AGNICO-EAGLE
MINES LIMITED

First Quarter Report 2006

QUARTERLY MANAGEMENT DISCUSSION AND ANALYSIS
UNITED STATES GAAP
(all figures are expressed in US dollars unless otherwise noted and all units of measurement expressed in metric unless otherwise noted)

Results of Operations

Agnico-Eagle reported first quarter net income of $37.2 million, or $0.35 per share, compared to net income of $10.4 million, or $0.12 per share, in the first quarter of 2005. Gold production in the first quarter of 2006 was 64,235 ounces compared to 55,310 ounces in the first quarter of 2005. Cash provided by operating activities was $19.7 million in the first quarter of 2006 compared to $28.1 million in the prior year's first quarter.

Year to date ore processed was up 1% to 661,528 tonnes in the first three months of 2006 compared to the same period in 2005.

The table below summarizes the key variances in net income for the first quarter of 2006 from the net income reported for the same period in 2005.

(millions of dollars)	First Quarter
Increase in gold sales volume and price	$ 13.7
Increase in copper and silver revenues	6.6
Increase in zinc revenue	8.5
Gain on sale of available-for-sale securities	21.6
Stronger Canadian dollar, net of hedges	(2.2)
Decreased amortization	1.2
Loss on base metal contracts	(4.0)
Increased income and mining and federal capital taxes	(15.0)
Corporate costs and other	(3.7)
Net positive variance	**$ 26.7**

In the first quarter of 2006, revenue from mining operations increased $28.8 million to $90.6 million from $61.8 million in the first quarter of 2005. While realized prices for all metals increased in 2006 compared to the first quarter of 2005, an increase in gold, silver, copper and zinc production in the first three months of 2006 compared to the same period in 2005 also contributed to the increase in revenue. Gold production was up 16% for the first quarter of 2006 as compared to the first quarter of 2005.

In addition, during the first quarter of 2006, the Company liquidated a substantial portion of its portfolio of available-for-sale securities resulting in a gain before taxes of $21.6 million, or $0.20 per share

In the first quarter of 2006, the Company recorded an unrealized, mark-to-market loss on byproduct metals derivative contracts of $6.7 million, or $0.06 per share (before tax). These byproduct metals contracts were entered into in the first quarter of 2005.

Exploration costs for the first quarter of 2006 increased significantly compared to the same period in 2005. Increased exploration activities in and around our LaRonde mine, expenditures on U.S. properties, and continued exploration work on the Pinos Altos project located in the Sierra Madre gold belt of Mexico all contributed to the increase in exploration costs. The main increase in exploration costs however, is related to Agnico-Eagle's Scandinavian activities. In the first quarter of 2005, Agnico-Eagle had a 14% interest in Riddarhyttan Resources AB and accounted for its investment using the equity method of accounting through to October 17, 2005. The first quarter of 2006 is the first full quarter of consolidating Riddarhyttan Resources AB and resulted in the inclusion of $2.8 million of exploration expenditures.

Amortization was $1.2 million lower in the first quarter of 2006 as compared to the same period in 2005. The 2005 first quarter amortization was higher due to the reversal of the copper concentrate inventory which had built up at the end of 2004 as the amortization relating to the production of those concentrates was recognized in the same period as the related revenue. A similar build-up of inventory at the end of 2005 did not occur resulting in lower first quarter amortization in 2006 when compared to the same period in 2005.

General and administrative expenditures increased $1.8 million in the first quarter of 2006 as compared to the same period in 2005. The increase is primarily due to the expensing of stock options granted during the period. The compensation expense related to these options recognized in the first quarter of 2006 was $2.5 million ($0.02 per share). Interest costs for the three months ended March 31, 2006 was lower due to the full redemption of the Company's Convertible Debentures by February 15, 2006.

In the first quarter of 2006 total cash costs per ounce decreased to $(241) per ounce of gold produced from $67 per ounce in the first quarter of 2005. The main driver leading to the decrease in total cash costs for the quarter was higher byproduct metal revenue due to increased realized prices for all metals.

Minesite costs per tonne was C$57 in the first quarter of 2006 compared to C$52 in the first quarter of 2005. Minesite costs per tonne were higher than expected due to higher input costs such as fuel, and increased equipment maintenance and ground support expenses.

Production costs increased 7% to $33,187 in the first quarter of 2006 compared to $30,973 in the first quarter of 2005. Higher input costs such as fuel and increased equipment maintenance and ground support expenses were the primary reasons for the increase.

The following tables provide a reconciliation of the total cash costs per ounce of gold produced and mine site costs per tonne to the interim consolidated financial statements:

(thousands of dollars, except where noted)	**3 Months ended March 31, 2006**	**3 months ended March 31, 2005**
Cost of production per Consolidated Statements of Income	$ 33,187	$ 30,973
Adjustments:		
Byproduct revenues	(48,039)	(25,261)
Inventory adjustment(i)	(504)	(1,894)
Non-cash reclamation provision	(105)	(107)
Cash operating costs	$(15,461)	$ 3,711
Gold production (ounces)	64,235	55,310
Total cash costs (per ounce)(iii)	$ (241)	$ 67

(thousands of dollars, except where noted)	**3 Months ended March 31, 2006**	**3 months ended March 31, 2005**
Cost of production per Consolidated Statements of Income	$33,187	$30,973
Adjustments:		
Inventory adjustments(ii)	110	(3,220)
Non-cash reclamation provision	(105)	(107)
Minesite operating costs (US$)	$33,192	$27,646
Minesite operating costs (C$)	$38,005	$33,918
Tonnes milled (000's tonnes)	662	657
Minesite costs per tonne (C$)(iv)	$ 57	$ 52

Notes:

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

(ii) Inventory adjustments reflect costs associated with unsold concentrates.

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

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

The Company is targeting gold production of approximately 250,000 ounces in 2006 with total cash costs expected to be below nil, as the Company continues to benefit from higher byproduct production and metal prices.

Liquidity and Capital Resources

At March 31, 2006, Agnico-Eagle's cash and cash equivalents balance was $75.3 million, restricted cash was $28.8 million, short-term investments were $50.8 million, while working capital was $236.4 million. At December 31, 2005, the Company had $61.2 million in cash and cash equivalents, nil restricted cash, $59.8 million in short-term investments and $199.5 million in working capital. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to eliminate any risks associated with these investments. Such investments with remaining maturities at time of purchase greater than three months are classified as short-term investments and decisions regarding the length of maturities are based on cash flow requirements, rates of returns and other various factors. As of March 31, 2006, the majority of highly liquid investments had original maturities of three months or less and therefore contributed to the increase in cash and cash equivalents. The total of cash and cash equivalents, restricted cash and short-term investments was $154.9 million at March 31, 2006 and $121.0 million at December 31, 2005.

Cash provided by operating activities was $19.7 million in the first quarter of 2006 compared to $28.1 million in the first quarter of 2005. Cash provided by operating activities for the first quarter of 2006 was positively impacted by higher gold and byproduct metal prices. Working capital changes were negative for the year to date due primarily to a build-up in metals awaiting settlement combined with decreases in accounts payable and accrued liabilities and the elimination of the interest payable on the Convertible Debentures.

Between January 1, 2006 and February 15, 2006, Convertible Debenture holders representing $131.8 million aggregate principal amount converted their debentures into 9,413,189 common shares. On February 15, 2006, the Company redeemed the remaining $1.1 million aggregate principal amount, at par plus accrued interest, by exercising its redemption option and delivering 70,520 freely tradeable common shares.

The Company currently has $150 million in undrawn credit lines. Although there are currently no amounts drawn on the $150 million credit facility, the amount available under the facility is reduced by outstanding letters of credit to approximately $139 million. The facility limits, among other things, the Company's ability to incur additional indebtedness, 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.

In addition, on January 19, 2006, a subsidiary of Agnico-Eagle entered into an unsecured, guaranteed bank overdraft facility (the "Overdraft Facility") of EUR 6.6 million. The Overdraft Facility is unconditionally guaranteed by the subsidiary and guaranteed to a limit of EUR 4.2 million by Agnico-Eagle. The Overdraft Facility matures on June 30, 2006 and may be terminated by the subsidiary at any time without penalty or notice. A standby fee at an annual rate of 0.70% on the Overdraft Facility amount of EUR 6.6 million is due and payable quarterly in advance. In addition, interest at an annual rate of 1.67% above EURIBOR one month is due and payable monthly in arrears on amounts outstanding under the Overdraft Facility. The subsidiary has also agreed not to enter into any other financing arrangements or issue any guarantees without the prior written consent of the lender. At March 31, 2006, US$3.3 million had been drawn.

For the three months ended March 31, 2006, capital expenditures were $21.0 million compared to $15.2 million in the first quarter of 2005. While sustaining capital expenditures at the LaRonde mine decreased to $3.6 million from $5.6 million in the first quarter of 2005, there were significant increases in capital expenditures on other regional projects, namely Lapa, Goldex and LaRonde II. Capital expenditures for these projects increased by $7.6 million to $13.4 million compared to the first quarter of 2005, primarily driven by the continued costs associated with mine construction at Lapa and Goldex. The remaining expenditures of approximately $3.2 million are mainly attributable to the ramp development and the level 215 exploration drift at LaRonde, and for the implementation of a new management information system. For the full year, forecasted capital expenditures are now estimated to be $130 million.

During the first quarter of 2006, the Company closed a private placement from treasury of 1,226,000 flow-through shares for total proceeds of $35 million. The Company expects to fund its current project expenditures with internally generated funds and currently available cash and short-term investments. The Company's ability to continue generating cash flow is dependent on continued strength in gold and byproduct metal prices and continued cost savings generated from economies of scale at LaRonde as the mill processes more tonnes of ore.

On March 29, 2006, Agnico-Eagle completed its acquisition of 100% of the Pinos Altos Project from Industrias Penoles S.A. de C.V. ("Penoles"). Under the exploration and option agreement, Agnico-Eagle paid $32.5 million in cash and issued 2,063,653 common shares of Agnico-Eagle to Penoles. In addition, the Company incurred approximately $0.2 million in transaction costs associated with the acquisition.

AGNICO-EAGLE MINES LIMITED

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted, US GAAP basis)
(Unaudited)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Income and cash flow		
LaRonde Division		
Revenues from mining operations	**$ 90,581**	$ 61,766
Production costs	**33,187**	30,973
Gross profit (exclusive of amortization shown below)	**$ 57,394**	$ 30,793
Amortization	**5,997**	7,211
Gross profit	**$ 51,397**	$ 23,582
Net income for the period	**$ 37,190**	$ 10,449
Net income per share (basic)	**$ 0.35**	$ 0.12
Net income per share (diluted)	**$ 0.34**	$ 0.12
Cash flow provided by operating activities	**$ 19,711**	$ 28,105
Cash flow provided by (used in) investing activities	**$ (50,969)**	$ 37,149
Cash flow provided by (used in) financing activities	**$ 45,456**	$ (1,095)
Weighted average number of common shares outstanding — basic (in thousands)	**106,127**	86,131
Tonnes of ore milled	**661,528**	656,635
Head grades:		
Gold (grams per tonne)	**3.30**	2.94
Silver (grams per tonne)	**77.00**	73.00
Zinc	**3.79%**	4.14%
Copper	**0.41%**	0.39%
Recovery rates:		
Gold	**91.91%**	90.56%
Silver	**86.50%**	83.60%
Zinc	**86.70%**	81.70%
Copper	**83.80%**	77.10%
Payable production:		
Gold (ounces)	**64,235**	55,310
Silver (ounces in thousands)	**1,227**	1,097
Zinc (tonnes)	**18,462**	18,661
Copper (tonnes)	**2,053**	1,810
Payable metal sold:		
Gold (ounces)	**69,677**	70,137
Silver (ounces in thousands)	**1,190**	1,398
Zinc (tonnes)	**18,179**	6,792
Copper (tonnes)	**2,038**	1,831
Realized prices (US$):		
Gold (per ounce)	**$ 611**	$ 430
Silver (per ounce)	**$ 10.83**	$ 6.85
Zinc (per tonne)	**$ 2,640**	$ 1,323
Copper (per tonne)	**$ 5,812**	$ 3,241
Total cash costs (per ounce) (US$):		
Production costs	**$ 517**	$ 560
Less: Net byproduct revenues	**(748)**	(455)
Inventory adjustments	**(8)**	(36)
Accretion expense and other	**(2)**	(2)
Total cash costs (per ounce)	**$ (241)**	$ 67
Minesite costs per tonne milled (C$)	**$ 57**	$ 52

AGNICO-EAGLE MINES LIMITED

SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	June 30, 2004	September 30, 2004	December 31, 2004	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006
Consolidated Financial Data								
Income and cash flows								
LaRonde Division								
Revenues from mining operation	$ 45,664	$ 47,986	$ 45,795	$61,766	$ 49,572	$ 58,608	$ 71,392	$ 90,581
Production costs	25,680	26,172	22,175	30,973	30,268	32,548	33,576	33,187
Gross profit (exclusive of amortization shown below)	$ 19,984	$ 21,814	$ 23,620	$30,793	$ 19,304	$ 26,060	$ 37,816	$ 57,394
Amortization	5,859	5,861	4,461	7,211	5,983	6,276	6,592	5,997
Gross profit	$ 14,125	$ 15,953	$ 19,159	$23,582	$ 13,321	$ 19,784	$ 31,224	$ 51,397
Net income for the period	$ 8,805	$ 10,556	$ 15,609	$10,449	$ 12,794	$ 2,057	$ 11,695	$ 37,190
Net income per share (basic)	$ 0.10	$ 0.12	$ 0.18	$ 0.12	$ 0.15	$ 0.02	$ 0.13	$ 0.35
Net income per share (diluted)	$ 0.10	$ 0.12	$ 0.18	$ 0.12	$ 0.15	$ 0.02	$ 0.13	$ 0.34
Cash provided by operating activities	$ 14,901	$ 16,683	$ 11,722	$28,105	$ 19,103	$ 11,151	$ 24,621	$ 19,711
Cash provided by (used in) investing activities	$(31,678)	$(90,974)	$(28,820)	$37,149	$(29,586)	$(42,467)	$(31,635)	$(50,969)
Cash provided by (used in) financing activities	$ 1,552	$ 18,540	$ 2,149	$(1,095)	$ 920	$ 9,431	$ 2,433	$ 45,456
Weighted average number of common shares outstanding (Basic — in thousands)	84,648	84,791	85,989	86,131	86,220	86,638	97,127	106,127

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars, US GAAP basis)

(Unaudited)

	As at March 31, 2006	As at December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	**$ 75,319**	$ 61,155
Restricted cash	**28,779**	—
Short-term investments	**50,811**	59,827
Metals awaiting settlement	**65,212**	56,304
Income taxes recoverable	**4,434**	7,723
Other taxes recoverable	**12,558**	6,794
Inventories:		
Ore stockpiles	**5,077**	12,831
Concentrates	**2,328**	920
Supplies	**9,768**	10,092
Other current assets	**10,621**	27,689
Total current assets	**264,907**	243,335
Other assets	**3,891**	7,995
Future income and mining tax assets	**54,303**	63,543
Property, plant and mine development	**743,083**	661,196
	$1,066,184	$ 976,069
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term debt	**$ 3,264**	$ —
Accounts payable and accrued liabilities	**24,584**	37,793
Dividends payable	**643**	3,809
Interest payable	**—**	2,243
Total current liabilities	**28,491**	43,845
Fair value of derivative financial instruments	**12,127**	9,699
Long-term debt (note 4)	**—**	131,056
Reclamation provision and other liabilities	**16,369**	16,220
Future income and mining tax liabilities	**123,459**	120,182
Shareholders' equity		
Common shares		
Authorized — unlimited		
Issued — 111,424,876 (December 31, 2005 — 97,836,954) (note 5)	**973,116**	764,659
Stock options	**4,243**	2,869
Warrants	**15,732**	15,732
Contributed surplus	**7,181**	7,181
Deficit	**(107,344)**	(138,697)
Accumulated other comprehensive income (loss)	**(7,190)**	3,323
Total shareholders' equity	**885,738**	655,067
	$1,066,184	$ 976,069

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Three months ended March 31, 2006	2005
REVENUES		
Revenues from mining operations	**$ 90,581**	$61,766
Interest and sundry income	**1,480**	1,229
Gain on sale of available-for-sale securities (note 8)	**21,574**	—
	113,635	62,995
COSTS AND EXPENSES		
Production	**33,187**	30,973
Loss on derivative financial instruments	**7,431**	4,020
Exploration and corporate development	**5,517**	2,763
Equity loss in junior exploration companies	**84**	1,134
Amortization	**5,997**	7,211
General and administrative	**5,544**	3,749
Provincial capital tax	**553**	599
Interest	**1,357**	2,552
Foreign currency loss (gain)	**1,868**	(384)
Income before income, mining and federal capital taxes	**52,097**	10,378
Federal capital tax	**204**	248
Income and mining tax expense (recovery)	**14,703**	(319)
Net income for the period	**$ 37,190**	$10,449
Net income per share — basic	**$ 0.35**	$ 0.12
Net income per share — diluted	**$ 0.34**	$ 0.12
Weighted average number of shares outstanding (in thousands)		
Basic	**106,127**	86,131
Diluted	**108,598**	86,545
Comprehensive income:		
Net income for the period	**$ 37,190**	$10,449
Other comprehensive income (loss):		
Unrealized gain on hedging activities	**—**	93
Unrealized gain (loss) on available-for-sale securities	**2,143**	(154)
Cumulative translation adjustments	**—**	(696)
Adjustments for derivative instruments maturing during the period	**(544)**	(19)
Adjustments for realized gains on available-for-sale securities due to dispositions during the period	**(12,027)**	—
Tax effect of other comprehensive income items	**(85)**	—
Other comprehensive loss for the period	**(10,513)**	(776)
Total comprehensive income for the period	**$ 26,677**	$ 9,673

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Deficit		
Balance, beginning of period	**$(138,697)**	$(172,756)
Stockpile inventory adjustment, net of tax (note 3)	**(5,837)**	—
Net income for the period	**37,190**	10,449
Balance, end of period	**$(107,344)**	$(162,307)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**$ 3,323**	$ (1,100)
Other comprehensive loss for the period	**(10,513)**	(776)
Balance, end of period	**$ (7,190)**	$ (1,876)

See accompanying notes

AGNICO-EAGLE MINES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Operating activities		
Net income for the period	**$ 37,190**	$ 10,449
Add (deduct) items not affecting cash:		
Amortization	**5,997**	7,211
Future income and mining taxes	**11,702**	(319)
Unrealized loss on derivative contracts	**6,683**	3,439
Gain on sale of securities	**(21,574)**	—
Amortization of deferred costs and other	**1,854**	2,681
Changes in non-cash working capital balances		
Metals awaiting settlement	**(8,908)**	1,753
Income taxes recoverable	**3,289**	2,951
Other taxes recoverable	**3,986**	74
Inventories	**(2,151)**	1,703
Prepaid expenses and other	**(2,905)**	263
Accounts payable and accrued liabilities	**(13,209)**	(483)
Interest payable	**(2,243)**	(1,617)
Cash provided by operating activities	**19,711**	28,105
Investing activities		
Additions to mining properties	**(20,975)**	(15,182)
Acquisition of Pinos Altos property	**(32,500)**	—
Recoverable Value Added Tax on acquisition of Pinos Altos property	**(9,750)**	—
Decrease in short-term investments	**9,016**	49,581
Proceeds on sale of securities and other	**32,019**	(722)
Decrease (increase) in restricted cash	**(28,779)**	3,472
Cash provided by (used) in investing activities	**(50,969)**	37,149
Financing activities		
Dividends paid	**(3,166)**	(2,542)
Short-term debt	**3,264**	—
Common shares issued	**45,358**	1,447
Cash provided by (used in) financing activities	**45,456**	(1,095)
Effect of exchange rate changes on cash and cash equivalents	**(34)**	(6)
Net increase in cash and cash equivalents during the period	**14,164**	64,153
Cash and cash equivalents, beginning of period	**61,155**	33,005
Cash and cash equivalents, end of period	**$ 75,319**	$ 97,158
Other operating cash flow information:		
Interest paid during the period	**$ 4,681**	$ 3,824
Income, mining and capital taxes paid (recovered) during the period	**$ 484**	$ (2,527)

See accompanying notes

1. BASIS OF PRESENTATION

Agnico-Eagle Mines Limited's ("Agnico-Eagle" or the "Company") primary basis of financial reporting is United States generally accepted accounting principles ("US GAAP").

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with US GAAP in US dollars. They do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments necessary to present fairly the financial position as at March 31, 2006 and the results of operations and cash flows for the three months ended March 31, 2006 and 2005.

Operating results for the three-month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2006. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the fiscal 2005 annual consolidated financial statements, including the accounting policies and notes thereto, included in the Annual Report and Annual Information Form/Form 20-F for the year ended December 31, 2005.

2. USE OF ESTIMATES

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates used in the preparation of the interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

3. ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2005 audited consolidated annual financial statements except for the application of the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 04-6 ("EITF 04-6") and FAS 123 — revised 2004 ("FAS 123R"), "*Share-Based Payment*".

In the mining industry, companies may be required to remove overburden and other mine waste materials to access mineral deposits. During the development of a mine (before production begins), it is generally accepted practice that such costs are capitalized as part of the depreciable cost of building, developing and constructing the mine. The capitalized costs are typically amortized over the productive life of the mine using the units-of-production method. A mining company may continue to remove overburden and waste materials, and therefore incur deferred costs, during the production phase of the mine.

In March 2005, FASB ratified EITF 04-6 which addresses the accounting for deferred costs incurred during the production phase of a mine and refers to these costs as variable production costs that should be included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory. As a result, capitalization of costs is appropriate only to the extent product inventory exists at the end of a reporting period. Agnico-Eagle adopted the provisions of EITF 04-6 on January 1, 2006. The impact of adoption was to decrease ore stockpile inventory by $8.4 million, and increase future income and mining tax assets by $2.6 million. Adoption of EITF 04-6 had no impact on the Company's cash position.

In December 2004, the FASB enacted FAS 123R 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 and comprehensive income. The Company was required to adopt FAS 123R in the first quarter of 2006. There was no impact on the Company's financial statements based on the adoption of the new requirements under FAS 123R.

4. LONG-TERM DEBT

During the first quarter of 2006, the Company extinguished the remainder of its Convertible Debentures. Between January 1, 2006 and February 15, 2006, holders representing $131.8 million aggregate principal amount converted their debentures into 9,413,189 common shares. On February 15, 2006, the Company redeemed the remaining $1.1 million aggregate principal amount, at par plus accrued interest, by exercising its redemption option and delivering 70,520 freely tradeable common shares.

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

5. CAPITAL STOCK

For the three months ended March 31, 2006, the Company's warrants were dilutive. For the three months ended March 31, 2005, the Company's warrants were anti-dilutive and thus were excluded from the calculation of diluted net income per share.

The following table presents the maximum number of common shares that would be outstanding if all instruments outstanding at March 31, 2006 were exercised:

Common shares outstanding at March 31, 2006	111,424,876
Employees' stock options	3,375,515
Warrants	6,900,000
	121,700,391

During the three-month period ended March 31, 2006, 769,110 (2005 — 49,750) employee stock options were exercised for cash of $11.3 million (2005 — $0.5 million) and 1,080,000 (2005 — 770,500) options were granted with a weighted average exercise price of C$23.60 (2005 — C$16.87).

During the first quarter of 2006, the Company closed two private placements from treasury for a total of 1,226,000 flow-through shares and total proceeds of $35 million. The funds were raised in three traunches during February and March 2006. Under the terms of the private placements, the Company will renounce an equivalent amount of tax deductions from its exploration program expenditures to the investors. There were no flow-through shares issued during the first three months ended March 31, 2005.

The following table illustrates the changes in share capital for the period ended March 31, 2006.

	Shares	Amount
Beginning Balance	97,836,954	$764,659
Shares issued under Employee Stock Option Plan	769,110	12,364
Shares issued under Incentive Share Purchase Plan	40,447	1,149
Shares issued on redemption of Convertible Debentures (note 4)	9,483,709	130,367
Shares issued under flow-through share private placement	1,226,000	30,245
Shares issued under Dividend Reinvestment Plan	5,003	22
Shares issued for acquisition (note 9)	2,063,653	34,310
	111,424,876	$973,116

6. STOCK-BASED COMPENSATION

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

	Three months ended March 31, 2006	
	Options	Weighted average exercise price
Outstanding, beginning of period	3,071,625	C$15.78
Granted	1,080,000	C$23.60
Exercised	(769,110)	C$17.01
Cancelled	(7,000)	C$18.40
Outstanding, end of period	3,375,515	C$18.01
Options exercisable at end of period	1,869,196	C$16.07

7. FINANCIAL INSTRUMENTS

As at March 31, 2006, Agnico-Eagle had the following byproduct metal contracts:

	Expected Maturity 2006
Zinc	
Forwards	
Pounds (000s)	9,000
Average price ($/tonne)	$1,235

At March 31, 2006, the aggregate net market value of Agnico-Eagle's metals derivative position amounted to $(12.1) million. Since the Company uses only over-the-counter instruments, the fair value of individual hedging instruments is based on readily available market values.

8. GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES

During the first quarter of 2006, the Company liquidated a substantial portion of its portfolio of available-for-sale securities which resulted in proceeds of $32.2 million and a gain before taxes of $21.6 million.

9. ACQUISITION

Pinos Altos Project

In March 2005, the Company entered into an agreement with Industrias Peñoles S.A. de C.V. ("Peñoles") to acquire the Pinos Altos project in Chihuahua, Mexico. The Pinos Altos project is located in the Sierra Madre gold belt, 225 kilometres west of Chihuahua City, the state capital.

Under the terms of the agreement, Agnico-Eagle had the option to purchase the Pinos Altos project for cash and share consideration. On March 15, 2006 Agnico-Eagle paid Peñoles, $32.5 million in cash and 2,063,653 common shares to close the agreement and obtain 100% ownership of the Pinos Altos project. In addition, the Company incurred $0.2 million in transaction costs associated with the property acquisition.

The allocation of the total purchase price to the fair values of assets acquired is set forth in the table below:

Total Purchase Price:	
Purchase price	$66,809
Transaction costs	167
Total Purchase price to allocate	$66,976
Fair Value of Assets Acquired:	
Pinos Altos mining property	$66,976

10. COMPARATIVE FIGURES

Certain items in the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 consolidated financial statements.

AGNICO-EAGLE
MINES LIMITED

QUEBECOR MERRILL
CANADA INC
Printed In Canada