3,084
Zinc (000's pounds)	167,282	100,337	108,060
Copper (000's pounds)	22,816	20,131	8,927

Revenue from gold sales increased $20 million, or 23%, in 2004. Approximately 49% of the $20 million increase was due to increased production, while 51% of the increase was attributable to increased realized prices. Realized gold prices increased 14% in 2004 to $418 per ounce from $368 per ounce in 2003. Silver revenue increased $15 million, or 71%, in 2004. Of the $15 million increase, 46% was due to increased production, while 54% was attributable to increased realized prices. Realized silver prices increased 35% in 2004 to $6.84 per ounce from $5.07 per ounce in 2003.

Revenue from copper sales increased $8 million, or 120%, in 2004. Revenue from zinc sales increased $19 million, or 132%, in 2004. Both copper and zinc revenues benefited from increased production and prices but were negatively impacted by higher smelting, refining and transportation charges. Higher smelting and refining charges were mostly attributable to the increased production volumes for both copper and zinc and to rising treatment charges for copper. Increased transportation charges were due to higher ocean freight for zinc and copper concentrate shipments as the growing Asian economies continue to put a strain on the marine transportation system. The impact of increasing ocean freight costs was somewhat mitigated throughout 2004 as the Company began delivering zinc concentrate to Falconbridge's nearby Kidd Creek smelter in Timmins, Ontario.

Gold production increased to 271,567 ounces in 2004, up 15% from 236,653 ounces in 2003, primarily due to increased tonnage from LaRonde's lower, gold-copper rich, mining horizons. Production of all metals increased as LaRonde benefited from operational improvements, a more focused mining plan and increased ore throughput. For 2004, ore throughput increased 22% to 3.0 million tons from 2.4 million tons in 2003. The increased ore throughput was a result of a new mining plan, which was designed and implemented at the end of 2003 to address the production difficulties that were encountered. While LaRonde achieved record tonnages for both ore mined and milled, lower than expected gold grades resulted in gold production below the Company's original estimate of 300,000 ounces. Higher than expected dilution on the lower mining levels was the main reason for the decreased gold grade. As a result, the Company has adjusted its reserves and production forecasts to take into account the increased dilution. The mining team at LaRonde continues to look for ways to minimize this dilution effect.

Silver and zinc production increased 44% and 67%, respectively when compared to 2003, largely due to higher tonnage milled. Copper production increased 13% as ore production from the lower level mining areas increased. As a result of implementing a new mining plan, ore production from the lower gold-copper rich levels accounted for 63% of the ore processed through the mill, up from 55% in 2003.

Operational improvements and ore body optimization continued throughout 2004, culminating in record quarterly mill throughput of almost 800,000 tons or 8,614 tons per day in the fourth quarter. Fourth quarter revenues also increased in 2004 compared to 2003 due to the same factors which affected full year revenues.

Interest and Sundry Income

Interest and sundry income consists of interest on cash balances, realized gains on the disposition of available-for-sale securities, and amortization related to gold put option contracts expiring in the year. Interest and sundry income was $0.7 million in 2004 compared to $2.8 million in 2003. The $2.1 million decrease was due almost entirely to decreased gains on the disposition of available for sale securities. Interest on cash balances and charges relating to amortization of gold puts purchased in 1999 remained relatively unchanged over 2003.

Production Costs

In 2004, production costs decreased 6% to $98 million from $105 million in 2003. The table below presents the components of production costs:

	2004	2003	2002
		(thousands)	
Definition Drilling	$ 723	$ 511	$ 437
Stope Development	10,768	11,832	8,625
Mining	20,851	17,263	10,961
Underground Services	32,668	25,836	16,591
Milling	34,466	27,478	20,603
Surface Services	2,480	2,245	1,928
Administration	8,005	6,472	5,368
Minesite production costs	$ 109,961	$ 91,637	$ 64,513
El Coco Royalty	—	12,888	10,764
Accretion expense and reclamation costs	314	519	1,301
Inventory adjustments	(7,436)	(368)	1,071
Hedging losses (gains)	(4,671)	314	(1,680)
Production costs per Consolidated Statement of Income (Loss)	$ 98,168	$ 104,990	$ 75,969

Minesite production costs increased to $110 million from $92 million in 2003 primarily as a result of the increased tonnage mined and milled in 2004 and the continued strength of the Canadian dollar. The average C$/US$ exchange rate for 2004 fell to $1.3017 from $1.4018 in 2003 and this deterioration of the US dollar was responsible for $8.1 million of the $18.3 million increase in 2004 minesite production costs. Underground services costs increased due to increased preventative maintenance to underground fixed and mobile equipment resulting from the increased tonnage mined. At the beginning of 2004, two separate industrial accidents claimed the lives of a contract miner and an employee. As a result, the Company conducted a review of safety procedures and made modifications to underground equipment to further ensure the safety of the Company's employees that also contributed to the increased minesite production costs. Increases in the cost of raw materials such as fuel and iron, used in the mining process, and chemicals, used in the milling process, further contributed to the overall increase in minesite production costs.

The increased mine production costs were offset by a number of factors which helped reduce total production costs. In 2004, Agnico-Eagle did not incur royalty expenditures on production attributable to the El Coco property as this area of the mine was essentially mined out at the end of 2003. At the end of 2004, $7.4 million of minesite production costs were allocated to inventory which was a significant increase from the small inventory adjustments made in 2003. Due to the large increases in production volumes in 2004, zinc and copper concentrate inventories were much higher at the end of 2004 compared to 2003. This inventory adjustment reflects the production costs associated with unsold concentrates at the end of the year. Realized hedging gains also contributed to the reduction in production costs. Hedge gains increased over 2003 due to the continued deterioration of the US dollar. Throughout 2004, the Company was able to benefit from its currency hedges to sell US dollars at a C$/US$ exchange rate of $1.59, well above the average C$/US$ exchange rate of $1.30. These realized hedging gains were somewhat offset by negative mark-to-market adjustments on certain foreign exchange hedges which do not qualify for hedge accounting.

In 2003, operational difficulties and increased royalty expenses were responsible for the $27 million increase in minesite production costs compared to 2002. The rock fall in the first quarter of 2003 and the production drilling challenges encountered in the third quarter of 2003 caused mining and underground service costs to increase over 2002. Furthermore, of the $27 million increase over 2002, the strengthening Canadian dollar accounted for $10 million.

In the fourth quarter of 2004, 793,000 tons were milled at LaRonde, which represents a 26% increase over the same quarter of 2003. Fourth quarter gold production was 2% lower than 2003 due to higher than expected dilution on the lower level mining horizons. Total cash costs per ounce in the fourth quarter were $13, a 94% decrease over 2003 and a new quarterly record. Increased byproduct production and increasing byproduct metal prices were the principal factors driving total cash costs per ounce lower in the quarter. Minesite costs per ton in the fourth quarter were C$48 per ton compared to C$54 per ton in the prior year. The improvement in minesite costs per ton was due to the 26% increase in mill throughput compared to the fourth quarter of 2003.

In 2004, total cash costs to produce an ounce of gold decreased to $56 from $269 in 2003 and $182 in 2002. Total cash costs are comprised of minesite costs reduced by net silver, zinc and copper revenue. Total cash costs per ounce are affected by various factors such as the number of gold ounces produced, operating costs, C$/US$ exchange rates, production royalties and byproduct metal prices. The table below illustrates the variance in total cash costs per ounce attributable to each of these factors. The most significant factors contributing to the decrease in total cash costs per ounce in 2004 were: higher byproduct revenue as a result of increased production and higher byproduct metal prices, elimination of the El Coco royalty and increased gold production. Total cash costs per ounce is not a recognized measure under US GAAP and is described more fully below.

	2004	2003
Total cash costs per ounce (prior year)	$ 269	$ 182
Lower (higher) gold production	(35)	19
Stronger Canadian dollar	29	30
Higher (lower) El Coco royalty	(47)	13
Cost associated with increased throughput	39	77
Foreign exchange hedge gains	(18)	—
(Higher) lower byproduct revenue	(181)	(52)
Total cash costs per ounce (current year)	$ 56	$ 269

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

Minesite cost per ton is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. As illustrated in the table below, this measure is calculated by adjusting Production Costs as shown in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for royalties, inventory and hedging adjustments and asset retirement provisions and then dividing by tons processed through the mill. Since total cash cost data can be affected by fluctuations in byproduct metal prices and exchange rates, management believes this measure provides additional information regarding the

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

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

Reconciliation of Total Cash Costs per ounce

	2004	2003	2002
	(thousands, except as noted)		
Production costs per Consolidated Statement of Income (Loss)	$ 98,168	$ 104,990	$ 75,969
Adjustments:			
Byproduct revenues, net of smelting, refining and marketing charges	(82,521)	(41,254)	(27,850)
El Coco royalty	—	(12,888)	(10,764)
Accretion expense and other	(493)	(151)	(708)
Cash costs	$ 15,154	$ 50,697	$ 36,647
Gold production (ounces)	271,567	236,653	260,183
Cash costs (per ounce)	$ 56	$ 215	$ 141
El Coco royalty	—	54	41
Total cash costs (per ounce)	$ 56	$ 269	$ 182

Reconciliation of Minesite Costs per ton

	2004	2003	2002
	(thousands, except as noted)		
Production costs per Consolidated Statement of Income (Loss)	$ 98,168	$ 104,990	$ 75,969
Adjustments:			
Inventory [(i)] and hedging [(ii)] adjustments	12,107	54	609
El Coco royalty	—	(12,888)	(10,764)
Accretion expense and other	(314)	(519)	(1,301)
Minesite costs (US$)	$ 109,961	$ 91,637	$ 64,513
Minesite costs (C$)	$ 142,702	$ 127,931	$ 101,289
Tons milled (000's tons)	2,977	2,449	1,963
Minesite costs per ton (C$)	$ 48	$ 52	$ 52

Notes:

(i) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since minesite costs per ton are calculated on a production basis, this adjustment reflects the portion of costs associated with concentrate production for which revenue has not been recognized in the year.

(ii) Hedging adjustments reflect gains and losses on the Company's derivative positions entered into to hedge the effects of foreign exchange fluctuations on production costs. These items are not reflective of operating performance and thus have been eliminated when calculating minesite costs per ton.

Exploration and Corporate Development Expense

In 2004, with the Goldex project and Lapa project in the pre-production development stage, the exploration team was able to focus on new opportunities. The exploration team continued to assess properties around the LaRonde Mine. Exploration expenditures on the Cadillac-Bousquet belt were $2.3 million in 2004, up only marginally from $2.2 million in the prior year. In 2003, the majority of the expenditures on the Cadillac-Bousquet belt were dedicated to the Lapa exploration program. In 2004, exploration was conducted on the Ellison property, adjacent to the Bousquet property west of LaRonde. Exploration programs were commenced on the Chibex properties, contiguous to the Lapa property, where testing began for the existence of Lapa style mineralization.

Agnico-Eagle's portion of exploration expenditures of Contact Diamond Corporation (formerly Sudbury Contact Mines Limited) ("Contact Diamond") decreased in 2004 over 2003 due to decreased exploration activities. In 2004, Contact Diamond's exploration was focused on evaluating the results of a bulk sample completed in 2003 and initial drilling of new targets. In 2003, higher exploration expenditures were the result of Contact Diamond conducting a bulk sample on one of its kimberlite pipes.

In 2004, the Company purchased a 14% equity stake in Riddarhyttan which owns the Suurikuusikko gold deposit in Finland. Riddarhyttan conducted an extensive drilling program in 2004, which culminated in a new resource calculation in early 2005. The amounts shown in the table below are Agnico-Eagle's portion of Riddarhyttan's losses from the date of acquisition to the end of 2004. Agnico-Eagle considers its equity losses in Riddarhyttan as exploration as the significant majority of these losses are generated from Riddarhyttan's exploration activities. Also in 2004, Agnico-Eagle purchased all of Contact Diamond's gold exploration properties, including a Nevada-based subsidiary which was renamed Agnico-Eagle (USA) Limited. Agnico-Eagle (USA) Limited is currently conducting exploration in proven gold producing areas of Nevada. In 2003 and up to September 30, 2004, exploration expenditures related to United States exploration were recorded as part of Agnico-Eagle's portion of Contact Diamond expenditures.

Agnico-Eagle's corporate development team remained active in 2004 despite the decrease in expenditures over 2003. The $0.4 million decrease was due to the team utilizing more of the Company's in-house expertise to evaluate opportunities rather than external consultants.

The table below illustrates the various components of exploration expense.

	2004	2003	2002
Lapa property (net of investment tax credits)	$ —	$ 1,751	$ 246
Other properties on the Cadillac-Bousquet belt	2,276	465	976
Agnico-Eagle portion of exploration conducted by Contact Diamond	1,784	4,216	2,271
United States exploration	544	—	—
Agnico-Eagle portion of exploration conducted by Riddarhyttan	440	—	—
Corporate development expense	764	1,169	273
	$ 5,808	$ 7,601	$ 3,766

Exploration is only conducted if warranted by drilling results and project economics. Therefore, the 2003 increase in expenses over 2002 reflects the success of the Company's exploration and development efforts. The 2003 gross exploration expenses on the Lapa property were approximately $3.0 million. However, these expenses were reduced by exploration investment tax credits received from the provincial government of Quebec.

In 2004, the Company issued flow-through shares to take advantage of its large undeducted exploration tax pools. Issuing flow-through shares is common practice in the mining industry for companies with large pools of available tax deductions. Under the terms of the flow-through share agreements, the Company is required to spend the proceeds of the offering on eligible Canadian exploration expenses and renounce the tax deductions associated with those exploration expenses to the initial purchasers of the flow-through shares. Since investors are receiving tax deductions for the exploration expenses incurred by the Company, these flow-through shares typically command a premium to the market price of the Company's stock on the date of issuance. Should the Company fail to spend the proceeds of the flow-through share offering on eligible Canadian exploration

expenses, the investors would lose their tax deductions, which would create the potential for shareholder lawsuits and penalties imposed by the Canada Revenue Agency. In its history, the Company has never failed to spend flow-through share proceeds on eligible exploration nor has it ever failed to renounce those exploration expenditures to investors. To comply with flow-through share purchase agreements, the Company must spend $8.1 million on eligible Canadian exploration expenses in 2005 relating to the expenditures renounced effective December 31, 2004.

In March 2005, the Company entered into an agreement with Industrias Penoles, S.A. de C.V., a public Mexican mining company, to acquire the Pinos Altos project in Chihuahua, Mexico. Under the terms of the agreement, Agnico-Eagle has the option to purchase the Pinos Altos project for $65 million. Agnico-Eagle will conduct an exploration program in order to determine whether to exercise its option. The Company has currently planned an exploration program which contemplates $2.8 million in exploration expenditures in 2005.

General and Administrative Expenses

General and administrative expenses decreased to $6.9 million in 2004 from $7.1 million in 2003. A number of factors influenced general and administrative expenses in 2004. The strengthening Canadian dollar had a negative impact on general and administrative expenses as most of these expenses are incurred in Canadian dollars. This negative impact was offset by a reduction in financial reporting compliance costs, as much of these activities were brought in-house in 2004, and a reduction in pension expense due to settlements of the Company's Retirement Compensation Arrangement Plans.

Provincial and Federal Capital Taxes

Provincial capital taxes were $0.4 million in 2004 compared to $1.2 million in 2003. These taxes are assessed on the Company's capitalization (paid-up capital and debt) less certain allowances and tax credits for exploration expenses incurred. The decrease in 2004 was due to a favorable tax re-assessment relating to the 2003 taxation year relating to the calculation of exploration expenditures eligible for tax credits.

Federal capital taxes are assessed on essentially the same capitalization base as provincial capital taxes. The decrease in 2004 to $1.0 million from $1.1 million in 2003 represents increases in capitalization throughout the year offset by decreased tax rates. New legislation introduced in 2003 will eliminate federal capital taxes by 2008. These changes are being phased in gradually with rate reductions each year.

Amortization Expense

Amortization expense was $21.8 million in 2004 compared to $17.5 million in 2003. The Company calculates its amortization on a unit-of-production basis using proven and probable reserve tonnage as its amortization base. A 22% increase in tons processed was the main reason for the increase. Amortization on a per ton basis was lower than originally anticipated at $7 per ton compared to an initial estimate of $8 per ton. The decrease was a result of recording $2.3 million of amortization in inventory in 2004, reflecting the amortization costs associated with inventoried concentrates.

Interest Expense

In 2004, interest expense decreased to $8.2 million from $9.2 million in 2003 due to realized gains generated under an interest rate swap. Throughout 2004, the Company received $0.9 million in swap payments such that net interest on the convertible subordinated debentures was $5.6 million. Under the terms of the interest rate swap, fixed rate payments on the convertible subordinated debentures were swapped for variable rate payments. The notional amount under the swap exactly matches the $144 million face value of the debentures and the swap agreement terminates on February 15, 2006, which is the earliest date that the debentures can be called for redemption. Under the terms of the swap agreement, the Company makes interest payments of three-month LIBOR plus a spread of 2.37% and receives fixed interest payments of 4.50%, which completely offsets the interest payments made on the subordinated convertible debentures. The three-month LIBOR rate was also capped at 3.38% such that total variable interest payments will not exceed 5.75%.

Of the remaining $2.6 million of interest expense in 2004, $1.4 million relates to cash standby fees and other costs associated with the revolving bank facility, and the remaining $1.2 million represents non-cash amortization of the financing costs associated with the 2012 convertible subordinated debentures and revolving bank facility.

In December 2004, the Company refinanced its revolving bank facility. The amount available under the new facility is $100 million and the interest rate under the new facility can range from LIBOR plus 1.50% to LIBOR plus 2.25% per annum depending on certain financial ratios. Standby fees on undrawn portions of the new facility can range from 0.5% to 0.875% per annum depending on certain financial ratios. The new facility is fully revolving and any indebtedness under the facility is due at the end of December 2007. With the consent of the lenders, Agnico-Eagle may extend the new facility to the end of December 2010. The new facility is secured by a first charge on substantially all of the property relating to the Company's LaRonde Mine and El Coco property.

Income and Mining Taxes

In 2004, the effective accounting income tax recovery rate was 6.3% compared to an income tax recovery rate of 8.0% in 2003. Although Agnico-Eagle reported income before income and mining taxes of $46.0 million, tax expense was not recorded due to the utilization of losses carried forward which had previously not been recorded as future taxes. Normally, the benefits of being able to utilize prior year losses against future taxable income would have been recorded as a future tax asset. However, due to the uncertainty surrounding the realization of this and other limited life tax assets at the end of 2003, a full valuation allowance was provided against these tax assets thereby reducing their value in the consolidated financial statements to nil at the end of 2003. The effect of utilizing these previously unrecorded benefits in 2004 reduces the tax expense that would have otherwise been recorded in 2004.

In 2003, Agnico-Eagle reported a loss before income and mining taxes of $18.1 million but did not record a recovery, and related future tax asset, representing the ability to carry these losses forward to reduce taxes payable in future years. Therefore, the recovery rate in 2003 was 8.0% compared to a statutory tax rate of 38.3%.

Liquidity and Capital Resources

In 2004, the Company amended its revolving bank facility with a syndicate of international banks. The amended facility provides the Company with a $100 million line of credit on a revolving basis. The facility matures and all indebtedness thereunder is due and payable on December 23, 2007. The Company, with the consent of lenders representing 66 $^{2}/_{3}$% of the aggregate commitments under the facility, has the option to extend the term of the facility for three additional one-year terms to December 23, 2010. The facility limits, among other things, the Company's ability to incur additional indebtendness, pay dividends, make investments or loans, transfer assets or make expenditures that are not consistent with mine plans and operating budgets delivered pursuant to the facility. The facility also requires the Company to maintain specified financial ratios and meet financial condition covenants. Letters of credit issued as security for pension and environmental obligations decrease the amount available under the facility. As at December 31, 2004, net of letters of credit issued, the Company had $89 million of undrawn credit under its revolving bank facility.

At the end of 2004, the Company's cash and cash equivalents were $33 million compared to $57 million at the end of 2003. In 2004, significant increases in operating and financing cash flows were offset by continued investments in sustaining and project capital at the LaRonde Mine and in the surrounding region as well as the Company's investment in Riddarhyttan. Operating cash flow increased substantially from $4 million in 2003 due primarily to increased production volumes and increased metal prices. These positive impacts were offset by a buildup in non-cash working capital balances and the continued strengthening of the Canadian dollar. Due to the increased production volumes, 2004 ended with large buildups in metals awaiting settlement and concentrate inventories. These buildups are expected to reverse throughout 2005.

In 2004, the Company used $95 million of cash in investing activities. The largest components of this $95 million were:

- $38 million in capital expenditures at LaRonde;
- $12 million in capital expenditures at Lapa and Goldex;

- $3 million for the purchase of gold properties from Contact Diamond;
- $22 million net investment and acquisition expenditures including $13 million for the Company's equity investment in Riddarhyttan and $9 million for purchases of available-for-sale securities;
- $14 million increase in short-term investments for tax planning purposes; and
- $6 million increase in restricted cash pursuant to a flow-through share private placement.

In 2004, the Company declared its 25th consecutive annual dividend of $0.03 per share, unchanged from 2003. Although the Company expects to continue paying dividends, future dividends will be at the discretion of the Company's Board of Directors and will be subject to factors such as income, financial condition and capital requirements.

Agnico-Eagle's contractual obligations as at December 31, 2004 are summarized as follows:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt (1)	$ 143.8	$ —	$ —	$ —	$ 143.8
Capital lease obligations	0.5	0.5	—	—	—
Letter of credit obligations	11.1	—	—	—	11.1
Reclamation obligations (2)	24.6	2.0	2.1	2.1	18.4
Pension obligations (3)	3.4	0.4	0.8	0.8	1.4
	$ 183.4	$ 2.9	$ 2.9	$ 2.9	$ 174.7

Notes:

(1) The Company's 4.50% convertible subordinated debentures (the "Convertible Debentures"), with an aggregate principal amount of $143.8 million, mature on February 15, 2012. The Company may redeem the debentures on or after February 15, 2006, in cash, or at the option of the Company, by delivering freely tradeable common shares.

(2) Mining operations are subject to environmental regulations which require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. The estimated undiscounted cash outflows of these reclamation obligations are presented here. These estimated costs are recorded in the Company's consolidated financial statements on a discounted basis in accordance with FAS 143. See Note 5(a) to the Annual Audited Consolidated Financial Statements.

(3) The Company has Retirement Compensation Arrangements ("RCA") with certain executives and a Defined Benefit pension plan for certain former employees. The RCAs provide pension benefits to the executives equal to 2% of the executive's final three-year average pensionable earnings for each year of service with the Company less the annual pension payable under the Company's basic defined contribution plan. Payments under the RCAs are secured by letter of credit from a Canadian chartered bank. The figures presented in this table have been actuarially determined.

Outlook

For 2005, the Company expects to continue working toward its strategic objectives using LaRonde as the cornerstone. Agnico-Eagle expects LaRonde to generate strong cash flow again in 2005 as production volumes are expected to remain steady. Metal prices will have a large impact on financial results, and although the Company cannot predict the prices that will be realized in 2005, prices in early 2005 have continued to remain strong.

In 2005, revenues from mining operations are expected to be largely unchanged. The table below summarizes actual production for 2004 and estimated production in 2005.

	2005 Estimate	2004 Actual
Gold (ounces)	280,000	271,567
Silver (000's ounces)	5,500	5,699
Zinc (000's pounds)	160,000	167,282
Copper (000's pounds)	18,000	22,816

For 2005, the Company expects total cash costs to be in the range of $135 to $145 per ounce of gold compared to $56 achieved in 2004. Revenue from mining operations and total cash cost estimates are based on gold and byproduct metal price assumptions that are well below current prices and prices realized in 2004. If current metal prices and exchange rates were used, total cash costs would be well below $100 per ounce and revenues from mining operations would increase significantly.

Net silver, zinc and copper revenue is treated as a reduction of production costs in arriving at estimates of total cash costs per ounce, and therefore production and price assumptions play an important role in these estimates. As production costs are denominated in Canadian dollars, the C$/US$ exchange rate can also affect the estimate. The table below summarizes the metal price assumptions and exchange rate assumptions used in deriving the estimated total cash costs per ounce for 2005 (production estimates for each metal are shown in the table above).

Gold	$	375
Silver	$	6.00
Zinc	$	0.45
Copper	$	1.15
C$/US$ exchange rate	$	1.27

Subsequent to year end, the Company entered into new derivative contracts. Silver put options were purchased with a strike price of $7.00 on approximately one million ounces of silver. Copper calls were written with a strike price of $1.50 on approximately ten million pounds of copper. The Company also entered into a series of derivative transactions to sell zinc forward at $0.57 and a zero-cost collar was entered into to set a minimum price of $0.55 on approximately 49 million pounds of zinc over 2005 and 2006. While setting a minimum price, the zero-cost collar strategy also limits participation to zinc prices above $0.67. See note 9 to the Annual Audited Consolidated Financial Statements for the year ended December 31, 2004.

The estimated sensitivity of LaRonde's 2005 estimated total cash costs to a 10% change in the metal price and exchange rate assumptions above follows:

Change in variable	**Impact on total cash costs ($/oz.)**
C$/US$	39
Zinc	17
Silver	11
Copper	6

The Company expects its acquisition of shares of Riddarhyttan will result in an increased amount of exploration expense in 2005. Agnico-Eagle expects to record $10.0 million of exploration expense in the income statement in 2005 which includes $2.4 million in non-cash expenses representing Agnico-Eagle's share of the exploration expenses of Contact Diamond and Riddarhyttan. The anticipated exploration expense also includes $2.8 million of expenditures planned on the Pinos Altos project in 2005. Exploration is success driven and thus these estimates could increase materially on the success of the various exploration programs.

General and administrative expenses are not expected to increase materially in 2005. In 2005 provincial capital taxes are expected to be between $1.5 and $1.7 million. Federal capital taxes are expected to decrease to $0.8 million in 2005 due to new legislation introduced in 2003 which reduces tax rates every year until 2008 when this tax will be eliminated. Amortization is expected to increase to $9 per ton in 2005 due to a higher capital base and relatively small increase in reserves.

At current three-month LIBOR rates of approximately 3%, interest expense is expected to increase by $1.2 million in 2005. As a result of the LIBOR rate being capped at 3.38% pursuant to the terms of the interest rate derivative agreements, interest expense is not expected to increase more than $1.7 million in 2005. In 2005, the Company expects to capitalize interest on the Convertible Debentures relating to the construction costs incurred at Lapa. Based on estimated construction expenditures on the Lapa property for 2005, capitalized interest is expected to be between $0.6 and $0.8 million.

Although the Company is recording the fair value of stock options in income in 2003 and 2004, a new accounting standard requires that fair value accounting be applied to any stock options that were granted or modified since January 1, 1995. The Company is currently evaluating the requirements under the new standard and expects the adoption to have a significant impact on the statement of income (loss) and income (loss) per share, but no impact on financial condition or cash flows.

In 2005, Agnico-Eagle expects to incur approximately $27 million of capital expenditures at LaRonde, $12 million on the continued construction and underground at the Lapa property and $2 million on completing the Goldex bulk sample program and revising the current feasibility study and mining plan. Capital expenditures could increase significantly at Goldex should construction and development commence in 2005. Agnico-Eagle also expects to incur cash exploration expenditures of $6 million on properties on the Cadillac-Bousquet belt and in the United States and $3 million of exploration expenditures on the Pinos Altos property in Mexico. The Company expects all these expenditures to be completely funded out of operating cash flow.

If the Company decides to exercise the option to purchase the Pinos Altos property in 2005, the cash portion (up to $39 million) of the $65 million acquisition cost is expected to be funded from cash on hand and operating cash flow. The Company continues to examine other possible acquisitions, which if made, would be with securities, cash or a combination thereof. If cash is used, depending on the size of the acquisition, Agnico-Eagle may be required to borrow money or issue securities to fund such cash requirements.

Risk Profile

Agnico-Eagle is subject to various risks that it encounters in its day-to-day operations. Agnico-Eagle mitigates the likelihood and potential severity of the various risks it encounters in its day to day operations through the application of the highest standards in the planning, construction and operation of mining facilities. In addition, emphasis is placed on hiring and retaining competent personnel and developing their skills through training in safety and loss control. Agnico-Eagle's operating and technical personnel have a solid track record of developing and operating precious metal mines and the LaRonde Mine has been recognized for its excellence in this regard with various safety and development awards. Unfortunately, in spite of extensive efforts to ensure the safety of employees, industrial accidents can occur. In the first quarter of 2004, two accidents claimed the lives of an employee and a contract miner. Quebec's Commission de la santé et de la sécurité du travail completed an investigation into these accidents, and the Company paid fines totalling C$27,500 in respect of these accidents. Also, in January 2005, an accident claimed the life of an employee. The Commission de la santé et de la sécurité du travail has initiated an investigation into this accident. Other than the investigations discussed above, no regulatory or other action has been initiated against the Company in connection with these industrial accidents. The Company's LaRonde Mine remains one of the safest mines in Quebec with a lower accident frequency index than the provincial mining industry average. Nevertheless, the Company and all of its employees continue with a focused effort to improve workplace safety.

Agnico-Eagle also mitigates some of the Company's normal business risk through the purchase of insurance coverage. An Insurable Risk Management Policy, approved by the Board of Directors, governs the purchase of insurance coverage and only permits the purchase of coverage from insurance companies of the highest credit quality. For a more complete list of the risk factors affecting the Company, please see "Item 3. Key Information — Risk Factors" in the Company's Annual Report on Form 20-F for the year ended December 31, 2004.

As disclosed by the Company on March 18, 2004, the staff of the Ontario Securities Commission had been investigating the Company in relation to the timing and content of the Company's disclosure concerning a rock fall that occurred at the LaRonde Mine in the first quarter of 2003. The Company is currently in discussions with Ontario Securities Commission staff concerning this matter and the timing of the Company's disclosure of a production shortfall prior to its earnings announcement in the third quarter of 2003. The Company believes it is unlikely that there will be any material financial impact resulting from this matter.

Financial Risk

Agnico-Eagle's net income is most sensitive to metal prices and the C$/US$ exchange rate. For the purpose of the sensitivities presented in the graph below, Agnico-Eagle used the following metal price and exchange rate assumptions:

- Gold — $375;
- Silver — $6.00;
- Zinc — $0.45;
- Copper — $1.15; and
- C$/US$ — $1.27.

Changes in the market prices of gold are due to numerous factors such as demand, global mine production levels, forward selling by producers, central bank sales and investor sentiment. Changes in the market prices of other metals are due to factors such as demand and global mine production levels. Changes in the C$/US$ exchange rate are due to factors such as supply and demand for Canadian and U.S. currencies and economic conditions in each country. In 2004, the price ranges for metal prices and the C$/US$ exchange rate were:

- Gold — $375-$454;
- Silver — $5.56-$8.23;
- Zinc — $6.43-$6.57;
- Copper — $1.07-$1.50; and
- C$/US$ — $1.175-$1.3970.

The following table shows the estimated impact on budgeted income per share ("EPS") in 2005 of a 10% change in assumed metal prices and exchange rates. A 10% change in each variable was considered in isolation while holding all other assumptions constant. Based on historical market data and 2004 price ranges shown above, a 10% change in assumed metal prices and exchange rates is reasonably likely in 2005.

Change in variable	**Impact on EPS ($)**
C$/US$	0.11
Gold	0.10
Zinc	0.05
Silver	0.03
Copper	0.02

In order to mitigate the impact of fluctuating precious and base metal prices, Agnico-Eagle enters into hedging transactions under its Metal Price Risk Management Policy, approved by the Board of Directors. The Company's policy and practice is not to sell forward its gold production. The Policy does allow the Company to review this to use hedging strategies where appropriate to ensure an adequate return on new projects. In the past, Agnico-Eagle has bought put options to protect a minimum gold price while maintaining full participation to gold price increases. The Company's policy does not allow speculative trading. At the end of 2004, the Company's only metal hedges were gold puts with a strike price of $260. These gold puts were liquidated in the first two months of 2005.

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. This gives rise to significant currency risk exposure. The Company has entered into currency hedging transactions under the Company's Foreign Exchange Risk Management Policy, approved by the Board of Directors, to hedge part of the 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 assets and liabilities into US dollars) as these do not give rise to cash exposure. In 2004, the Company hedged approximately 40% of its Canadian dollar operating cost requirement at a level well above the

prevailing exchange rates that were in effect when the hedges expired. As shown in the chart above, a 10% increase in budget exchange rates would increase EPS by $0.11.

Fluctuations in interest rates can also affect income and cash flows. Due to the interest rate swap entered into in 2003, increases in LIBOR rates will increase interest expense. The maximum interest rate payable under the swap transaction is 5.75% thus, based on this maximum rate, the maximum exposure from rising interest rates is $0.02 per share. The Company has a Short-Term Investment Risk Management Policy, approved by the Board of Directors, which only permits investment of excess cash balances in short-term money market instruments of the highest credit quality. In 2004, the three-month LIBOR rate was between 1.11% and 2.56%. Based on historical market data and the 2004 LIBOR range, a 10% change in interest rates is reasonably likely in 2005.

Operational Risk

The business of gold mining is generally subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected rock formations, changes in the regulatory environment, cave-ins, rock bursts, rock falls and flooding and gold bullion losses. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company carries insurance to protect itself against certain risks of mining and processing in amounts that it considers to be adequate but which may not provide adequate coverage in certain unforeseen circumstances. The Company may also become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons or the Company may become subject to liabilities which exceed policy limits. In such case, the Company may be required to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

The Company's mining and milling operations at the LaRonde Division account for all of the Company's gold production and will continue to account for all of its gold production in the future unless additional properties are acquired or brought into production. Any adverse condition affecting mining or milling conditions at the LaRonde Division could be expected to have a material adverse effect on the Company's financial performance and results of operations until such time as the condition is remedied. In addition, the Company's ongoing development of the LaRonde Mine involves the exploration and extraction of ore from new areas and may present new or different challenges for the Company. At current levels of mineral reserves and production, the LaRonde Mine has an estimated mine life of approximately 14 years, however gold production at the LaRonde Mine is expected to begin to decline commencing in 2007. Unless the Company can successfully bring into production the Goldex property, the Lapa property or its other exploration properties or otherwise acquire gold producing assets prior to 2007, the Company's results of operations will be adversely affected. There can be no assurance that the Company's current exploration and development programs at the Company's LaRonde Division will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

The Company's gold production may fall below estimated levels as a result of mining accidents such as cave-ins, rock falls, rock bursts or flooding. In addition, production may be unexpectedly reduced if, during the course of mining, unfavourable ground conditions or seismic activity are encountered, ore grades are lower than expected, or the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment. Accordingly, there can be no assurance that the Company will achieve current or future production estimates.

The figures for mineral reserves and mineral resource 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 of gold will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resource. Such figures have been determined based on assumed gold prices and operating costs. The Company has estimated proven and probable mineral reserves based on a $360 per ounce gold price which is the three-year average daily price. While gold prices have generally been above $360 per ounce since mid-2003, for the six years prior to that the market price of gold has been, on average, below $360 per ounce. Based on the metals price and exchange rate assumptions used in the 2005 LaRonde Mineral

Reserve and Mineral Resource Estimate, a 10% decrease in the gold price would result in an approximately 7% decrease in proven and probable reserves. Prolonged declines in the market price of gold may render mineral reserves containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce the Company's reserves. Should such reductions occur, the Company could be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Market price fluctuations of gold, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

Environmental Risk

The Company's mining and mineral processing operations and exploration activities are subject to the laws and regulations of federal, provincial, state and local governments in the jurisdictions in which the Company operates. These laws and regulations are extensive and govern prospecting, 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. 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.

Derivatives Risk

The Company enters into derivative contracts to limit the downside risk associated with fluctuating metal prices. The contracts act as economic hedges of underlying exposures to metal price risk and foreign currency exchange risk and are not held for speculative purposes. Agnico-Eagle does not use complex derivative contracts to hedge exposures. The Company uses simple contracts, such as puts and calls, to mitigate downside risk yet maintain full participation to rising metal prices. Agnico-Eagle also enters into forward contracts to lock in exchange rates based on projected Canadian dollar operating and capital needs.

Using derivative instruments creates various financial risks. Credit risk is the risk that the counterparties to derivative contracts will fail to perform on an obligation to the Company. Credit risk is mitigated by dealing with high quality counterparties such as financial institutions. Market liquidity risk is the risk that a derivative position cannot be liquidated quickly. The Company mitigates market liquidity risk by spreading out the maturity of derivative contracts over time, usually based on projected production levels for the specific metal being hedged, such that the relevant markets will be able to absorb the contracts. Mark-to-market risk is the risk that an adverse change in market prices for metals will affect financial condition. Since derivative contracts are used as economic hedges, for most of the contracts, changes in the mark-to-market value do no affect income. For a description of the accounting treatment of derivative contracts, please see "Critical Accounting Estimates — Financial Instruments".

For 2004, Agnico-Eagle recorded a $1.5 million charge against total revenue to reflect the maturity of gold put option contracts purchased in 1999. This amount is simply the original cost for gold puts maturing in the year. Mark-to-market losses on the 2004 gold put option contracts had originally been recorded as part of accumulated other comprehensive income and these amounts were reclassified to earnings for the current year and are included as part of the $1.5 million charge. Also for 2004, Agnico-Eagle recorded a $4.7 million charge on foreign currency derivative contracts maturing in 2004 which was recorded as part of production costs. Since the Company uses only over-the-counter instruments, the fair value of individual hedging instruments is based on readily available market values.

Outstanding Securities

The following table presents the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at March 22, 2005 were exercised:

Common shares outstanding at March 22, 2005	86,125,231
Convertible debentures (based on debenture holders' option)	10,267,919
Employee stock options	3,025,100
Warrants	6,900,000
	106,318,250

The Convertible Debentures are convertible into common shares, at the option of the holder, at any time prior to maturity, at a conversion rate of 71.429 common shares per $1,000 principal amount of debentures. The Convertible Debentures mature on February 15, 2012 but may be redeemed at the option of the Company on or after February 15, 2006 in cash or, at the option of the Company, by delivering freely tradeable common shares.

Each warrant entitles the holder to purchase one common share at a price of US$19.00. The warrants expire on November 14, 2007.

Critical Accounting Estimates

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

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

Mining Properties

The Company capitalizes the cost of acquiring land and mineral rights. If a mineable ore body is discovered, such costs are amortized when production begins, using the units-of-production method based on proven and probable reserves. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. Costs for grassroots exploration are charged to income when incurred until an ore body is discovered. Further exploration and development to delineate costs of the ore body are capitalized as mine development costs once a feasibility study is successfully completed and proven and probable reserves are established.

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

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. Interest costs incurred prior to the commencement of commercial production are capitalized. Subsequent capital expenditures which benefit future periods, such as the construction of underground infrastructure, are capitalized at cost and depreciated as mentioned above.

The carrying values of mining properties, plant and equipment and mine development costs are reviewed periodically, when impairment factors exist, for possible impairment, based on the future undiscounted net cash flows of the operating mine and development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of operating mine and development properties include estimates of recoverable ounces of gold based on the proven and probable reserves. To the extent economic value exists

beyond the proven and probable reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding gold prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows could affect the recoverability of long-lived assets.

Revenue Recognition

Revenue is recognized when the following conditions are met:

(a) persuasive evidence of an arrangement to purchase exists;

(b) the price is determinable;

(c) the product has been delivered; and

(d) collection of the sales price is reasonably assured.

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

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

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

Reclamation Obligations

Estimated reclamation costs are based on legal, environmental and regulatory requirements. Current accounting standards require the Company to recognize the present value of mine reclamation costs as a liability in the period the obligation is incurred and to periodically re-evaluate the liability. At the date a reclamation liability is incurred, an amount equal to the present value of the final liability is recorded as an increase to the carrying value of the related long-lived asset. Each period, an accretion amount is charged to income to adjust the liability to the estimated future value. The initial liability, which is included in the carrying value of the asset, is also depreciated each period based on the depreciation method used for that asset. In order to calculate the present value of mine reclamation costs, the Company has made estimates of the final reclamation costs based on mine-closure plans approved by environmental agencies. Agnico-Eagle periodically reviews these estimates and updates reclamation cost estimates if assumptions change. Material assumptions that are made in deriving these estimates include variables such as mine life and inflation rates.

Future Tax Assets and Liabilities

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. Future tax assets are reduced by a valuation allowance if it is more likely than not that some or all of the future tax asset will not be realized. The Company evaluates the carrying value of its future tax assets quarterly by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are forecasts of future taxable income and available tax planning strategies that could be implemented to realize future tax assets.

Financial Instruments

Agnico-Eagle uses derivative financial instruments, primarily option contracts, to manage exposure to fluctuations in metal prices, foreign currency exchange rates and interest rates. Under the Company's treasury management system which complies with Statement of Financial Accounting Standard ("FAS") 133 requirements for hedge accounting, unrealized mark-to-market losses on gold put option contracts are originally recorded in equity as a component of accumulated other comprehensive loss. On the contracts' scheduled maturity dates, the realization of losses on these contracts is reflected by removing the accumulated mark-to-market losses from accumulated other comprehensive loss and recording these losses as part of normal income. All the Company's hedging contracts on byproduct production were liquidated in 2003 with a corresponding charge being recorded in income. Effective January 1, 2003, foreign currency hedges also qualified for hedge accounting and as such are now being accounted for in the same manner as the gold puts. Unrealized mark-to-market gains and losses on these hedges are recorded in accumulated other comprehensive loss and realized gains and losses are recorded in income in the same period the hedged transaction affects income, or on the scheduled maturity dates. Prior to 2003, unrealized mark-to-market gains and losses on foreign currency hedges were recorded in income.

In late 2003, the Company entered into interest rate swap arrangements whereby it swapped its fixed rate payments on the convertible subordinated debentures for variable rate payments. The fair value of the swap is recorded as an asset or liability with a corresponding charge to income. The carrying value of the Convertible Debentures is also adjusted for changes in fair value attributable to the risk being hedged with a corresponding charge to income. In connection with the swap, the Company also entered into an interest rate cap to limit the interest rate charged under the swap to 3.38%. The fair value of the swap is recorded as an asset or a liability with a corresponding charge to income.

Stock-Based Compensation

In 2003, the Company prospectively adopted FAS 123, " *Accounting for Stock-Based Compensation* " as amended by FAS 148, " *Accounting for Stock-Based Compensation — Transition and Disclosure* ". These accounting standards recommend the expensing of stock option grants after January 1, 2003. The standards recommend that the fair value of stock options be recognized in income over the applicable vesting period as a compensation expense.

The Company's existing stock-based compensation plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Share options have exercise prices equal to market price at the grant date or over the life of the applicable vesting period depending on the terms of the option agreements. The fair value of these stock options is recorded as an expense on the date of grant. 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 creates difficulties in determining a reliable single measure of the fair value of stock option grants. The dilutive impact of stock option grants is currently factored into the Company's reported diluted income (loss) per share.

In December 2004, the Financial Accounting Standards Board ("FASB") enacted FAS 123 — revised 2004 ("FAS 123R"), " *Share-Based Payment* ", which replaces FAS 123, " *Accounting for Stock-Based Compensation* " and supersedes APB Opinion No. 25 ("APB 25"), " *Accounting for Stock Issued to Employees* ". FAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the statement of income (loss). The accounting provisions of FAS 123R are effective for reporting periods beginning after June 15, 2005.

Agnico-Eagle is required to adopt FAS 123R in the third quarter of 2005. Although the Company has recorded the fair value of stock options in income in 2003 and 2004, FAS 123R requires that fair value accounting be applied to any stock options that were granted or modified since January 1, 1995. The Company is currently evaluating the requirements under FAS 123R and expects the adoption to have a significant impact on the statement of income (loss) and income per share, but no impact on financial condition or cash flows.

Forward Looking Information

Certain statements in this MD&A constitute "forward-looking statements": within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements of our plans, objectives, expectations and intentions. Also, words such as "may", "will", "should", "could", "would", "expects", "anticipates", "believes", "plans", "intends", or other variations of these terms or comparable terminology, often denote forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, the following:

- the Company's outlook for 2005;
- statements regarding future earnings, and the sensitivity of earnings to gold and other metal prices;
- anticipated trends for prices of gold and other byproducts mined by the Company;
- estimates of future mineral production and sales;
- estimates of production costs and other expenses;
- 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 other capital costs;
- estimates of reserves, and statements regarding future exploration results and reserve replacement;
- estimates of future costs and other liabilities for environmental remediation;
- other anticipated trends with respect to the Company's results of operations; and
- expectations regarding the outcome of the ongoing governmental investigations involving the Company.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others the Risk Factors set forth in "Item 3. Key Information — Risk Factors" in the Company's Annual Report on Form 20-F dated December 31, 2004. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, and the Company further cautions readers not to place undue reliance upon any such 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.

Summarized Quarterly Data

	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	Total 2003
Consolidated Financial Data (thousands of United States dollars, except where noted)					
Income and cash flows					
LaRonde Division					
Revenues from mining operation	$ 30,112	$ 30,014	$ 24,845	$ 41,849	$ 126,820
Production costs	24,347	24,581	25,909	30,153	104,990
Gross profit (exclusive of amortization shown below)	$ 5,765	$ 5,433	$ (1,064)	$ 11,696	$ 21,830
Amortization	$ 4,517	$ 4,787	$ 4,471	$ 3,729	$ 17,504
Gross profit	$ 1,248	$ 646	$ (5,535)	$ 7,967	$ 4,326
Net income for the period	$ (6,237)	$ (3,779)	$ (11,869)	$ 2,387	$ (19,498)
Net income per share (basic and fully diluted)	$ (0.07)	$ (0.05)	$ (0.14)	$ 0.03	$ (0.23)
Operating cash flow	$ 612	$ (2,823)	$ 761	$ 5,703	$ 4,253
Investing cash flow	$ (11,025)	$ (18,370)	$ (62,542)	$ (13,970)	$ (105,907)
Financing cash flow	$ (1,236)	$ 1,125	$ 4,640	$ 910	$ 5,439
Weighted average number of common shares outstanding (in thousands)	83,725	83,836	83,954	84,424	83,889
Tons of ore milled	602,633	648,292	570,661	626,994	2,448,580
Head grades:					
Gold (ounces per ton)	0.10	0.10	0.10	0.12	0.11
Silver (ounces per ton)	2.44	2.24	1.69	2.22	2.16
Zinc	3.55%	3.14%	2.71%	2.87%	3.10%
Copper	0.45%	0.52%	0.62%	0.66%	0.55%
Recovery rates:					
Gold	91.66%	90.62%	91.60%	91.79%	91.41%
Silver	83.80%	80.80%	79.79%	85.80%	82.60%
Zinc	78.20%	77.80%	75.00%	81.60%	78.20%
Copper	79.10%	79.20%	79.90%	82.50%	80.30%
Payable production:					
Gold (ounces)	55,005	60,157	51,192	70,299	236,653
Silver (ounces in thousands)	1,036	1,049	648	1,220	3,953
Zinc (pounds in thousands)	27,964	27,080	20,561	24,732	100,337
Copper (pounds in thousands)	3,956	5,015	5,411	5,749	20,131
Realized prices (US$):					
Gold (per ounce)	$ 350	$ 349	$ 365	$ 395	$ 368
Silver (per ounce)	$ 4.70	$ 4.57	$ 5.04	$ 5.27	$ 5.07
Zinc (per pound)	$ 0.35	$ 0.35	$ 0.37	$ 0.43	$ 0.38
Copper (per pound)	$ 0.76	$ 0.73	$ 0.80	$ 0.94	$ 0.82
Total production costs per gold ounce produced (US$):					
Minesite costs (including reclamation provision)	$ 378	$ 371	$ 451	$ 372	$ 390
Less: Reclamation provision	(2)	(2)	(2)	(3)	(2)
Net byproduct revenues	(207)	(161)	(140)	(189)	(173)
Cash costs	169	208	309	180	215
El Coco royalty	74	50	59	40	54
Total cash costs [1]	$ 243	258	$ 368	$ 220	$ 269
Other costs:					
Reclamation provision	2	2	2	3	2
Amortization	82	80	87	53	74
Total production costs	$ 327	$ 340	$ 457	$ 276	$ 345
Minesite costs per ton milled (C$) [1]	C$ 52	C$ 48	C$ 56	C$ 54	C$ 52

Note:

(1) Minesite costs per ton milled and total cash costs per ounce are non-GAAP measures of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	Total 2004
Consolidated Financial Data (thousands of United States dollars, except where noted)					
Income and cash flows					
LaRonde Division					
Revenues from mining operations	$ 48,604	$ 45,664	$ 47,986	$ 45,795	$ 188,049
Production costs	24,141	25,680	26,172	22,175	98,168
Gross profit (exclusive of amortization shown below)	$ 24,463	$ 19,984	$ 21,814	$ 23,620	$ 89,881
Amortization	5,582	5,859	5,861	4,461	21,763
Gross profit	$ 18,881	$ 14,125	$ 15,953	$ 19,159	$ 68,118
Net income (loss) for the period	$ 12,909	$ 8,805	$ 10,556	$ 15,609	$ 47,879
Net income (loss) per share (basic and fully diluted)	$ 0.15	$ 0.11	$ 0.12	$ 0.18	$ 0.56
Operating cash flow	$ 6,219	$ 14,901	$ 16,683	$ 11,722	$ 49,525
Investing cash flow	$ 41,501	$ (23,493)	$ (84,020)	$ (28,820)	$ (94,832)
Financing cash flow	$ (1,068)	$ 1,552	$ 18,540	$ 2,149	$ 21,173
Weighted average number of common shares outstanding (in thousands)	84,525	84,648	84,791	85,989	85,157
Tons of ore milled	689,176	753,724	741,483	792,542	2,976,925
Head grades:					
Gold (ounces per ton)	0.11	0.09	0.10	0.10	0.10
Silver (ounces per ton)	2.30	2.26	2.70	2.57	2.51
Zinc	3.90%	3.80%	4.53%	4.00%	4.03%
Copper	0.55%	0.54%	0.54%	0.52%	0.54%
Recovery rates:					
Gold	92.19%	91.69%	92.09%	90.39%	91.49%
Silver	84.93%	85.88%	88.10%	86.20%	86.50%
Zinc	8181%	83.37%	84.70%	82.00%	83.50%
Copper	79.94%	78.99%	78.10%	79.30%	78.90%
Payable production:					
Gold (ounces)	70,188	65,233	67,237	68,909	271,567
Silver (ounces in thousands)	1,128	1,558	1,501	1,512	5,699
Zinc (pounds in thousands)	36,647	37,483	48,349	44,803	167,282
Copper (pounds in thousands)	5,840	5,075	5,814	6,087	22,816
Realized prices (US$):					
Gold (per ounce)	$ 412	$ 393	$ 409	$ 438	$ 418
Silver (per ounce)	$ 6.72	$ 6.22	$ 6.45	$ 7.32	$ 6.84
Zinc (per pound)	$ 0.47	$ 0.47	$ 0.44	$ 0.55	$ 0.47
Copper (per pound)	$ 1.25	$ 1.26	$ 1.29	$ 1.39	$ 1.34
Total production costs per gold ounce produced (US$):					
Minesite costs (including reclamation provision)	$ 358	$ 394	$ 440	$ 448	$ 406
Less: Reclamation provision	(2)	(2)	(5)	2	(1)
Hedging gains	(14)	(15)	(24)	(17)	(17)
Net byproduct revenues	(264)	(300)	(334)	(420)	(332)
Total cash costs (1)	$ 78	$ 77	$ 77	$ 13	$ 56
Other costs:					
Reclamation provision	2	2	2	(2)	1
Amortization	80	90	87	65	80
Total production costs	$ 160	$ 169	$ 166	$ 76	$ 137
Minesite costs per ton milled (C$) (1)	C$ 48	C$ 47	C$ 50	C$ 48	C$ 48

Note:

(1) Minesite costs per ton milled and total cash costs per ounce are non-GAAP measures of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".

Five Year Financial and Operating Summary

	2004	2003	2002	2001	2000
Financial Data (thousands of United States dollars, except where noted)					
Revenues from mining operations	$ 188,049	$ 126,820	$ 108,027	$ 96,043	$ 63,676
Interest and sundry income	655	2,775	1,943	5,752	2,145
	188,704	129,595	109,970	101,795	65,821
Costs and expenses	142,671	147,708	105,359	104,651	76,595
Income (loss) before income taxes	46,033	(18,113)	4,611	(2,856)	(10,774)
Income and mining taxes expense (recovery)	(1,846)	358	588	2,862	(3,906)
Income (loss) before cumulative catch-up adjustment	47,879	(17,755)	4,023	(5,718)	(6,868)
Cumulative catch-up adjustment relating to FAS 143	—	(1,743)	—	—	—
Net income (loss)	$ 47,879	$ (19,498)	$ 4,023	$ (5,718)	$ (6,868)
Net income (loss) per share	$ 0.56	$ (0.23)	$ 0.06	$ (0.09)	$ (0.12)
Operating cash flow	$ 49,525	$ 4,253	$ 13,112	$ (4,179)	$ 2,587
Investing cash flow	$ (94,832)	$ (105,907)	$ (66,609)	$ (36,556)	$ (69,686)
Financing cash flow	$ 21,173	$ 5,439	$ 185,325	$ 48,567	$ 58,371
Dividends declared per share	$ 0.03	$ 0.03	$ 0.03	$ 0.02	$ 0.02
Capital expenditures	$ 53,318	$ 42,038	$ 64,836	$ 36,278	$ 69,640
Average gold price per ounce realized	$ 418	$ 368	$ 312	$ 273	$ 278
Average exchange rate — US$ per C$	$ 0.7682	$ 0.7137	$ 0.6368	$ 0.6458	$ 0.6723
Weighted average number of common shares outstanding (in thousands)	85,157	83,889	70,821	61,334	54,447
Working capital (including undrawn credit lines)	$ 266,305	$ 240,613	$ 285,142	$ 135,908	$ 49,733
Total assets	$ 718,164	$ 637,101	$ 593,807	$ 393,464	$ 64,333
Long-term debt	$ 141,495	$ 143,750	$ 143,750	$ 151,081	$ 186,261
Shareholders' equity	$ 470,226	$ 400,723	$ 397,693	$ 198,426	$ 118,585
Operating Summary (thousands of United States dollars, except where noted)					
LaRonde Division					
Revenues from mining operations	$ 188,049	$ 126,820	$ 108,027	$ 96,043	$ 63,676
Production costs	98,168	104,990	75,969	67,009	49,997
Gross profit (exclusive of amortization shown below)	$ 89,881	$ 21,830	$ 32,058	$ 29,034	$ 13,679
Amortization	21,763	17,504	12,998	12,658	9,220
Gross profit	$ 68,118	4,326	19,060	16,376	4,459
Tons of ore milled	2,976,925	2,448,580	1,963,129	1,805,249	1,415,888
Gold — ounces per ton	0.10	0.11	0.14	0.15	0.14
Gold production — ounces	271,567	236,653	260,184	234,860	173,852
Silver production — ounces (in thousands)	5,699	3,953	3,084	2,524	1,128
Zinc production — pounds (in thousands)	167,282	100,337	108,060	126,275	50,681
Copper production — pounds (in thousands)	22,816	20,131	8,927	4,097	4,943
Total production costs per gold ounce produced (US$):					
Minesite costs (including reclamation provision)	$ 406	$ 390	$ 253	$ 257	$ 294
Less:					
Reclamation provision	(1)	(2)	(5)	(5)	(3)
Hedging gains	(17)	—	—	—	—
Net byproduct revenues	(332)	(173)	(107)	(120)	(103)
Cash costs	56	215	141	132	188
El Coco royalty	—	54	41	23	—
Total cash costs	$ 56	$ 269	$ 182	$ 155	$ 188
Other costs:					
Reclamation provision	1	2	5	5	3
Amortization	80	74	50	45	33
Total production costs	$ 137	$ 345	$ 237	$ 205	$ 224
Minesite costs per ton milled (C$)	C$ 48	C$ 52	C$ 52	C$ 52	C$ 54
Gold reserves and resources:					
Total Proven and Probable Reserves (thousands, ounces of gold)	7,903	7,864	4,022	3,267	3,256

Agnico-Eagle Mineral Reserve Data

Category and Zone	Au (oz/t)	Ag (oz/t)	Cu (%)	Zn (%)	Au (000's oz.)	Tons (000's)
Proven Mineral Reserve:						
LaRonde I	0.09	2.65	0.43	4.46	590	6,493
Subtotal Proven Mineral Reserve	0.09				590	6,493
Probable Mineral Reserve:						
LaRonde I	0.08	2.34	0.31	4.02	1,257	14,907
LaRonde II	0.17	0.58	0.33	0.83	3,258	19,312
Lapa	0.26				1,168	4,509
Goldex	0.07				1,627	22,148
Bousquet	0.06				3	57
Subtotal Probable Mineral Reserve	0.12				7,313	60,933
Total Proven and Probable Mineral Reserves	0.12				7,903	67,426

Agnico-Eagle Mineral Resource Data

Category and Zone	Au (oz/t)	Ag (oz/t)	Cu (%)	Zn (%)	Tons (000's)
Indicated Mineral Resource:					
LaRonde I	0.07	0.98	0.17	2.35	1,992
LaRonde II	0.08	0.64	0.30	1.00	1,980
Goldex	0.07				924
Lapa	0.16				832
Bousquet	0.18				1,984
Ellison	0.17				273
Total Indicated Mineral Resource	0.11				7,985
Category and Zone					
Inferred Mineral Resource:					
LaRonde II	0.19	0.80	0.32	2.11	10,831
Bousquet	0.22				1,994
Goldex	0.05				3,548
Lapa	0.22				1,884
Ellison	0.19				1,064
Total Inferred Mineral Resource	0.17				19,321

Scientific and Technical Data

Agnico-Eagle Mines Limited reports mineral resource and reserve estimates in accordance with the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines (the "CIM Guidelines") published by the Canadian Institute of Mining, Metallurgy and Petroleum. The effective date of each estimate is December 31, 2004. More recent information on exploration, mining, processing, metallurgy and other economic factors have also been used. Reserve estimates were calculated using historic three-year average metals prices and foreign exchange rates in accordance with the Securities and Exchange Commission's ("SEC") Industry Guide 7. Industry Guide 7 requires the use of prices that reflect current economic conditions at the time of reserve determination which staff of the SEC has interpreted to mean historic three-year average prices. The assumptions used for the December 31, 2004 reserve and resource estimate were $360 per ounce gold, $5.42 per ounce silver, $0.41 per pound zinc, $0.95 per pound copper and a C$/US$ exchange rate of 1.42. There are no known relevant issues that would materially affect the estimates. No independent verification of the data has been published. Tonnage amounts and contained metal amounts presented in the tables have been rounded to the nearest thousand.

The Canadian Securities Administrators' National Instrument 43-101 — *Standards of Disclosure for Mineral Projects* ("National Instruments 43-101") requires mining companies to disclose reserves and resources using the subcategories of "proven" reserves, "probable" reserves, "measured" resources, "indicated" resources and "inferred" resources. **Mineral resources that are not mineral reserves do not**

have demonstrated economic viability. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

A "Mineral Reserve" is the economically mineable part of a measured or indicated resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allows for losses that may occur when the material is mined.

A "Proven Mineral Reserve" is the economically mineable part of a measured resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit.

A "Probable Mineral Reserve" is the economically mineable part of an indicated mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

A "Mineral Resource" is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

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

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

A "Preliminary Feasibility Study" means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of "proven" reserves, "probable" reserves, "measured" resources, "indicated" resources and "inferred" resources. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

"Cut-off Grade" means (a) in respect of mineral resources, the lowest grade below which the mineralized rock currently cannot reasonably be expected to be economically extracted, and (b) in respect of mineral reserves, the lowest grade below which the mineralized rock currently cannot be economically extracted as demonstrated by either a preliminary feasibility study or a feasibility study. Cut-off grades vary between deposits depending upon the amenability of ore to gold extraction and upon costs of production and metal prices.

LaRonde Mine

A qualified person, Guy Gosselin, P.Eng., P.Geo., LaRonde Division's Chief Geologist, has verified the LaRonde exploration information disclosed herein. The verification procedures, the quality assurance program and quality control procedures used in preparing such data may be found in the 2005 LaRonde Mineral Resource and Mineral Reserve Estimate, Agnico-Eagle Mines Limited, LaRonde Division, filed on SEDAR. The qualified person responsible for the LaRonde mineral reserve and resource estimate is Guy Gosselin, P.Eng, P.Geo., LaRonde Division's Chief Geologist. A description of the operating and capital cost assumptions, parameters and methods used to estimate mineral reserves and mineral resources can be found in the 2005 LaRonde Mineral Resource and Mineral Reserve Estimate.

LaRonde II Project

The qualified person responsible for the LaRonde II pre-feasibility study is Carol Plummer, P.Eng., Project Manager for LaRonde II. The qualified person responsible for the Lapa and Goldex pre-feasibility studies is Rosaire Émond P.Eng., Regional Division's Senior Mining Engineer.

Lapa Project

The qualified person responsible for the Lapa mineral reserve and mineral resource estimate is Christian D'Amours, P.Geo., of Service Conseil Géopointcom. In estimating the Lapa resource and reserve, a minimum gold grade cut-off of 0.15 and 0.19 oz/ton, respectively was

used to evaluate drill intercepts that have been adjusted to respect a minimum mining width of 9.2 ft. The estimate was derived using a three dimensional block model of the deposit; the grades were interpolated using the inverse distance power squared method.

Goldex Project

The Goldex mineral reserve and resource estimate was supervised by Marc H. Legault, P.Eng., Manager Project Evaluations of Agnico-Eagle. A qualified person, Carl Pelletier, P.Geo., of Innovexplo Geological Services, supervised the preparation of and verified the scientific and technical information regarding the Goldex project including sampling, analytical and test data underlying the mineral reserve and resource estimate. A qualified person, R. Mohan Srivastava, P.Geo., of Froidevaux, Srivastava & Schofield Consultants, was responsible for the mineral estimate process at Goldex.

The minimum gold grade cut-off used to evaluate drill intercepts at Goldex was 0.04 oz/ton over a minimum true thickness of 50 feet. The reserve was derived by evaluating a three-dimensional model of the Goldex Extension zone, whose gold grade was estimated using a 95% confidence interval grade calculation method, and then adjusting the model envelope to only include sectors with a high probability of exceeding the cut-off grade.

Bousquet and Ellison Properties

The qualified person responsible for the Bousquet and Ellison mineral reserve and resource estimates is Normand Bédard P.Geo., Regional Division's Senior Geologist. In estimating the Bousquet and Ellison mineral resource and reserve, a minimum gold grade cut-off of 0.09 oz/ton was used to evaluate drill intercepts that have been adjusted to respect a minimum mining width of 9.8 ft. The estimate was derived using a combination of three dimensional block modeling (grades were interpolated using the inverse distance power squared method) for certain zones and for other zones, by the polygonal method on longitudinal sections. A portion of the resource estimate is based on estimates reported when the Bousquet I mine closed in 1996. The resource was reviewed and reclassified using the CIM Guidelines. This information is of a good quality and is considered reliable.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.3

AGNICO-EAGLE
MINES LIMITED

Annual Audited Consolidated Financial Statements

(Prepared in accordance with United States GAAP)

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

AGNICO-EAGLE MINES LIMITED

The accompanying financial statements of Agnico-Eagle Mines Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles. Where alternative accounting methods exist, management has selected those it considered to be the most appropriate in the circumstances. The consolidated financial statements are not precise, since they include amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

Agnico-Eagle Mines Limited maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are independent directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with United States generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Sean Boyd, C.A
President and
Chief Executive Officer

David Garofalo, C.A
Vice President, Finance and
Chief Financial Officer

Toronto, Canada,
February 22, 2005.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Agnico-Eagle Mines Limited as of December 31, 2004 and 2003, and the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Agnico-Eagle Mines Limited at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States.

As described in the "Summary of Significant Accounting Policies — Reclamation costs and Stock-based compensation", the Company changed its method of (i) accounting for reclamation costs effective January 1, 2003; and (ii) accounting for stock-based compensation effective January 1, 2003.

We also reported separately on February 22, 2005 to the shareholders of Agnico-Eagle Mines Limited, on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the December 31, 2004 and 2003 consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants
Toronto, Canada
February 22, 2005

Summary Of Significant Accounting Policies

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

Basis of consolidation

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

Agnico-Eagle recognizes gains and losses on the effective disposition of interests in associated companies arising when such associated companies issue treasury shares to third parties. Gains are recognized in income only if there is reasonable assurance of realization; otherwise, they are recorded within accumulated other comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments in money market instruments with original maturities of three months or less at the date of purchase. Short-term investments are carried at cost, which approximates market value.

Inventories

Inventories consist of ore stockpiles, concentrates and supplies.

Stockpiles

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

Mining costs include all costs associated with underground mining operations and are allocated to each ton of stockpile. Fully absorbed costs include direct and indirect materials and consumables, direct labor, utilities and amortization of mining assets incurred up to the point of stockpiling the ore. Royalty expenses and production taxes are included in production costs, but are not capitalized into inventory. Stockpiles are not intended to be long-term inventory items and therefore are generally processed within twelve months of extraction. The decision to process stockpiled ore is based on a net smelter return analysis. The Company processes its stockpiled ore if its estimated revenue, on a per ton basis and net of estimated smelting and refining costs, is greater than the related mining and milling costs. The Company has never elected to not process stockpiled ore and does not anticipate departing from this practice in the future. Stockpiled ore on the surface is exposed to the elements, but the Company does not expect its condition to deteriorate significantly.

Concentrates

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

Supplies

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

Deferred financing costs

Deferred financing costs, which are included in other assets on the consolidated balance sheet and relate to the issuance of the Convertible Debentures and the Company's revolving credit facility, are being amortized to income over the term of the related obligations. If the holders of the Company's Convertible Debentures exercise their conversion option, the common shares issued on such conversion will be recorded at an amount equal to the aggregate of the carrying value of the long-term liability, net of the associated financing costs, with no gain or loss being recognized in income.

Mining properties, plant and equipment and mine development costs

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

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

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

Agnico-Eagle records depreciation on both plant and equipment and mine development costs used in commercial production on a unit-of-production basis based on the estimated proven and probable ore reserves of the mine. The unit-of-production method defines the denominator as the total proven and probable tons of reserves. A unit for the purposes of the unit-of-production method is a ton of ore. A unit is considered "produced" for the purposes of recording amortization when the ton of ore has been mined.

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

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

The carrying values of mining properties, plant and equipment and mine development costs are reviewed periodically, when impairment factors exist, for possible impairment, based on the future undiscounted net cash flows of the operating mine and development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of an operating mine and development properties include

estimates of recoverable ounces of gold based on the proven and probable reserves. To the extent economic value exists beyond the proven and probable reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding gold prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows could affect the recoverability of long-lived assets.

Financial instruments

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

As a result of adopting United States Financial Accounting Standards Board ("FASB") Statement No. 133, " *Accounting for Derivative Instruments and Hedging Activities* " ("FAS 133") on January 1, 2002, 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 income or in shareholders' equity as a component of other comprehensive loss, depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Currently, the Company's gold put option and certain of its foreign exchange contracts qualify for hedge accounting and changes in the fair value of these derivative financial instruments are recognized as a component of accumulated other comprehensive loss. The fair value of the swap is recorded as an asset or liability with a corresponding charge to income. The carrying value of the Convertible Debentures is also adjusted for changes in fair value attributable to the risk being hedged with a corresponding charge to income. The Company's interest rate cap and written foreign exchange put options do not qualify for hedge accounting and changes in the fair value of these derivative instruments are recognized in income.

Revenue recognition

Revenue is recognized when the following conditions are met:

(a) persuasive evidence of an arrangement to purchase exists;

(b) the price is determinable;

(c) the product has been delivered; and

(d) collection of the sales price is reasonably assured.

Revenue from gold and silver in the form of doré bars is recorded when the refined gold and silver is sold. Generally all the gold and silver in the form of doré bars is sold in the period in which it is produced.

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

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

Foreign currency translation

The functional currency for the Company's operations is the US dollar. Monetary assets and liabilities of Agnico-Eagle's operations denominated in a currency other than the US dollar are translated into US dollars using the exchange rate in effect at the year end. Non-monetary assets and liabilities are translated at historical

exchange rates while revenues and expenses are translated at the average exchange rate during the year, with the exception of amortization, which is translated at historical exchange rates. Exchange gains and losses are included in income except for gains and losses on foreign currency contracts used to hedge specific future commitments in foreign currencies. Gains and losses on these contracts are accounted for as a component of the related hedged transactions.

Reclamation costs

Effective January 1, 2003, the Company adopted the provisions of FASB Statement No. 143 ("FAS 143") related to asset retirement obligations. FAS 143 applies to legal obligations resulting from the construction, development and operation of long-lived assets, such as mining assets. This standard requires companies to recognize the present value of reclamation costs as a liability in the period the legal obligation is incurred. The Company estimated the final reclamation provision taking into account current circumstances such as projected mine life and current throughput. The provision was updated at the end of 2004 based on the availability of more accurate estimates. Further revisions to the final reclamation estimate could result from legislative changes or changes in the underlying assumptions, such as life-of-mine.

For periods prior to January 1, 2003, estimated future reclamation costs were based primarily on legal, environmental and regulatory requirements. Future reclamation costs for the Company's inactive mines were accrued based on management's best estimate of the costs at the end of each period, comprising costs expected to be incurred at a site, on an undiscounted basis. Such cost estimates included, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates were reflected in income in the period an estimate was revised.

Income and mining taxes

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

From time to time, the Company issues flow-through shares to finance some of its exploration activities. Common shares of the Company are issued for cash in exchange for Agnico-Eagle giving up the tax benefits arising from the exploration activities. The difference between the flow-through share issuance price and the prevailing market price of Agnico-Eagle stock at the time of issuance is recorded as a liability at the time the flow-through shares are issued. This liability is extinguished at the time the exploration expenditures are renounced to investors. The difference between the flow-through share issuance price and market price reduces the future tax expense charged to income (loss) as this difference represents proceeds received by the Company for the sale of future tax deductions to investors in the flow-through shares.

Stock-based compensation

Agnico-Eagle has two stock-based compensation plans. The Employee Stock Option Plan is described in note 7(a) and the Incentive Share Purchase Plan is described in note 7(b) to the consolidated financial statements.

In 2003, the Company prospectively adopted Statement of Financial Accounting Standard ("FAS") 123, " *Accounting for Stock-Based Compensation* " as amended by FAS 148, " *Accounting for Stock-Based Compensation — Transition and Disclosure* ". These accounting standards recommend the expensing of stock option grants after January 1, 2003. The standards recommend that the fair value of stock options be recognized in income over the applicable vesting period as a compensation expense. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Prior to 2003, the Company accounted for its stock option grants based on the recognition and measurement principles of Accounting Principles Board Opinion No. 25 and related interpretations. The application of Opinion No. 25 resulted in no compensation expense being recorded, in Agnico-Eagle's circumstances, as all options granted had an exercise price equal to the market value of the underlying stock on the date of grant (intrinsic value method). Pro forma fair value disclosures assumed that the estimated fair value of options would be amortized to expense over the options' vesting period.

In December 2004, the FASB enacted FAS 123 — revised 2004 ("FAS 123R"), " *Share-Based Payment* ", which replaces FAS 123 and supersedes APB Opinion No. 25 ("APB 25"), " *Accounting for Stock Issued to Employees* ". FAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the consolidated statement of income (loss). The accounting provisions of FAS 123R are effective for reporting periods beginning after June 15, 2005.

The Company is required to adopt FAS 123R in the third quarter of 2005. Although the Company has been recording the fair value of stock options in income in 2003 and 2004, FAS 123R requires the application of fair value accounting to any stock options that were granted or modified since January 1, 1995. The Company is evaluating the requirements under FAS 123R and expects the adoption to have a significant impact on the consolidated statement of income (loss) and net income (loss) per share, but no impact on financial condition or cash flows.

Income (loss) per share

Basic income (loss) per share is calculated on net income (loss) for the year using the weighted average number of common shares outstanding during the year. Diluted income (loss) per common share is calculated on the weighted average number of common shares that would have been outstanding during the year had all Convertible Debentures been converted at the beginning of the year into common shares, if such conversions are dilutive. In addition, the weighted average number of common shares used to determine diluted income (loss) per share includes an adjustment for stock options outstanding and warrants outstanding using the treasury stock method. Under the treasury stock method:

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

Pension costs and obligations and post-retirement benefits

Prior to July 1, 1997, Agnico-Eagle had a defined benefit plan for its salaried employees, which was substantially converted to a defined contribution plan. In addition, Agnico-Eagle provides a non-registered supplementary executive retirement defined benefit plan for its senior officers. The executive retirement plan benefits are generally based on the employees' years of service and level of compensation. Pension expense related to the defined benefit plan is the net of the cost of benefits provided, the interest cost of projected benefits, return on plan assets and amortization of experience gains and losses. Pension fund assets are measured at current fair values. Actuarially determined plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Agnico-Eagle maintains a defined contribution plan covering all of its employees. The plan is funded by Company contributions based on a percentage of income for services rendered by employees.

The Company does not offer any other post-retirement benefits to its employees.

Comparative figures

Certain items in the comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 consolidated financial statements.

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars, US GAAP basis)

	As at December 31,	
	2004	2003
ASSETS		
Current		
Cash and cash equivalents	$ 33,005	$ 56,934
Restricted cash (note 6(b))	8,173	2,549
Short-term investments	64,836	50,882
Metals awaiting settlement (note 1)	43,442	34,570
Income taxes recoverable	16,105	7,539
Inventories:		
Ore stockpiles	9,036	6,557
Concentrates	9,065	1,346
Supplies	8,292	6,276
Other current assets (note 2(a))	19,843	10,363
Total current assets	211,797	177,016
Fair value of derivative financial instruments (note 9)	2,689	7,573
Other assets (notes 2(b))	25,234	11,214
Future income and mining tax assets (note 8)	51,407	41,579
Mining properties (note 3)	427,037	399,719
	$ 718,164	$ 637,101
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 11)	$ 28,667	$ 29,915
Dividends payable	3,399	3,327
Interest payable	2,426	3,161
Total current liabilities	34,492	36,403
Long-term debt (note 4)	141,495	143,750
Reclamation provision and other liabilities (note 5)	14,815	15,377
Future income and mining tax liabilities (note 8)	57,136	40,848
Shareholders' Equity		
Common shares (note 6(a))		
Authorized — unlimited		
Issued — 86,072,779 (2003 — 84,469,804)	620,704	601,305
Stock options	465	—
Warrants (note 6(c))	15,732	15,732
Contributed surplus	7,181	7,181
Deficit	(172,756)	(218,055)
Accumulated other comprehensive loss (note 6(d))	(1,100)	(5,440)
Total shareholders' equity	470,226	400,723
	$ 718,164	$ 637,101

On behalf of the Board:

Sean Boyd C.A., Director **Bernard Kraft C.A., Director**

See accompanying notes

AGNICO-EAGLE MINES LIMITED

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

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

	Years ended December 31,		
	2004	2003	2002
REVENUES			
Revenues from mining operations	$ 188,049	$ 126,820	$ 108,027
Interest and sundry income	655	2,775	1,943
	188,704	129,595	109,970
COSTS AND EXPENSES			
Production	98,168	104,990	75,969
Exploration and corporate development	3,584	5,975	3,766
Equity loss in junior exploration companies (note 2(b))	2,224	1,626	—
Amortization	21,763	17,504	12,998
General and administrative	6,864	7,121	5,530
Provincial capital tax	423	1,240	829
Interest (note 4)	8,205	9,180	7,341
Foreign currency loss (gain)	1,440	72	(1,074)
Income (loss) before income, mining and federal capital taxes	46,033	(18,113)	4,611
Federal capital tax	1,049	1,090	949
Income and mining tax recoveries (note 8)	(2,895)	(1,448)	(361)
Net income (loss) before cumulative catch-up adjustment	47,879	(17,755)	4,023
Cumulative catch-up adjustment relating to FAS 143	—	(1,743)	—
Net income (loss) for the year	$ 47,879	$ (19,498)	$ 4,023
Net income (loss) before cumulative catch-up adjustment per share — basic and diluted (note 6(e))	$ 0.56	$ (0.21)	$ 0.06
Cumulative catch-up adjustment per share — basic and diluted	—	(0.02)	—
Net income (loss) per share — basic and diluted (note 6(e))	$ 0.56	$ (0.23)	$ 0.06
Comprehensive income (loss):			
Net income (loss) for the year	$ 47,879	$ (19,498)	$ 4,023
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedging activities	2,597	8,807	(5,512)
Unrealized gain on available-for-sale securities	604	2,258	1,558
Dilution gain on issuance of securities by equity investee	1,837	4,500	1,610
Minimum pension liability	980	—	(980)
Cumulative translation adjustment on equity investee	1,937	—	—
Adjustments for derivative instruments maturing during the year	(2,983)	1,801	723
Adjustments for realized gains on available-for-sale securities due to dispositions during the year	(632)	(1,640)	—
Other comprehensive income (loss) for the year	4,340	15,726	(2,601)
Total comprehensive income (loss) for the year	$ 52,219	$ (3,772)	$ 1,422

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of United States dollars, US GAAP basis)

	Years ended December 31, 2004, 2003 and 2002						
	Common Shares						
	Shares	Amount	Stock Options Outstanding	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss
Balance December 31, 2001	67,722,853	$ 407,347	$ —	$ —	$ 7,181	$ (197,537)	$ (18,565)
Shares issued under Employee Stock Option Plan (note 7(a))	1,927,500	14,580	—	—	—	—	—
Shares issued under the Share Incentive Purchase Plan (note 7(b))	138,747	2,061	—	—	—	—	—
Shares issued under flow-through share private placement (note 6(b))	40,161	617	—	—	—	—	—
Units issued by public offering, net of issue costs (note 6(c))	13,800,000	167,246	—	15,732	—	—	—
Shares issued on the conversion of the Company's senior convertible notes	4,460	80	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	3,140	38	—	—	—	—	—
Net income for the year	—	—	—	—	—	4,023	—
Dividends declared ($0.03 per share) (note 6(a))	—	—	—	—	—	(2,509)	—
Other comprehensive loss for the year	—	—	—	—	—	—	(2,601)
Balance December 31, 2002	83,636,861	$ 591,969	$ —	$ 15,732	$ 7,181	$ (196,023)	$ (21,166)
Shares issued under Employee Stock Option Plan (note 7(a))	229,100	1,636	—	—	—	—	—
Shares issued under the Share Incentive Purchase Plan (note 7(b))	217,855	2,605	—	—	—	—	—
Shares issued under flow-through share private placement (note 6(b))	255,768	3,570	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	4,608	59	—	—	—	—	—
Shares issued for acquisition (note 10)	125,612	1,466	—	—	—	—	—
Net loss for the year	—	—	—	—	—	(19,498)	—
Dividends declared ($0.03 per share) (note 6(a))	—	—	—	—	—	(2,534)	—
Other comprehensive income for the year	—	—	—	—	—	—	15,726
Balance December 31, 2003	84,469,804	$ 601,305	$ —	$ 15,732	$ 7,181	$ (218,055)	$ (5,440)
Shares issued under Employee Stock Option Plan (note 7(a))	391,525	3,410	—	—	—	—	—
Stock options	—	—	465				
Shares issued under the Share Incentive Purchase Plan (note 7(b))	198,387	2,754	—	—	—	—	—
Shares issued under flow-through share private placement (note 6(b))	1,000,000	13,114	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	13,063	121	—	—	—	—	—
Net income for the year	—	—	—	—	—	47,879	—
Dividends declared ($0.03 per share) (note 6(a))	—	—	—	—	—	(2,580)	—
Other comprehensive income for the year	—	—	—	—	—	—	4,340

Balance December 31, 2004	86,072,779	$ 620,704	$ 465	$ 15,732	$ 7,181	$ (172,756)	$ (1,100)

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars, US GAAP basis)

	Years ended December 31,		
	2004	**2003**	**2002**
Operating activities			
Net income (loss) for the year	47,879	$ (19,498)	$ 4,023
Add (deduct) items not affecting cash:			
Amortization	21,763	17,504	12,998
Future income and mining taxes	2,338	1,090	1,183
Unrealized loss (gain) on derivative contracts	1,087	(2,265)	(1,680)
Cumulative catch-up adjustment relating to FAS 143	—	1,743	—
Amortization of deferred costs and other	4,792	5,378	3,840
Changes in non-cash working capital balances			
Metals awaiting settlement	(8,872)	(4,821)	(9,669)
Income taxes recoverable	(8,566)	(4,639)	(2,549)
Inventories	(9,875)	(3,559)	(863)
Prepaid expenses and other	(1,590)	(5,382)	(2,319)
Accounts payable and accrued liabilities	1,304	17,414	8,327
Interest payable	(735)	1,288	(179)
Cash provided by operating activities	49,525	4,253	13,112
Investing activities			
Additions to mining properties	(53,318)	(42,038)	(64,836)
Additions to short-term investments	(13,954)	(50,882)	—
Increase in investments and other	(21,936)	(10,438)	(1,773)
Increase in restricted cash	(5,624)	(2,549)	—
Cash used in investing activities	(94,832)	(105,907)	(66,609)
Financing activities			
Dividends paid	(2,480)	(2,431)	(1,344)
Common shares issued	23,906	8,141	193,784
Warrants issued	—	—	15,732
Share and warrant issue costs	(253)	(271)	(9,162)
Proceeds from long-term debt (note 4)	—	—	143,750
Financing costs	—	—	(5,266)
Repayment of the Company's senior convertible debentures (note 4)	—	—	(122,169)
Bank debt	—	—	(30,000)
Cash provided by financing activities	21,173	5,439	185,325
Effect of exchange rate changes on cash and cash equivalents	205	215	(74)
Net increase (decrease) in cash and cash equivalents during the year	(23,929)	(96,000)	131,754
Cash and cash equivalents, beginning of year	56,934	152,934	21,180
Cash and cash equivalents, end of year	$ 33,005	$ 56,934	$ 152,934
Other operating cash flow information:			
Interest paid during the year	$ 6,999	$ 7,750	$ 24,427
Income, mining and capital taxes paid (recovered) during the year	$ 222	$ 2,887	$ (1,982)

See accompanying notes

1. METALS AWAITING SETTLEMENT

	2004	2003
Bullion awaiting settlement	$ 648	$ 1,327
Concentrates awaiting settlement	42,794	33,243
	$ 43,442	$ 34,570

In 2004, precious metals accounted for 74.9% of Agnico-Eagle's revenues from mining operations (2003 — 83.7%; 2002 — 87.7%). Net byproduct revenues in 2004 consisted of 17.6% zinc (2003 — 11.2%; 2002 — 12.3%) and 7.5% copper (2003 — 5.1%; 2002 — nil).

2. OTHER ASSETS

(a) *Other current assets*

	2004	2003
Available-for-sale securities (at market value)	$ 13,793	$ 4,426
Prepaid expenses	737	1,269
Employee loans receivable	482	540
Federal and provincial sales taxes receivable	3,658	3,499
Other	1,173	629
	19,843	$ 10,363

In 2004, the Company realized $1,327 (2003 — $3,692) in proceeds and recorded a gain of $839 (2002 — $2,507) in income on the sale of available-for-sale securities. The cost basis of available-for-sale securities is determined using the average cost method.

(b) *Other assets*

	2004	2003
Deferred financing costs, less accumulated amortization of $3,488 (2003 — $2,321)	7,580	$ 8,080
Loan to Contact Diamond Corporation	3,024	2,739
Investment in Riddarhyttan Resources AB	14,170	—
Other	460	395
	$ 25,234	$ 11,214

The change in the loan to Contact Diamond Corporation (formerly Sudbury Contact Mines Limited) ("Contact Diamond") from the prior year is attributable primarily to the difference in foreign exchange rates at the respective year-ends.

Riddarhyttan Resources AB

During the year, Agnico-Eagle purchased a 14% stake in Riddarhyttan Resources AB ("Riddarhyttan"), a public company listed on the Stockholm Stock Exchange in Sweden under the trading symbol "RHYT." Agnico-Eagle is accounting for its investment in Riddarhyttan using the equity method of accounting. Although Agnico-Eagle owns less than 20% of Riddarhyttan's common stock, Agnico-Eagle is able to significantly influence Riddarhyttan's operating, investing and financing activities through its representation on Riddarhyttan's Board of Directors.

As at December 31, 2004, the Company owned 14,538,461 shares with a market value of US$16.7 million.

Contact Diamond Corporation

As a result of issuances of stock by Contact Diamond in 2003, the Company's interest in Contact Diamond was diluted to below 50%. The Company therefore ceased consolidating the results of Contact Diamond and began accounting for its investment using the equity method of accounting on September 1, 2003. Agnico-Eagle's 2003 share of losses in Contact Diamond decreased the book value of the investment in Contact Diamond to nil as at December 31, 2003, with the excess applied to reduce the outstanding debt.

In 2004, as a result of further issuances of stock by Contact Diamond, Agnico-Eagle recorded a dilution gain with a resultant increase in the carrying value of its investment in Contact Diamond. As Contact Diamond is considered a "development stage enterprise," the dilution gain was recorded in other comprehensive income (loss) for the year. The carrying value of the investment resulting from issuances of stock by Contact Diamond was reduced to nil at December 31, 2004 as a result of Agnico-Eagle recording its share of losses in Contact Diamond.

As at December 31, 2004, the Company owned 44% (13,814,077 shares) of Contact Diamond, with a market value of US$9.0 million. Contact Diamond is a public company listed on the Toronto Stock Exchange under the trading symbol "CO."

The loan to Contact Diamond is due on demand, unsecured and bears interest at 8% per annum. Agnico-Eagle has waived interest on the loan commencing May 13, 2002 and will not charge interest or demand repayment of the loan and any outstanding interest within the next year. Accordingly, the outstanding principal and accrued interest on the loan has been classified as a long-term asset.

Loss on equity accounted investments:

	2004	2003
Riddarhyttan Resources AB	$ 440	$ —
Contact Diamonds Corporation	1,784	1,626
	$ 2,224	$ 1,626

3. MINING PROPERTIES

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Mining properties	$ 78,301	$ 13,496	$ 64,805	$ 60,362	$ 10,289	$ 50,073
Plant and equipment	288,847	82,620	206,227	274,725	72,290	202,435
Mine development costs	200,971	44,966	156,005	181,761	34,550	147,211
	$ 568,119	$ 141,082	$ 427,037	$ 516,848	$ 117,129	$ 399,719

The Company's El Coco property ("El Coco"), located adjacent to and immediately east of the Company's LaRonde Mine, is subject to a royalty interest payable to Barrick Gold Corporation. The El Coco royalty, on production from an area that extends 500 metres from the property boundary with the LaRonde Mine, consists of a 50% net profits interest ("NPI"), which is defined as net revenues from the sale of minerals produced from

the property less the pro-rated portion of the production costs and allowable direct and common capital expenditures related to the exploration and development of the property. The remaining area of the El Coco property is subject to a 4% net smelter return royalty (defined as gross revenues from the sale of minerals less applicable refining, selling and delivery costs and applicable taxes). During 2004, the Company made NPI royalty payments of $2.2 million (2003 — $8.9 million; 2002 — $12.0 million). No further payments are expected to be made as the economical mining activity in the area subject to the royalty has been completed.

4. LONG-TERM DEBT

(a) *Convertible subordinated debentures*

The Company's convertible subordinated debentures (the "Convertible Debentures") bear interest of 4.50% per annum, payable in cash semi-annually, on the principal amount of $144 million. The debentures are convertible into common shares of Agnico-Eagle at the option of the holder, at any time on or prior to maturity, at a rate of 71.429 common shares per $1,000 US dollar principal amount. The debentures are redeemable by Agnico-Eagle, in whole or in part, at any time on or after February 15, 2006 at a redemption price equal to par plus accrued and unpaid interest. The Company may redeem the debentures in cash or, at the option of the Company, by delivering freely tradeable common shares.

In 2004, interest on the debentures of nil was capitalized for the construction of the Lapa and Goldex properties as the amount was determined to not be significant.

In late 2003, the Company entered into an interest rate swap whereby fixed rate payments on the convertible subordinated debentures were swapped for variable rate payments. The notional amount under the swap exactly matches the $144 million face value of the debentures and the swap agreement terminates on February 15, 2006, which is the earliest date that the debentures can be called for redemption. Under the terms of the swap agreement, the Company makes interest payments of three-month LIBOR plus a spread of 2.37% and receives fixed interest payments of 4.50%, which completely offsets the interest payments the Company makes on the subordinated convertible debentures. The three-month LIBOR rate was also capped at 3.38% such that total variable interest payments will not exceed 5.75%. Throughout 2004, the Company received $0.9 million in swap payments such that net interest on the Convertible Debentures was $5.6 million.

(b) *Revolving credit facility*

Prior to December 2004, the revolving credit facility (the "Facility") was with a syndicate of banks that provided the Company with up to $125 million of revolving debt. Under the terms of the Facility, which was primarily secured by a first charge on the Company's LaRonde Mine and the El Coco property, an initial tranche of $100 million was available and a second tranche of $25 million was also made available upon satisfaction of certain completion tests in connection with the LaRonde Mine expansion to 7,000 tons of ore per day. The Facility was fully revolving until the end of 2004, at which time the drawn portion of the Facility was to begin to amortize at annual rates of 25%, 32.5%, 20%, 12.5% and 10% in the years 2004 to 2008, respectively. The interest rate under the Facility was LIBOR plus 2.25% per annum with a standby fee of 1% per annum on any undrawn portion of the Facility. At the end of 2003 and up to the point of refinancing, the Facility was completely undrawn.

In 2004, the Company amended its revolving bank facility with a syndicate of international banks. The amended facility provides the Company with a $100 million line of credit on a revolving basis. The amended facility matures and all indebtedness thereunder is due and payable on December 23, 2007. The Company, with the consent of lenders representing 66 $^{2}/_{3}$% of the aggregate commitments under the amended facility, has the

option to extend the term of the amended facility for three additional one-year terms to December 23, 2010. The amended facility is available in multiple currencies through prime rate, base rate and LIBOR advances and through bankers' acceptances priced at the applicable rate plus a margin that ranges from 2.25% to 1.50% depending on certain financial ratios. The lenders under the amended facility are each paid a commitment fee at a rate that changes from 0.5% to 0.875% depending on financial ratios. Payment and performance of the Company's obligations under the amended facility are secured by substantially all the property relating to the LaRonde Mine and the El Coco property.

The amended facility limits, among other things, the Company's ability to incur additional indebtedness, pay dividends or make payments in respect of its common shares, make investments or loans, transfer the Company's assets or make expenditures relating to property secured under the credit agreement at that time that are not consistent with the mine plan and operating budget delivered pursuant to the credit facility. Further, the agreement requires the Company to maintain specified financial ratios and meet financial condition covenants. Under the terms of the amended facility, the Company has entered into derivative agreements subsequent to year end to ensure that the projected revenues from sales of metals are sufficient to reasonably ensure that the Company will be in compliance with financial and other covenants in the credit agreement.

For the year ended December 31, 2004, interest expense was $8.2 million (2003 — $9.2 million; 2002 — $7.3 million), of which cash payments were $7.0 million (2003 — $8.0 million; 2002 — $24.4 million). Approximately $19 million of the cash interest payments in 2002 were in connection with the redemption of the Company's January 27, 2004 senior convertible notes. In 2004, cash interest on the Facility was nil (2003 — nil; 2002 — $1.3 million) and cash standby fees on the Facility were $1.4 million (2003 — $1.2 million; 2002 — $1.0 million). In 2004, cash interest on the Facility of nil (2003 — nil; 2002 — $2.3 million) was capitalized to construction in progress. The Company's weighted average interest rate on all its debt for the year ended December 31, 2004 was 4.9% (2003 — 6.4%; 2002 — 7.6%).

5. RECLAMATION PROVISION AND OTHER LIABILITIES

Reclamation provision and other liabilities consist of the following:

	2004	2003
Reclamation and closure costs (note 5(a))	$ 11,560	$ 11,629
Pension benefits (note 5(b))	3,255	3,748
	$ 14,815	$ 15,377

(a) *Reclamation and closure costs*

Under mine closure plans submitted to the Minister of Natural Resources in Quebec, the estimated future reclamation costs for the LaRonde and Bousquet mines are approximately $18.2 million and $2.9 million, respectively. These reclamation estimates are based on current legislation and there can be no assurance that the Minister of Natural Resources will not impose additional reclamation obligations with higher costs. All of the accrued reclamation and closure costs are long-term in nature and thus no portion of these costs has been reclassified to current liabilities. The Company does not currently have assets that are restricted for the purposes of settling these obligations.

The following table reconciles the beginning and ending carrying amount of asset retirement obligations.

	2004	2003
Asset retirement obligations, beginning of year	$ 11,629	$ 5,520
Current year accretion	399	424
Reclamation payments	(468)	(44)
Liabilities incurred on the purchase of the Bousquet mine	—	5,729
Asset retirement obligations, end of year	$ 11,560	$ 11,629

(b) ***Pension benefits***

Effective July 1, 1997, Agnico-Eagle's defined benefit pension plan for active employees was converted to a defined contribution plan. Employees retired prior to that date remain in the defined benefit pension plan. In addition, Agnico-Eagle provides a non-registered executive supplementary defined benefit plan for certain senior officers. The funded status of Agnico-Eagle's defined benefit employees' pension plan ("Employee's Plan") is based on an actuarial valuation as of January 1, 2003 and projected to December 31, 2004. The funded status of the executive supplementary defined benefit plan is based on an actuarial valuation as of July 1, 2004 and projected to December 31, 2004. The components of Agnico-Eagle's net pension plan expense are as follows:

	2004	2003	2002
Service cost — benefits earned during the year	$ 306	$ 263	$ 210
Gain due to settlement	(783)	—	—
Prior service cost	20	—	—
Interest cost on projected benefit obligation	488	419	348
Return on plan assets	(151)	(127)	(125)
Amortization of net transition asset, past service liability and net experience gains	208	84	(138)
Net pension plan expense	$ 88	$ 639	$ 295

Agnico-Eagle contributes 5% of its payroll expense to a defined contribution plan. The expense in 2004 was $1.8 million (2003 — $1.4 million; 2002 — $1.1 million).

Assets of the Employees Plan are comprised of pooled Canadian and US equity funds and pooled bond funds. As of the measurement date, the plan's assets are allocated 58% to equity securities and 42% to fixed income securities. The Employees Plan is relatively mature with a substantial portion of the projected benefit obligation liability attributable to pensioners and there are no contributions being made to the plan. Since benefit payments are completely funded from plan assets and investment returns, the plan assets are managed to

achieve a moderate degree of risk in terms of short-term variability of returns. The major categories of plan assets along with minimum, maximum and target allocations are presented below:

	Minimum	Maximum	Target
Cash and short-term investments	0%	35%	5%
Fixed income securities	25%	75%	35%
Equity securities	25%	65%	60%
Real estate	0%	10%	0%

Fixed income securities must meet quality constraints in the form of minimum investment ratings. Equity securities also have quality constraints in the form of maximum allocations to any one security and maximum exposure to any one industry group. The accumulated benefit obligation for the Employees Plan is equal to the projected benefit obligation and no amount was included in accumulated other comprehensive loss for this plan in 2004 or 2003.

Assets for the executives' retirement plan ("Executives Plan") consist of deposits on hand with regulatory authorities which are refundable when benefit payments are made or on the ultimate wind-up of the plan. The accumulated benefit obligation for this plan at December 31, 2004 was $3.2 million (2003 — $3.7 million) and $(0.9) million (2003 — nil) was recorded in other comprehensive income (loss) arising from a change in the additional minimum pension liability. At the end of 2004, the remaining unamortized net transition obligation was $1.4 million (2003 — $1.3 million) for the Executives Plan and the net transition asset was $0.7 million (2003 — $0.8 million) for the Employees Plan.

The funded status of the Employees and the Executives plans for 2004 and 2003 are as follows:

	2004		2003	
	Employees	Executives	Employees	Executives
Reconciliation of the market value of plan assets				
Fair value of plan assets, beginning of year	$ 2,132	$ 275	$ 1,576	$ 200
Agnico-Eagle's contribution	—	340	—	56
Actual return on plan assets	115	—	321	—
Benefit payments	(202)	(170)	(132)	(28)
Other	—	246	—	—
Divestitures	—	(77)	—	—
Effect of exchange rate changes	151	48	367	47
Fair value of plan assets, end of year	$ 2,196	$ 662	$ 2,132	$ 275
Reconciliation of projected benefit obligation				
Projected benefit obligation, beginning of year	$ 1,768	$ 5,893	$ 1,468	$ 4,081
Service costs	—	307	—	263
Interest costs	103	385	101	318
Actuarial losses (gains)	61	(1,938)	35	188
Benefit payments	(202)	(245)	(132)	(28)
Plan amendments	—	118	(29)	92
Settlements	—	(854)	—	—
Effect of exchange rate changes	128	254	325	979
Projected benefit obligation, end of year	$ 1,858	$ 3,920	$ 1,768	$ 5,893
Excess (deficiency) of plan assets over projected benefit obligation	$ 338	$ (3,258)	$ 364	$ (5,618)
Comprised of:				
Unamortized transition asset (liability)	$ 722	$ (1,426)	$ 839	$ (1,271)
Unamortized net experience gain (loss)	(284)	1,423	(167)	(599)
Accrued liabilities	(100)	(3,255)	(308)	(3,748)
	$ 338	$ (3,258)	$ 364	$ (5,618)
Weighted average discount rate [(i)]	6.25%	6.25%	6.50%	6.50%
Weighted average expected long-term rate of return	7.50% [(ii)]	n.a	7.50% [(ii)]	n.a
Weighted average rate of compensation increase	n.a	3.0%	n.a.	3.0%
Estimated average remaining service life for the plan (in years)	13.0	10.0[(iii)]	5.0	8.0[(iii)]

Notes:

(i) Discount rates used for the Executives Plan are after-tax rates.

(ii) Long-term rates of return were determined using, as a basis, rates for high quality debt instruments adjusted for historical rates of return actually achieved.

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

The estimated benefits to be paid from each plan in the next ten years is presented below:

	Employees	Executives	Total
2005	255	152	407
2006	256	152	408
2007	255	152	407
2008	251	152	403
2009	249	152	401
2010 - 2014	1,182	760	1,942

6. SHAREHOLDERS' EQUITY

(a) *Common shares*

The Company's common shares are covered by a Shareholder Rights Plan whereby each shareholder, in the event of certain takeover bids or other change-in-control transactions involving the acquisition of 20% or more of Agnico-Eagle's outstanding voting shares, has the right ("Rights") to purchase from Agnico-Eagle for an exercise price of C$80.00 that number of shares of Agnico-Eagle having an aggregate market price equal to twice the exercise price. Until such time as a triggering bid for control occurs, the Rights trade together with the existing common shares and will expire on May 10, 2009.

The Company has reserved for issuance 10,267,919 common shares in the event that the Convertible Debentures are converted into common shares and 6,900,000 common shares in the event that the warrants are exercised.

In 2004, the Company declared dividends on its common shares of $0.03 per share (2003 — $0.03 per share; 2002 — $0.03 per share). Under the terms of the Company's amended credit facility, the Company's dividend payments are restricted to an aggregate of $20 million per year.

(b) *Flow-through share private placements*

In 2004, Agnico-Eagle issued 1,000,000 (2003 — 255,768; 2002 — 40,161) common shares under a flow-through share private placement for proceeds of $17.5 million (2003 — $3.6 million; 2002 — $0.6 million) net of share issue costs. The 2004 shares were issued at a 33% premium to the prevailing market price. The premium was allocated to income and mining tax recoveries as discussed in the following paragraph. Agnico-Eagle has agreed to use such proceeds for the purpose of incurring Canadian exploration expenditures in connection with its 2004 and 2005 exploration activities. In 2004, the Company renounced to its investors C$23.0 million (2003 — C$5.3 million; 2002 — C$1.0 million) of such expenses for income tax purposes. To comply with the flow-through share agreement, the Company must incur C$9.8 million of exploration expenditures in 2005 related to the expenditures renounced in 2004. This amount has been classified as restricted cash on the consolidated balance sheet.

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

(c) ***Public offering***

In 2002, Agnico-Eagle issued 13,800,000 units, each unit consisting of one common share and one-half warrant, at $13.90 per unit for net proceeds of $182.9 million, after deducting share issue costs of $9.1 million (no related income tax effect). Of the net proceeds, $167.2 million was allocated to common shares and the remaining $15.7 million was allocated to the warrants. Each whole warrant entitles the holder to purchase one common share at a price of $19.00, subject to certain adjustments summarized in the prospectus. Warrants are exercisable at any time prior to November 14, 2007, after which time the warrants will expire and be of no value. The Company will inform warrant holders, through a press release, of pending expiry at least 90 days prior to the expiry date. If all outstanding warrants are exercised, the Company would issue an additional 6,900,000 common shares.

(d) ***Accumulated other comprehensive loss***

The opening balance of the cumulative translation adjustment in accumulated other comprehensive loss in 2003 and 2004 of $(15.9) million resulted from Agnico-Eagle adopting the US dollar as its principal currency of measurement. Prior to this change, the Canadian dollar had been used as the reporting currency. Prior periods' consolidated financial statements were translated into US dollars by the current rate method using the year end or the annual average exchange rate where appropriate. This translation approach was applied from January 1, 1994. This translation gave rise to a deficit in the cumulative translation adjustment account within accumulated other comprehensive loss as at December 31, 2004 and 2003.

Effective January 1, 2001, the Company prospectively adopted the new accounting recommendations made under FAS 133 and FAS 138 on accounting for derivative financial instruments and hedging. Upon the adoption of FAS 133, the Company recorded a cumulative translation adjustment to accumulated other comprehensive loss of $2.8 million. The Company has designated its gold put contracts and certain foreign exchange derivative contracts as cash flow hedges and, as such, unrealized gains and losses on these contracts are recorded in accumulated other comprehensive loss.

The following table presents the components of accumulated other comprehensive loss.

	2004	2003
Cumulative translation adjustment from adopting US dollar as principal reporting currency	$ (15,907)	$ (15,907)
Unrealized gain on available-for-sale securities	2,148	2,176
Dilution gain on equity issuances of subsidiary	7,947	6,110
Unrealized gain on foreign exchange derivative contracts	8,690	9,973
Unrealized loss on gold put option contracts	(5,915)	(6,812)
Cumulative translation adjustment (on investment in Riddarhyttan)	1,937	—
Minimum pension liability	—	(980)
	$ (1,100)	$ (5,440)

In 2004, a $1.5 million (2003 — $1.8 million) loss was reclassified from accumulated other comprehensive loss to income to reflect the amortization of gold put option contract premiums for contracts originally scheduled to mature in 2004. Also in 2004, a $0.6 million gain (2003 — $1.6 million gain) was reclassified from accumulated other comprehensive loss to income to reflect the realization of gains on available-for-sale securities due to the disposition of those securities.

(e) ***Net income (loss) per share***

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

	2004	2003	2002
Weighted average number of common shares outstanding — basic	85,157,476	83,889,115	70,821,081
Add: Dilutive impact of employee stock options	414,555	—	810,182
Weighted average number of common shares outstanding — diluted	85,572,031	83,889,115	71,631,263

The calculation of diluted income (loss) per share has been computed using the treasury stock method. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per share as the effect is anti-dilutive.

In 2004, the Convertible Debentures and warrants were anti-dilutive and thus were not included in the calculation of diluted income per share. In 2003, the employee stock options, Convertible Debentures and warrants were anti-dilutive and thus were not included in the calculation of diluted loss per share. In 2002, the Convertible Debentures and warrants were anti-dilutive and thus were excluded from the calculation of diluted income per share.

7. STOCK-BASED COMPENSATION

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

The Company's ESOP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Under this plan, options are granted at the fair market value of the underlying shares on the date of grant. The number of shares subject to option for any one person may not exceed 5% of the Company's common shares issued and outstanding at the date of grant.

Up to May 31, 2001, the number of common shares reserved for issuance under the ESOP was 6,000,000 and options granted under the ESOP had a maximum term of ten years. On April 24, 2001, the Compensation Committee of the Board of Directors adopted a policy pursuant to which options granted after that date shall have a maximum term of five years. On May 31, 2001, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP by 2,000,000 to 8,000,000. In 2004, the shareholders approved a further 2,000,000 common shares for issuance under the ESOP.

Of the 537,250 options granted under the ESOP in 2004, 134,313 options granted vest immediately and expire in the year 2009. The remaining options expire in 2009 and vest in equal instalments, on each anniversary date of the grant, over a three-year term. Of the 40,000 options granted under the ESOP in 2003, 37,000 options granted vest immediately and expire in the year 2008. The remaining options expire in 2008 and have a vesting period of three years, in which 33% or 1,000 vest immediately and are exercisable on the date of the grant, while the remaining 67% or 2,000 options are exercisable in equal instalments, on each anniversary date of the grant, over a three-year term. Of the 1,358,500 options granted in 2002, 1,299,500 options granted vest immediately and expire in the year 2007. The remaining options vest over periods ranging from two to five years and expire between 2007 and 2012.

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

	2004		2003		2002	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	2,845,150	C$ 14.85	3,060,350	C$ 14.47	3,660,200	C$ 12.04
Granted	537,250	16.71	40,000	18.49	1,358,500	17.07
Exercised	(391,525)	11.01	(229,100)	10.23	(1,927,500)	11.82
Cancelled	(607,725)	17.76	(26,100)	16.01	(30,850)	12.06
Outstanding, end of year	2,383,150	C$ 15.16	2,845,150	C$ 14.85	3,060,350	C$ 14.47
Options exercisable at end of year	1,983,963		2,697,950		2,682,500	

The weighted average grant-date fair value of options granted in 2004 was C$4.35. The following table summarizes information about Agnico-Eagle's stock options outstanding at December 31, 2004:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
C$6.55 - C$9.20	136,650	3.8 years	C$ 8.10	136,650	C$ 8.10
C$10.20 - C$15.43	594,100	4.9 years	C$ 10.63	594,100	C$ 10.63
C$15.93 - C$19.94	1,396,900	2.8 years	C$ 16.40	997,713	C$ 16.28
C$21.72 - C$25.60	255,500	2.2 years	C$ 22.66	255,500	C$ 22.66
C$6.55 - C$25.60	2,383,150	3.3 years	C$ 15.16	1,983,963	C$ 14.84

The Company has reserved for issuance 2,383,150 common shares in the event that these options are exercised.

The number of un-optioned shares available for granting of options as at December 31, 2004, 2003 and 2002 was 2,846,485, 776,010 and 789,910, respectively.

In 2003, the Company prospectively adopted FAS 123, "Accounting for Stock-Based Compensation" as amended by FAS 148, "Accounting for Stock-Based Compensation — Transition and Disclosure". These accounting standards recommend the expensing of stock options granted after January 1, 2003. The standards recommend that the fair value of stock options be recognized in income over the applicable vesting period as a compensation expense. Prior to 2003, the Company accounted for its stock option grants based on the recognition and measurement principles of Accounting Principles Board Opinion No. 25 and related interpretations. The application of Opinion No. 25 resulted in no compensation expense being recorded in Agnico-Eagle's circumstances as all options granted had an exercise price equal to the market value of the underlying stock on the date of grant. The following table illustrates the effect on net income (loss) and net income (loss) per share for 2003 and 2002 as if the Company had applied the fair value recognition provisions of

FAS 123 to account for all its stock option grants. The 2003 pro-forma compensation expense includes option grants made prior to the adoption of FAS 123/FAS 148 which vest in 2003.

	2003	2002
Net income (loss) for the year, as reported	$ (19,498)	$ 4,023
Add: Stock-based employee compensation included in reported net income (loss)	95	—
Deduct: Total stock-based employee compensation determined under fair value based method for all awards	(263)	(2,621)
Pro forma net income (loss)	$ (19,666)	$ 1,402
Net income (loss) per share:		
Basic and diluted, as reported	$ (0.23)	$ 0.06
Basic and diluted, pro forma	$ (0.23)	$ 0.02

Pro forma disclosures have not been included for 2004 as substantially all options prior to the adoption of fair value accounting had vested at the end of 2003.

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

	2004	2003	2002
Risk-free interest rate	3.0%	2.9%	2.6%
Expected life of options (in years)	2.5	2.5	2.1
Expected volatility of Agnico-Eagle's share price	38.5%	43.5%	36.9%
Expected dividend yield	0.24%	0.25%	0.19%

The total compensation cost for the ESOP recognized in the consolidated statement of income (loss) for the current year was $0.5 million.

(b) ***Incentive Share Purchase Plan***

On June 26, 1997, the shareholders approved an Incentive Share Purchase Plan (the "Purchase Plan") to encourage directors, officers and employees ("Participants") to purchase Agnico-Eagle's common shares at market values.

Under the Purchase Plan, eligible employees may contribute up to 10% of their basic annual salaries and directors may contribute up to 100% of their annual board and committee retainer fees. For both employees and directors, Agnico-Eagle contributes an amount equal to 50% of each Participant's contribution.

In 2004, 198,387 common shares were issued under the Purchase Plan (2003 — 217,855; 2002 — 138,747) for proceeds of $2.8 million (2003 — $2.6 million; 2002 — $2.1 million). In June 2002, shareholders approved an increase in the maximum amount of shares reserved for issuance under the Purchase Plan to 2,500,000 from 1,000,000. Agnico-Eagle has reserved for issuance 1,151,272 common shares (2003 — 1,349,659; 2002 — 1,567,514) under the Purchase Plan.

8. FUTURE INCOME AND MINING TAXES

Income and mining taxes expense (recovery) is made up of the following components:

	2004	2003	2002
Current provision			
Provincial mining duties	$ (5,233)	$ (2,538)	$ (2,779)
Future provision			
Federal income taxes	(13,950)	(18,870)	—
Provincial income taxes	—	—	—
Provincial mining duties	16,288	19,960	2,418
	2,338	1,090	2,418
	$ (2,895)	$ (1,448)	$ (361)

Mining taxes are assessed at the rate of 12% on income from mining operations. Income from mining operations is calculated as revenue from mined metals less production costs directly attributable to mining. Income from mining operations is reduced by depreciation allowances on mine construction and development as well as certain exploration costs. The mining taxes are paid to the government agency which grants the mining lease and/or mining concession required in order to extract ore in the particular jurisdiction.

Cash income and mining taxes recovered in 2004 was $0.2 million (2003 — $0.6 million; 2002 — $0.8 million).

Future income and mining taxes expense (recovery) has been provided on temporary differences which consist of the following:

	2004	2003	2002
Amortization	4,855	$ (11)	$ (587)
Exploration and development	2,789	2,910	3,152
Premium on flow-through shares	(4,373)	—	—
Other	(933)	(1,809)	(147)
	$ 2,338	$ 1,090	$ 2,418

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

	2004	2003	2002
Combined federal and composite provincial tax rates	36.9%	(38.3)%	39.9%
Increase (decrease) in taxes resulting from:			
Provincial mining duties	23.7	20.1	(7.8)
Resource allowances	(12.1)	(8.4)	(101.7)
Permanent and other differences	(7.0)	14.0	6.5
Utilization of temporary differences for which no benefit was previously recognized	(11.6)	20.5	78.7
Utilization of losses for which no benefit was previously recognized	(36.2)	22.7	(23.4)
Effect of changes in Canadian income tax legislation	—	(38.6)	—
Actual rate as a percentage of pre-tax income (loss)	(6.3)%	(8.0)%	(7.8)%

Agnico-Eagle has non-capital tax loss carryforwards of approximately C$22 million which may be carried forward to reduce future years' taxable income. These losses expire in 2010.

Agnico-Eagle has approximately C$395 million of cumulative Canadian exploration and development expenses and C$384 million of unamortized capital pools available indefinitely to reduce future years' taxable income.

As at December 31, 2004 and 2003, Agnico-Eagle's future income and mining tax assets and liabilities are as follows:

	2004		2003	
	Assets	Liabilities	Assets	Liabilities
Non-current:				
Income taxes:				
Plant and equipment	$ 19,925	$ —	$ 14,655	$ —
Mine development costs	20,934	—	19,746	—
Net operating and capital loss carryforwards	15,733	—	26,022	—
Mining duties	10,502	—	6,992	—
Other	1,997	—	3,542	—
Valuation allowance	(17,684)	—	(29,378)	—
Total non-current	$ 51,407	$ —	$ 41,579	$ —
Mining duties:				
Plant and equipment	$ 472	$ 30,110	$ 440	$ 18,192
Mine development costs	370	27,806	344	23,548
Other	—	(780)	—	(892)
Valuation allowance	(842)	—	(784)	—
Total non-current	$ —	$ 57,136	$ —	$ 40,848
Non-current future income and mining tax assets and liabilities	$ 51,407	$ 57,136	$ 41,579	$ 40,848

All of Agnico-Eagle's future income tax assets and liabilities are denominated in local currency based on the jurisdiction in which the Company pays taxes and are translated into US dollars using the exchange rate in effect at the consolidated balance sheet date. The increase in the gross amounts of the future tax assets and liabilities was impacted by the weaker US dollar in relation to the Canadian dollar throughout 2004. At December 31, 2004, asset and liability amounts were translated into US dollars at an exchange rate of $1.20 whereas at December 31, 2003, asset and liability amounts were translated at an exchange rate of $1.29. The additional increase in future tax assets and liabilities was due to increases in capital pools resulting from the LaRonde Mine capital expenditures and increased future tax assets relating to increased future mining duty liabilities. At January 1, 2004, the valuation allowance, a reserve against future income tax assets recorded in the accounts, was $29.4 million. In 2004, the valuation allowance decreased by $11.7 million due to the impact of a weaker US dollar and the utilization of capital and net operating loss carryforwards which were previously unrecognized.

In 2003, tax legislation changes gave rise to additional future income tax assets. As provincial mining duties are now deductible in computing Canadian federal income taxes payable, the Company has recorded an asset representing the future deductions that will be available at the federal level arising from the payment of provincial mining duties. As this mining duty tax asset is long-term in nature and does not have a set expiry date, the Company has not provided a valuation allowance against this future tax asset.

The Company paid no cash income or mining taxes in the year ended December 31, 2004.

9. FINANCIAL INSTRUMENTS

Agnico-Eagle enters into financial instruments with a number of financial institutions in order to hedge underlying revenue, cost and fair value exposures arising from commodity prices, interest rates and foreign currency exchange rates. Financial instruments which subject Agnico-Eagle to market risk and concentration of credit risk consist primarily of cash and short-term investments and derivative contracts for currencies, interest rates and precious and base metals. Agnico-Eagle places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

Agnico-Eagle's risk management policy attempts to mitigate the risks associated with fluctuating metal prices and foreign exchange rates. Agnico-Eagle uses over-the-counter put and call option metals and foreign exchange contracts to hedge its net revenues from mining operations and costs of production, respectively. These instruments are straightforward contracts and involve little complexity. Agnico-Eagle is exposed to credit risk in the event of non-performance by counterparties in connection with its currency and metal option contracts. Agnico-Eagle does not obtain any security to support financial instruments subject to credit risk, but mitigates the risk by dealing with a diverse group of creditworthy counterparties and, accordingly, does not anticipate loss for non-performance. The Company continually monitors the market risk of its hedging activities.

Gold put option contracts

Agnico-Eagle's portfolio of gold put option contracts was entered into to establish a minimum price which the Company will receive from the sale of its gold production. The contracts expire monthly based on planned production volumes. These instruments have been designated as hedges under the criteria established by FAS 133 and FAS 138 on accounting for derivative financial instruments and hedging. At December 31, 2001, these option contracts did not qualify as a designated hedge under FAS 133. Accordingly, changes in fair value were recognized as part of the Company's net loss. On January 1, 2002, the Company implemented a new

treasury management system that complies with the new documentation requirements of FAS 133. As a result, these option contracts now qualify for hedge accounting. In 2004, 2003 and 2002, changes in the fair value of these option contracts were recognized as part of other comprehensive income (loss).

Gains and losses on gold put option contracts are reclassified from accumulated other comprehensive loss to income in the same period the forecasted transaction affects income. In 2005, the Company expects to reclassify an unrealized loss of $2.3 million relating to its gold put option contracts to income. Due to the nature and structure of the Company's gold put option contracts, the Company does not record amounts for ineffectiveness in income.

Silver and base metal option contracts

Agnico-Eagle's silver and base metal derivatives portfolio was unwound during 2003 at a net cost of nil.

As at December 31, 2004, Agnico-Eagle's derivative financial instruments relating to metals consisted of the following:

	Expected Maturity		
	2005	**2006**	**2007**
Gold			
Put options purchased			
Amount hedged (ounces)	190,020	152,340	131,280
Average price ($/ounce)	$ 260	$ 260	$ 260

Subsequent to year end, the Company purchased silver put options with a strike price of $7.00 and also sold copper calls with a strike price of $1.50. The Company sold forward zinc production at a weighted average price of $0.565 and entered into a zero-cost collar to set a minimum zinc price of $0.55. While setting a minimum price, the zero-cost collar strategy also limits participation to zinc prices above $0.67. The Company also liquidated its entire portfolio of gold put options.

As at March 16, 2005, Agnico-Eagle had the following byproduct metal contracts:

	Expected Maturity	
	2005	2006
Silver		
Put options purchased		
Ounces	835,000	167,000
Average price ($/ounce)	$ 7.00	$ 7.00
Copper		
Call options sold		
Pounds (000s)	8,267	1,653
Average price ($/pound)	$ 1.50	$ 1.50
Zinc		
Forwards		
Pounds (000s)	24,251	26,455
Average price ($/pound)	$ 0.57	$ 0.56
Put options purchased		
Pounds (000s)	22,046	26,455
Average price ($/pound)	$ 0.55	$ 0.55
Call options sold		
Pounds (000s)	22,046	26,455
Average price ($/pound)	$ 0.67	$ 0.67

Foreign currency hedging program

Agnico-Eagle generates almost all of its revenues in US dollars. The Company's LaRonde Mine and Exploration Division both have Canadian dollar requirements for capital and operating expenditures. Agnico-Eagle entered into a series of put and call option contracts to hedge a monthly sum of Canadian dollar expenditures based on forecasted Canadian dollar requirements. In 2005, the Company expects to reclassify an unrealized gain of $2.9 million relating to its foreign exchange derivative contracts to income. Due to the nature and structure of the Company's foreign currency hedge contracts, the Company does not record amounts for ineffectiveness in income. The Company's written put options do not qualify for hedge accounting and thus have not been designated as hedging instruments. As such, changes in fair value for these instruments are recorded in net income (loss). These instruments were entered into to set a range for the US dollar, along with the zero-cost collar of purchased puts and written calls.

At December 31, 2004, Agnico-Eagle's foreign currency hedging program consisted of the following:

	Expected Maturity	
	2005	2006
US$ call options sold		
Amount (thousands)	$ 12,000	$ 12,000
C$/US$ weighted average exchange rate	1.6050	1.6475
US$ put options purchased		
Amount (thousands)	$ 12,000	$ 12,000
C$/US$ weighted average exchange rate	1.5000	1.5600
US$ put options sold		
Amount (thousands)	$ 12,000	—
C$/US$ weighted average exchange rate	1.3700	—

At December 31, 2004, the aggregate unrealized loss of the net market value of Agnico-Eagle's metals derivative position amounted to $5.9 million (2003 — $6.8 million). The Company's unrealized gain on its foreign exchange hedge position at December 31, 2004 was $8.7 million (2003 — $10.0 million). Since the Company uses only over-the-counter instruments, the fair value of individual hedging instruments is based on readily available market values.

The following table shows the changes in the fair values of derivative instruments recorded in the consolidated financial statements. The fair values of recorded derivative related assets and liabilities reflect the netting of the fair values of individual derivative financial instruments. Other required derivative disclosures can be found in note 6(d), "Accumulated other comprehensive loss" and information regarding our interest rate derivatives can be found in note 4(a), "Convertible subordinated debentures."

	Interest Rate		Metals		Foreign Exchange	
	2004	2003	2004	2003	2004	2003
Fair value, beginning of year	—	—	$ 669	$ (26)	$ 6,904	$ (3,477)
Instruments entered into or settled	(1,876)	—	—	1,861	(4,508)	2,807
Changes in fair value	—	—	(639)	(1,166)	2,139	7,574
Fair value, end of year	$ (1,876)	—	$ 30	$ 669	$ 4,535	$ 6,904

Agnico-Eagle's exposure to interest rate risk at December 31, 2004 relates to its short-term investments and cash equivalents of $104.9 million (2003 — $106.6 million) and its interest rate swap. Interest rate swap exposure is limited through the use of an interest rate cap. The Company's short-term investments and cash equivalents have a fixed weighted average interest rate of 1.81% (2003 — 0.90%) for a period of 19 days (2003 — 17 days). Agnico-Eagle is also exposed to interest rate risk through its interest rate swap whereby the Company swapped its fixed rate payments on the convertible subordinated debentures for variable rate payments. The exposure to interest rate risk under the terms of the Company's interest rate swap is limited as the Company has also entered into an interest rate cap such that the three-month LIBOR rate will not exceed 5.75%.

In addition, Agnico-Eagle has outstanding letters of credit amounting to C$13.4 million relating to the Executives Plan and reclamation obligations (2003 — C$11.8 million) for which fees were 2.25% per annum.

The fair values of Agnico-Eagle's current financial assets and liabilities approximate their carrying values as at December 31, 2004. The fair value of Agnico-Eagle's Convertible Debentures as at December 31, 2004 is $163.2 million (2003 — $152.4 million).

10. ACQUISITIONS

In the third quarter of 2003, the Company purchased from Barrick Gold Corporation ("Barrick") a 100% interest in Barrick's Bousquet property, immediately to the west and south of Agnico-Eagle's 100% owned LaRonde Mine in northwestern Quebec. Agnico-Eagle also acquired used machinery and equipment from the now closed Bousquet Mines including underground rolling stock and the headframe at Bousquet 2. In addition to the Bousquet Mine assets, Agnico-Eagle purchased certain of Barrick's regional exploration properties.

The primary reason for the acquisition was to enhance the Company's regional development. With this acquisition, the Company now controls 100% of over 14 miles of contiguous favorable geology along the prolific Cadillac-Bousquet Gold Belt which hosts the Company's 100% owned LaRonde Mine. With this transaction, the Company also has the dominant land position on the Cadillac-Larder Lake Break immediately to the south which hosts the Company's 100% owned Lapa property.

The Company's consolidated financial statements do not include pro forma results of operations from this acquisition as there are currently no mining activities on any of the acquired properties.

The following represents the purchase price allocation for the acquisition:

Cash	$	3,665
125,612 Agnico-Eagle shares (valued at $11.67 per share)		1,466
Transaction costs		225
	$	5,356
Allocation of purchase price:		
Buildings and property	$	843
Production equipment		1,499
Head-frame and related infrastructure		3,463
Mining properties		5,280
Liabilities assumed		(5,729)
	$	5,356

Also in 2003, the Company purchased a 100% interest in the Lapa property from Breakwater Resources Inc. for $9.1 million (including $0.2 million of transaction costs). The entire purchase price has been classified as mining properties. Under the terms of the agreement, the Company will have to pay contingent consideration of $1 million if the published Inferred Mineral Resource on the property reaches 2,000,000 ounces of gold. This payment would reduce any future royalties payable should the property reach commercial production.

11. OTHER FINANCIAL INFORMATION

	2004	2003
Trade payables	$ 22,611	$ 24,630
Wages payable	2,948	1,467
Accrued liabilities	3,108	3,818
	$ 28,667	$ 29,915

12. RELATED PARTY TRANSACTIONS

As at December 31, 2004, the total indebtedness of Contact Diamond to the Company was $3.024 million (2003 — $2.739 million) including accrued interest to December 31, 2004 of nil (2003 — nil).

Contact Diamond was a consolidated entity of the Company for the year ended December 31, 2002. As of August 2003, the Company ceased consolidating Contact Diamond as the Company's investment no longer represented a "controlling financial interest".

The loan was originally advanced for the purpose of funding ongoing exploration and operating activities. The loan is repayable on demand with a rate of interest on the loan of 8% per annum. The Company, however, waived the interest on this loan commencing May 13, 2002 and has no intention of charging any interest or demanding repayment in the next year.

On May 13, 2002, the Company completed a transaction with Contact Diamond which resulted in the elimination of $26 million of the outstanding amount owed by Contact Diamond to the Company.

In addition, the Company provides Contact Diamond with some executives, employees and administrative support at no cost to Contact Diamond. Four of the nine current directors of Contact Diamond are also directors of the Company.

13. DIFFERENCES FROM CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with US GAAP. A reconciliation between US GAAP and Canadian GAAP is presented below together with a description of the significant measurement differences affecting these consolidated financial statements.

(a) **Financial instruments** — Agnico-Eagle enters into financial instruments with a number of financial institutions in order to hedge underlying revenue and cost exposures arising from commodity prices, interest rates and foreign currency exchange rates. In particular, the Company uses over-the-counter put and call option metals and foreign exchange contracts to hedge against its net revenues from mining operations and its costs of production, respectively.

Under US GAAP, the Company follows the accounting recommendations made under FASB Statements No. 133 and No. 137 on accounting for derivative financial instruments and hedging. The recommendations require that all derivative instruments be recognized as assets or liabilities and be measured at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. FAS 133 establish certain criteria to be met in order to designate a derivative instrument as a hedge and to deem a hedge as effective.

Under Canadian GAAP, gains and losses on these contracts are accounted for as a component of the related hedged transaction.

(b) **Minimum pension liability —** Under US GAAP, if the accumulated pension plan benefit obligation exceeds the market value of plan assets, a minimum pension liability for the excess is recognized to the extent that the liability recorded in the balance sheet is less than the minimum liability. Any portion of this additional liability that relates to unrecognized prior service cost is recognized as an intangible asset while the remainder is charged to comprehensive income. Canadian GAAP does not require the Company to record a minimum liability and does not have the concept of comprehensive income.

(c) **Asset retirement obligations** — Under US GAAP, new policies were adopted effective January 1, 2003 based on new standards published by the FASB. These standards are established for the recognition and measurement of liabilities for legal obligations associated with the retirement of a long-lived asset that result from its acquisition, construction, development or normal operation. A liability is recorded for such an obligation at its fair value when incurred and a corresponding asset retirement cost is added to the carrying amount of the related asset. In subsequent periods, the carrying amount of the liability is adjusted to reflect the passage of time and any changes in the timing or amount of the underlying future cash flows. The asset retirement cost is amortized to expense over the asset's useful life. Under Canadian GAAP, a similar standard became effective for the Company's fiscal year beginning on January 1, 2004 with retroactive restatement of prior periods. Under US standards prior to 2003, total expected reclamation and closure costs (including legal and non-legal obligations) are recorded and charged to earnings over the life of a mine using the units of production method based on proven and probable reserves. As a result, the Company's 2003 US GAAP income statement includes charges for the cumulative effect of the adoption of the new policy.

(d) **Dilution gain** — The dilution gain that resulted from the issuance of common stock by Contact Diamond is reported in other comprehensive income on the consolidated statement of income (loss).

Under Canadian GAAP, the dilution gain is reported above the line "Income (loss) before income and mining taxes" on the consolidated statement of income (loss).

(e) **Other comprehensive loss** — Under US GAAP, certain assets and liabilities are remeasured at fair value, with changes in fair value recorded in other comprehensive income. Under Canadian GAAP, these assets and liabilities are recorded at cost and they are not remeasured to fair value prior to the date they are realized or settled. The assets and liabilities affected are: investments, and derivative assets and liabilities that qualify for cash flow hedge accounting treatment.

(f) **Convertible subordinated debentures** — Under US GAAP, the Company is not permitted to bifurcate the conversion option of the Convertible Debentures from the liability component and the entire amount of the Convertible Debentures is presented as a liability. Under Canadian GAAP, the fair value of the conversion option associated with the Convertible Debentures is reflected as "other paid-in capital" while the fair value of the obligation to the debenture holders for interest and principal payments is presented as a component of shareholders' equity. As a result, $1.6 million of financing costs associated with the equity component of the Convertible Debentures, which has been classified as deferred financing costs under US GAAP has been charged against deficit under Canadian GAAP. Furthermore, under US GAAP, interest costs associated with the Convertible Debentures are charged to income (loss) whereas under Canadian GAAP, interest costs are charged to deficit, but are used to reduce net income (loss) for the purposes of computing net income (loss) per share.

In 2003, the Company entered into a swap whereby the Company swapped its fixed rate payments on the convertible subordinated debentures for variable rate payments (see note 4(a)). Under US GAAP, the fair value of the swap is recorded as either an asset or liability with a corresponding charge to income. The carrying value of the Convertible Debentures is also adjusted for changes in the fair value of the swap with a corresponding charge to income. Under Canadian GAAP, fair value attributable to the risk being hedged is recorded as an asset or liability with a corresponding charge to income (loss).

(g) **Income taxes** — Both Canadian GAAP and US GAAP follow the liability method of accounting for income taxes. Under US GAAP, future income and mining taxes are calculated based on enacted rates whereas under Canadian GAAP, substantively enacted rates are used.

Where assets and liabilities are recorded at different carrying amounts for US GAAP and Canadian GAAP, due to differences in the accounting policies that affect these assets and liabilities, a difference also arises in the amount of temporary timing differences that give rise to future tax assets and liabilities. Consequently, the amounts of future tax assets and liabilities recorded under US GAAP differ from the amounts of future tax assets and liabilities recorded under Canadian GAAP.

(h) **Amortization of mining properties** — Prior to 2002, the amortization of mining properties under Canadian GAAP was calculated using the unit-of-production method using proven and probable reserves and non-reserve material of the mine when sufficient objective evidence existed to support a conclusion that the non-reserve material will be produced. Under US GAAP, amortization was calculated using the unit-of-production method using only the proven and probable reserves of the mine. This resulted in less amortization being recorded in the Canadian GAAP consolidated financial statements resulting in a higher asset carrying value.

After 2002, the Canadian GAAP accounting policy was to use only the proven and probable reserves.

(i) **Share issue costs** — US GAAP requires that share issue costs of $0.3 million (2003 — $0.3 million), net of related income taxes, be recorded as a reduction of proceeds of issue while under Canadian GAAP, the Company charges share issue costs to the deficit account.

(j) **Flow-through shares** — As described in note 6 to the consolidated financial statements, the Company issued common shares by way of a flow-through common share private placement. The Company received a net premium to the prevailing market price on this issuance. Under US GAAP, the difference between the flow-through share issuance price and the prevailing market price of Agnico-Eagle stock at the time of issuance is recorded as a liability at the time the flow-through shares are issued. This liability is extinguished at the time the exploration expenditures are renounced to investors. The difference between the flow-through share issuance price and market price reduces the future tax expense charged to income (loss) as this difference represents proceeds received by the Company for the sale of future tax deductions to investors in the flow-through shares.

Under Canadian GAAP, Agnico-Eagle records such common share issuances by crediting share capital for the full value of cash consideration received. The cost of the future income and mining tax benefits arising at the time Agnico-Eagle renounces the income and mining tax deductibility of the eligible expenditures to the investors is accounted for as a share issue cost.

(k) **Capital stock and deficit** — Canadian GAAP allows for the reduction of stated capital of outstanding common shares with a corresponding offset to deficit. This reclassification, which Agnico-Eagle made

in 1998 and prior to 1995, is not permitted by US GAAP. As a result, under Canadian GAAP, capital stock and deficit is decreased by $126.1 million in 2004 and 2003.

(l) Reconciliation of Consolidated Balance Sheets

		As at December 31					
		2004			2003		
	Notes	US GAAP	Adjustments	Canadian GAAP	US GAAP	Adjustments	Canadian GAAP
ASSETS							
Current							
Cash and cash equivalents		$ 33,005	—	$ 33,005	$ 56,934	—	$ 56,934
Restricted cash		8,173	—	8,173	2,549	—	2,549
Short-term investments		64,836	—	64,836	50,882	—	50,882
Metals awaiting settlement		43,442	—	43,442	34,570	—	34,570
Income taxes recoverable		16,105	—	16,105	7,539	—	7,539
Inventories:							
Ore stockpiles		9,036	—	9,036	6,557	—	6,557
Concentrates		9,065	—	9,065	1,346	—	1,346
Supplies		8,292	—	8,292	6,276	—	6,276
Other current assets	(e)	19,843	(2,147)	17,696	10,363	(2,176)	8,187
Total current assets		211,797	(2,147)	209,650	177,016	(2,176)	174,840
Fair value of derivative financial instruments	(a)	2,689	(2,689)	—	7,573	(7,573)	—
Other assets	(f)	25,234	505	25,739	11,214	1,095	12,309
Future income and mining tax assets	(g)	51,407	1,239	52,646	41,579	1,284	42,863
Mining properties	(h)	427,037	3,349	430,386	399,719	3,525	403,244
		$ 718,164	$ 257	$ 718,421	$ 637,101	$ (3,845)	$ 633,256
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Accounts payable and accrued liabilities		$ 28,667	—	$ 28,667	$ 29,915	—	$ 29,915
Dividends payable		3,399	—	3,399	3,327	—	3,327
Interest payable		2,426	—	2,426	3,161	—	3,161
Total current liabilities		34,492	—	34,492	36,403	—	36,403
Long-term debt	(f)	141,495	(141,495)	—	143,750	(143,750)	—
Reclamation provision and other liabilities	(b)	14,815	—	14,815	15,377	(729)	14,648
Future income and mining tax liabilities	(g)	57,136	422	57,558	40,848	454	41,302
Fair value of derivative financial instruments	(a)	—	2,964	2,964	—	—	—
Shareholders' Equity							
Common shares	(i),(j),(k)	620,704	(145,732)	474,972	601,305	(150,360)	450,945
Stock options outstanding		465	—	465	—	—	—
Convertible subordinated debentures	(f)	—	99,045	99,045	—	95,057	95,057
Other paid-in capital	(f)	—	55,028	55,028	—	55,028	55,028
Warrants		15,732	—	15,732	15,732	—	15,732
Contributed surplus	(i)	7,181	(1,621)	5,560	7,181	(1,621)	5,560
Deficit	(i),(k)	(172,756)	128,609	(44,147)	(218,055)	136,636	(81,419)
Accumulated other comprehensive loss	(e)	(1,100)	1,100	—	(5,440)	5,440	—
Cumulative translation adjustment	(e)	—	1,937	1,937	—	—	—
Total shareholders' equity		470,226	138,366	608,592	400,723	140,180	540,903
		$ 718,164	$ 257	$ 718,421	$ 637,101	$ (3,845)	$ 633,256

(k) **Reconciliation of Consolidated Net Income**

	Notes	For the years ended December 31 2004	2003
Net income — US GAAP		$ 47,879	$ (19,498)
Revenues from mining operations		—	—
Interest and sundry income	(a),(f)	(2,020)	(346)
Interest expense	(f)	7,001	7,001
Other		—	127
Dilution gain on issuance of shares by subsidiary	(d)	1,837	4,500
Income and mining tax expense (recovery)	(g)	2,046	(325)
Cumulative catch-up adjustment relating to FAS 143	(c)	—	1,743
Net income — Canadian GAAP		$ 56,743	$ (6,798)
Net income per share — basic and diluted		$ 0.54	$ (0.20)

(l) **Reconciliation of Consolidated Cash Flows**

	Notes	For the year ended December 31 2004	2003
Operating activities			
Cash provided by operating activities per US GAAP		$ 49,525	$ 4,253
Difference in net income between US GAAP and Canadian GAAP		8,864	12,700
Amortization	(f)	(533)	(533)
Future income and mining taxes	(g)	(2,046)	325
Unrealized gain on derivative contracts	(a)	2,020	346
Cumulative catch-up adjustment relating to FAS 143	(c)	—	(1,743)
Dilution gain on issuance of shares by subsidiary	(d)	(1,837)	(4,500)
Other		—	(127)
Cash flows provided by operating activities per Canadian GAAP		$ 55,993	$ 10,721
Investing activities			
Cash used in investing activities per US GAAP		$ (94,832)	$ (105,907)
Cash flows used in investing activities per Canadian GAAP		$ (94,832)	$ (105,907)
Financing activities			
Cash provided by financing activities per US GAAP		$ 21,173	$ 5,439
Interest on convertible debentures charged to deficit	(f)	(6,468)	(6,468)
Cash flows provided by (used in) financing activities per Canadian GAAP		$ 14,705	$ (1,029)
Effect of exchange rate changes on cash and cash equivalents (US and Canadian GAAP)		205	215
Net decrease in cash and cash equivalents during the year		(23,929)	(96,000)
Cash and cash equivalents, beginning of year		56,934	152,934
Cash and cash equivalents, end of year per Canadian GAAP		$ 33,005	$ 56,934
Other operating cash flow information:			
Interest paid during the year		$ 6,999	$ 7,750
Income, mining and capital taxes paid during the year		$ 222	$ 2,887

QuickLinks

End of Filing