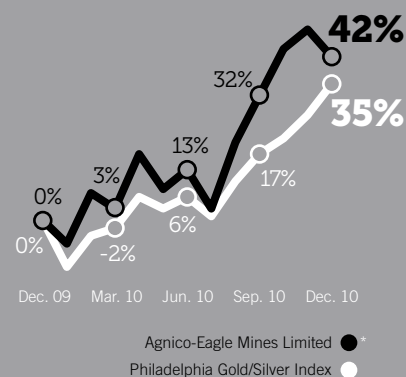


GOOD

INVESTMENT

AGNICO-EAGLE MINES LIMITED (AEM) IS THE GOLD STOCK OF CHOICE FOR INVESTORS INTERESTED IN STRONG SHARE PERFORMANCE AND EXCEPTIONAL GROWTH. WE OWN SIX HIGHLY PROFITABLE GOLD MINES THAT HAVE THE POTENTIAL TO GROW, AND WE HAVE A LONG-TERM CONSISTENT STRATEGY FOCUSED ON INCREASING SHAREHOLDERS' EXPOSURE TO GOLD ON A PER-SHARE BASIS. OUR CONSERVATIVE STRATEGY HAS SERVED OUR SHAREHOLDERS WELL WITH A 42% SHARE PRICE INCREASE IN 2010 AND 288% OVER THE PAST FIVE YEARS. AGNICO-EAGLE MINES REMAINS A WELL-RUN AND WELL-MANAGED COMPANY.

2010 Financial Highlights



*share price performance on the NYSE

All dollar amounts in this report are in US\$ unless otherwise indicated

	2010	2009	2008
OPERATING			
Gold production (ounces)	987,609	492,972	276,762
Total cash costs per ounce	\$ 451	\$ 346	\$ 162
Average realized gold price	\$ 1,250	\$ 1,024	\$ 879

FINANCIAL

(millions except per share amounts)

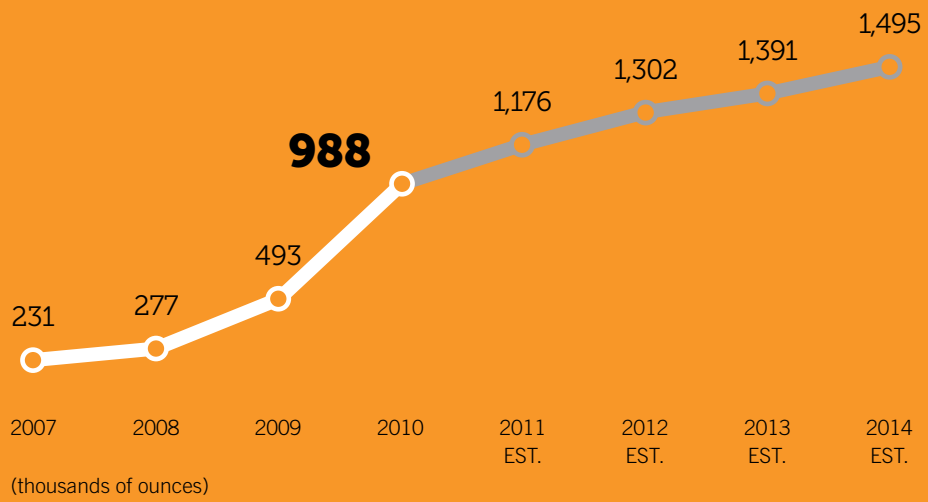
Revenue	\$ 1,422.5	\$ 613.8	\$ 368.9
Net income	332.1	86.5	73.2
Net income per share	2.05	0.55	0.51
Dividends per share*	\$ 0.18	\$ 0.18	\$ 0.18

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

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

*In December 2010, the Company announced that a 2011 dividend of \$0.64 per share will be declared and paid quarterly in the amount of \$0.16 per share.

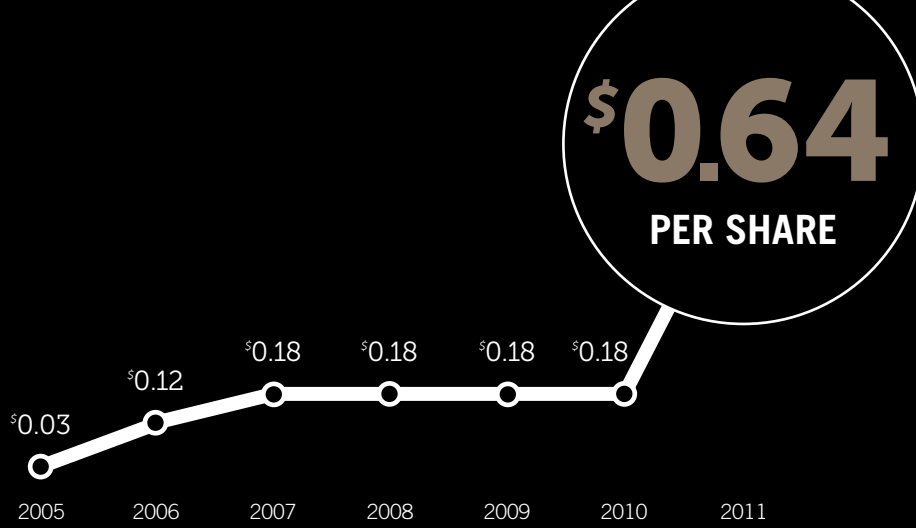
987,



609

*OUNCES
OF GOLD
PRODUCED*

**GOLD PRODUCTION ROSE BY
100% OVER 2009 AS THE
FIFTH OF FIVE NEW MINES
CAME ON LINE.**



**WE ANNOUNCED A 256%
DIVIDEND INCREASE FOR
2011 AND AIM TO RAISE THE
DIVIDEND EVEN FURTHER
IN COMING YEARS.**

29

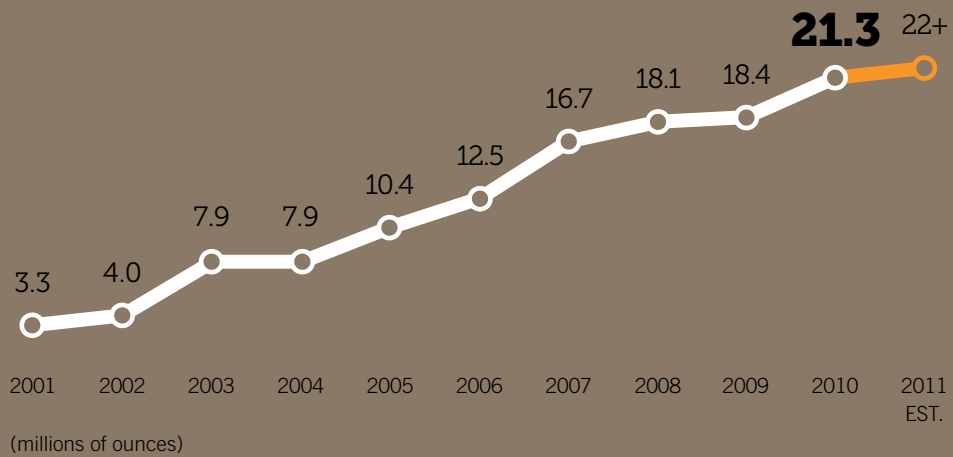
*CONSECUTIVE YEARS
DECLARING A CASH DIVIDEND*

21,29

**GOLD RESERVES ROSE 16%
OVER 2009 TO A RECORD
LEVEL, SIGNIFICANTLY
ENHANCING SHAREHOLDERS'
EXPOSURE TO GOLD.**

9,332

OUNCES OF GOLD RESERVES



Letter to Shareholders

SEAN BOYD
Vice-Chairman and
Chief Executive Officer



In its 54 years of operating history, Agnico-Eagle has distinguished itself as a good business. Our company is defined by its consistent management and focus, its disciplined strategy and its emphasis on per-share returns. Because of our per-share approach, we have made investing in gold far more lucrative than many other investment options.

For many years, Agnico-Eagle has followed a low-risk strategy for strengthening its gold mining business and creating shareholder value. This strategy was no different in 2010. Not only did we successfully transform our business in a way that produced significantly more gold and generated record cash flow; we also built a strong platform for future growth – in production, reserves, earnings, cash flow and dividends, each on a per-share basis.

PRODUCE MORE GOLD

Our transformation from a single mine to a multi-mine gold producer was completed in 2010. The opening of Meadowbank was the fifth of five mines built since 2008.

With six mines producing gold, we achieved record production of 987,609 ounces, helping to push net earnings to a record \$332 million. What's even more exciting for us is that there is significant potential for additional production growth from our existing assets, with an expected 50% increase from 2010 to 2014. We have two expansion projects scheduled to commence production in 2011:

Pinos Altos – Early in the year, commercial production is scheduled to be achieved at the Creston Mascota operation at Pinos Altos. It is expected to add approximately 50,000 ounces of gold annually for at least five years.

LaRonde – Late in 2011, the deep extension of the LaRonde mine is planned to be completed. Once full production levels are reached in 2014, LaRonde is expected to produce approximately 356,000 ounces of gold annually through to 2023.

We also have studies underway at Kittila and Pinos Altos to increase production rates. Reflecting the continued growth of the reserve base at Kittila, we are assessing the economic feasibility of increasing annual gold production by at least 50% through a mill expansion and the sinking of a mine shaft. At Pinos Altos, we are looking to increase the mill throughput by accelerating development and expanding our underground mining operation.

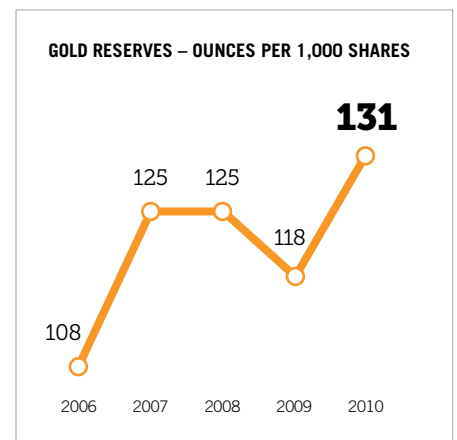
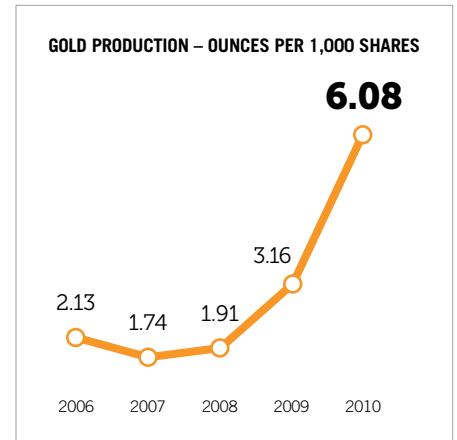
With the addition of the Meliadine project in Nunavut, we are well positioned to strengthen our production profile even further. With its significant reserves and resources, Meliadine has the potential to become our largest mine.

GROW GOLD RESERVES

Gold reserves grew by an impressive 16% over 2009 levels to 21.3 million ounces. Our deposits also contain 6.4 million ounces of indicated gold resources and 9.8 million ounces of inferred resources. Agnico-Eagle is uniquely positioned to have up to five deposits, each with at least 5.0 million ounces of gold reserves.

With our new mines giving us improved access to drill, we spent a record \$105 million on exploration in 2010 – one of the highest levels per ounce of production in the gold mining industry. Our 2011 exploration budget will increase to \$145 million and will include approximately 400 kilometres of planned drilling focused on resource conversion and testing open areas adjacent to our new mines.

The increase in gold reserves in 2010 was primarily due to the conversion of 2.6 million ounces of resources to reserves at the new Meliadine project, and to the addition of 0.9 million ounces of reserves at Kittila. Kittila now has the highest level of gold reserves of any of our properties. Given the enormous potential of these two deposits and the size of the 2011 drilling programs, we anticipate positive updates to our gold reserves and resources at both Meliadine and Kittila during the year.



ACQUIRE SMALL, THINK BIG

We take a conservative approach to acquisitions, seeking out early-stage opportunities in regions of low political risk that are well matched to our skills and that can significantly strengthen the business. There's no denying the success we have had. In five years, from 2005 to 2010, we paid a total of \$1.5 billion for the Kittila, Pinos Altos, Meadowbank and Meliadine acquisitions, from which we gained three new mines and one development project, collectively containing over 14 million ounces in gold reserves, along with several million ounces of gold in the resource category. More importantly, all of these gold deposits are open for further expansion.

In 2010, we acquired a 100% interest in the advanced-stage Meliadine gold project, located approximately 300 kilometres southeast of the Meadowbank mine. The large, high-grade Meliadine property is a good fit with our growing Arctic skill set. We are currently accelerating an exploration program focused on expanding the resource and then converting it into reserves over the next two years.

CORPORATE STRATEGY

Increase gold production

Targeting an 18% increase in gold production in 2011 and 1.5 million ounces by 2014

Grow gold reserves

Targeting more than 22 million ounces at year-end 2011

Acquire small, think big

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

Be a low-cost leader

Projecting total cash costs to average \$420 to \$470 per ounce in 2011

Maintain a solid financial profile

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

BE A LOW-COST LEADER

Low-cost production is a competitive advantage that positions Agnico-Eagle to deliver value at every stage of the gold cycle. Our 2010 total cash costs per ounce of gold produced were \$451, remaining below the industry average. As we optimize our newly built mines, we expect to maintain cash costs near levels achieved in 2010 for the next two to three years, despite the input cost pressures being experienced industry-wide.

MAINTAIN A SOLID FINANCIAL PROFILE

A strong balance sheet and growing cash flow give us the financial resources to fund our expansion projects and invest in other growth and exploration initiatives. The Company ended the year in a strong financial position. Agnico-Eagle generated record cash provided by operating activities of \$484 million, up 320% from 2009. At December 31, 2010, we had \$105 million in cash and cash equivalents, and available bank lines of approximately \$1.1 billion.

MAINTAIN THE MOMENTUM

Agnico-Eagle is in a strong position heading into 2011. The foundation for increasing low-cost gold production has been set, and is expected to drive improved earnings and cash flow per share. It has also enabled us to announce a 256% increase to our longstanding dividend. At \$0.64 per share in 2011, this is the highest dividend among our North American gold peers. We expect to continue to increase our dividend as we grow gold output over the next few years.

With the addition of Meliadine and the exploration upside of our existing mines, the potential to add meaningful value through exploration success is excellent. We also continue to look for early-stage acquisition opportunities, and have the financial capacity to act quickly if the right opportunity comes along.

Additionally, the outlook for gold works in our favour. Simply put, gold has re-established itself as a monetary asset. This is driving increased investment demand and, for the first time in decades, net buying of gold from the world's central banks. We expect these trends to gain momentum, creating an environment that is very positive for the gold price.

Finally, we have the people and the relationships with our local communities that have enabled us to flourish – to have built five mines in a short period of time is an accomplishment in its own right. I am truly grateful to all of our employees for their hard work and commitment to building a great company. To run a good business, you need good people. It's clear to me that we have the very best people, and they will continue to drive Agnico-Eagle's success.

Sincerely,



Sean Boyd

Vice-Chairman and Chief Executive Officer

March 18, 2011

OPERATING EXCELLENCE

\$483.5
MILLION

**PROPELLED BY THE STRONG
GROWTH IN PRODUCTION,
CASH PROVIDED BY OPERATING
ACTIVITIES ROSE 320% YEAR
OVER YEAR.**

People

It takes good people to run a good business. As AEM grows, we rely on the talent and efforts of our employees to achieve our goals. In return, we treat them well, recognize their contributions and support them in their career aspirations.

The number of employees and contractors at AEM locations worldwide grew to just under 5,000 in 2010. The phenomenal growth of our business has shaped many of our people practices in the past few years.

We have hired hundreds of new people. As important as it is to us that they have the education, skills and experience to do the job well, we also want to make sure that they fit well with our team and our culture.

Where we can, we hire locally – enabling the community to benefit from our operations as well. Today, 99% of our Pinos Altos and Kittila workforces come from Mexico and Finland respectively. At Meadowbank, the local Inuit communities have provided approximately 40% of the workforce and this number is expected to grow over time.



ABOVE LEFT TO RIGHT:

Underground miner, Pinos Altos,
Chihuahua State, Mexico

Maintenance welders,
Meadowbank, Nunavut, Canada

Employees at the Abitibi mines (LaRonde, Goldex and Lapa) are predominantly from the local region, and many have been with the Company for decades. The commissioning of the new mines provided opportunities for them to share their technical knowledge through temporary or permanent assignments at our other mines and projects – and we encouraged and facilitated this process.

In the spirit of the Company's founder, Paul Penna, AEM encourages all of its employees to actively support the communities in which they all live and work. Each year, AEM recognizes the extraordinary achievements of an AEM employee or a group of employees for their volunteer work with respect to community involvement and the social, economic and human impact of these activities. As part of the recognition, AEM makes a donation of C\$5,000 on behalf of the recipient to the community initiative embraced by the winner of the award or to a charitable organization chosen by them.

Process

Mine building is challenging work. Despite all the testing and planning that go into it, there are always unknowns in dealing with an orebody. Start-up of a new mine is the ultimate test of performance. AEM has built five new mines in five years. We have enhanced our ability to solve problems and overcome challenges.

To begin, AEM mitigates the risks of mine building by acquiring projects that are well matched to our technical skills and experience, and located in pro-mining jurisdictions. For example, part of the attraction of the Kittila property in Finland (acquired in 2005) was that the climate, topography and geology were similar to our base in the Abitibi region of Quebec. We knew we could handle the technical challenges. We also ensure that we have the financial capacity to fund the project development, and that we have good relations with the local government and community.

10.2
MILLION TONNES
OF ORE MILLED



ABOVE RIGHT:

Haul truck,
Meadowbank, Nunavut, Canada

Once a new mine moves into the commissioning and optimization phases, performance is monitored at every stage. When specific issues arise, our senior operating group takes a hands-on approach, ensuring that the appropriate technical expertise and financial resources are assigned to the optimization effort. Whether it is a team of local employees or people from our other locations dedicated to the task, we have learned to leverage our vast project development experience to solve each new challenge.

In 2010, our teams developed a breakthrough solution for resolving the recovery issues at the Kittila mill and successfully stabilized the operation by year-end. When crushing issues were encountered at Meadowbank, they leveraged the experience gained during the Goldex start-up to devise a solution. As a result, the construction and installation of a permanent secondary crushing unit is underway.

Operations



- LaRonde **28%**
- Meadowbank **22%**
- Goldex **16%**
- Pinos Altos **12%**
- Lapa **11%**
- Kittila **11%**

1 LaRONDE
QUEBEC, CANADA

Flagship mine is a consistent engine of earnings and cash flow

2 GOLDEX
QUEBEC, CANADA

Strong free cash flow generator

3 LAPA
QUEBEC, CANADA

AEM's smallest but highest-grade mine

4 KITTILA
KITTILA, LAPLAND, FINLAND

Highest level of gold reserves of all our properties

5 PINOS ALTOS
CHIHUAHUA, MEXICO

Expansive gold and silver reserve over a large property position

6 MEADOWBANK
NUNAVUT, CANADA

Our largest mine poured its first gold on February 27, 2010

4.8

**MILLION OUNCES OF
GOLD IN RESERVES**



RIGHT:

Aerial view of the LaRonde mine,
Quebec, Canada

LaRONDE

Since 1988, LaRonde has been our flagship operation, producing more than 4 million ounces of gold as well as valuable byproducts. The mine still has 4.8 million ounces of gold in proven and probable reserves – among the largest gold reserves at an operating mine in Canada – and the deposit remains open.

LaRonde is one of a chain of mine operations and extensive exploration properties that AEM owns in the Abitibi region of Northwestern Quebec. The deposit is within a major deformation zone that has been and continues to be a prolific gold producing belt.

Access to the underground mining operation is through the 2.2-kilometre-deep Penna Shaft, believed to be the deepest single-lift shaft in the Western Hemisphere.

In 2006, we began construction of a deep extension of the mine to access higher-grade ore to a depth of about 3.1 kilometres and to extend the life of the operation. Gold grades at LaRonde are expected to decline until late 2011 when we can access the deeper, richer ores. Development of the extension remains on time and on budget, with full production levels expected to be reached in 2014.

The 7,200-tonne-per-day mine and plant are expected to produce 157,000 ounces of gold in 2011 and average approximately 324,000 ounces of gold annually throughout the life of the mine (through to 2023).

GOLDEX

The Goldex mine is one of several operations that we own in the Abitibi region of Quebec. The mine has 1.6 million ounces of gold in reserves, with good upside potential.

The mine and processing plant are located in Val-d'Or, Quebec, some 60 kilometres east of the LaRonde mine. This proximity allows for operating synergies between the two sites, helping to make Goldex one of our lowest-cost producers. In fact, we believe that Goldex is one of the lowest-cost hard rock underground mines in the world on a minesite cost-per-tonne basis.



ABOVE LEFT TO RIGHT:

Aerial view of the Goldex mine,
Quebec, Canada

The crusher room,
Goldex, Quebec, Canada

Commercial production was achieved in 2008. Following an expansion in 2010, Goldex now mines and processes about 8,000 tonnes of ore per day. The mine is expected to produce about 184,000 ounces of gold in 2011, and to average about 164,000 ounces of gold annually throughout the life of the mine (through to 2018).

**EXPECTED LOW
CASH COSTS OF
\$344
PER OUNCE**

LAPA

Lapa is our highest-grade mine, with gold grades more than twice as rich as the Company's average. Lapa has approximately 700,000 ounces of gold in reserves.

The mine is located in the Abitibi region, 11 kilometres east of the LaRonde mine. The ore is trucked to a dedicated milling circuit at LaRonde for processing, enabling us to leverage the LaRonde infrastructure and minimize our footprint at Lapa. To further minimize any effect on the environment, all waste rock brought to the surface is stockpiled and returned underground as backfill.

Gold was first poured at Lapa in 2009. Since then, the mine has demonstrated good tonnage and cost performance. Payable production in 2011 is expected to be approximately 125,000 ounces of gold. Life-of-mine production is estimated to average 119,000 ounces annually through to 2014.

Exploration drilling from underground drifts to the east will begin in 2011, and results will be used in investigating the possibility of extending the mine life.

GOLD GRADES OF
7.4
GRAMS PER TONNE



RIGHT:

Aerial view of the Lapa mine,
Quebec, Canada

**ABOVE:**

Above-ground infrastructure,
Kittila, Finland

KITTILA

Kittila mines one of the largest known gold deposits in Europe, with reserves containing nearly 5 million ounces.

The mine is located in the Lapland region of northern Finland, approximately 900 kilometres north of Helsinki and 150 kilometres north of the Arctic Circle. The region includes an international airport and a popular ski resort.

Open pit mining began in 2008 from the Suuri pit and will move on to the Roura pit. This surface mining will last for about five years. Underground mining to extract the deeper ore began in 2010.

Kittila poured its first gold on January 14, 2009, and achieved commercial production four months later. Optimization efforts throughout 2009 and 2010 were successful in stabilizing the operations by year-end. The 3,000-tonne-per-day operation is expected to pour about 150,000 ounces of gold in 2011, and average 146,000 ounces of gold annually throughout the life of the mine (through to 2032 at current rates).

The continued growth of the orebody has led to a feasibility study that is evaluating the potential for an expansion of at least 50% in throughput (to at least 4,500 tonnes per day). Production at the higher rate is expected to commence as early as the second half of 2014.

ALMOST**5****MILLION OUNCES OF
GOLD IN RESERVES**

PINOS ALTOS

Our Pinos Altos mine has reserves containing almost 3.3 million ounces of gold and 92 million ounces of silver including the Creston Mascota deposit.

Pinos Altos is located in the prolific Sierra Madre gold and silver belt of Chihuahua State in northern Mexico, where we have an extensive land position measuring 110 square kilometres. Since 2007, our exploration team has succeeded in more than doubling the tonnage of reserves, net of depletion.

Pre-stripping and mining at Pinos Altos began in 2008 from the Santo Niño pit. An underground mine beneath this pit began production in 2010.

The first Pinos Altos gold was poured in 2009. Higher mill throughput has been achieved in each consecutive quarter since start-up. The mine is expected to produce 199,000 ounces of gold and 2.2 million ounces of silver in 2011. Life-of-mine production is expected to average 187,000 ounces of gold annually through to 2026, including Creston Mascota.

92

MILLION OUNCES OF SILVER IN RESERVES



RIGHT:

Creston Mascota leach pads, Pinos Altos, Chihuahua State, Mexico

We are evaluating alternatives for increasing the underground mine capacity through either an additional production ramp or a production shaft. The study is expected to be completed near the end of 2011.

**ABOVE**

Ore storage and power plant,
Meadowbank, Nunavut, Canada

MEADOWBANK

The Meadowbank mine in the Nunavut Territory of Canada has almost 3.5 million ounces of gold in reserves, with exploration upside.

Meadowbank achieved commercial production in March 2010, and is already our largest gold mine, producing 265,659 ounces of gold in its first year. It is also the first gold mine in the history of Nunavut and was celebrated by the whole community at a special grand opening ceremony in June.

The mine is located in the Kivalliq region of Nunavut, 300 kilometres west of Hudson Bay and 70 kilometres north of Baker Lake, the nearest town. We have a large land position of almost 39,000 hectares.

Mine commissioning and first gold production from the Portage open pit began in early 2010. The mine is budgeted to produce 362,000 ounces of gold in 2011 and an average of 297,000 ounces of gold per year throughout the life of the mine (through to 2020).

266

**THOUSAND
OUNCES OF GOLD
PRODUCED IN 2010**

INVESTING IN OUR FUTURE

**\$105
MILLION**

**SPENT ON EXPLORATION
IN 2010. MORE THAN MOST
OF OUR PEERS ON A PER OUNCE
OF GOLD PRODUCTION BASIS.**

Exploration

Exploration success in 2010 enabled us to continue our track record of increasing shareholders' exposure to gold. At year-end 2010, AEM's proven and probable gold reserves totalled 21.3 million ounces, net of depletion, a 16% increase over 2009 levels.

The largest increase (2.6 million ounces) came from the conversion of resources to reserves at our new Meliadine project in Nunavut. After the July 2010 acquisition of Meliadine, we spent \$10 million on resource conversion and resource exploration drilling near the current deposits and regionally.

Another large contributor to the reserve increase was Kittila, where approximately 0.9 million ounces of reserves were added, net of depletion. At 4.9 million ounces, Kittila now has the highest level of gold reserves at any of our properties.

AEM's indicated mineral resources at year-end 2010 increased marginally over 2009 levels, largely due to the addition of indicated mineral resource at the Meliadine property. Inferred resources increased significantly, with the largest contributions coming from Meliadine and from the Bousquet property near LaRonde.

HIGHLIGHTS OF OUR 2010 EXPLORATION PROGRAM INCLUDED THE FOLLOWING:

Meliadine

A new gold zone was discovered at nearby Wesmeg. New gold mineralization was discovered at the Tiriganiaq zone at shallow depths, and extended at depth to the west.

Kittila

Exploration advanced gold mineralization 400 metres northward at depth in the Roura Central zone. The deepest gold mineralization yet was discovered at more than 1.4 kilometres below surface.

Goldex

Exploration beneath the Goldex mine confirmed continuity of the large D zone, suggesting a significant extension of the life of the mine. The style of mineralization, deposit size and grade are similar to the GEZ zone that is currently being mined.

Ellison

Deep drilling at the Ellison property (near LaRonde) returned significant high-grade intercepts, confirming that the mineralization is likely an extension of IAMGOLD Corporation's Westwood deposit.

In 2011, we are increasing our exploration budget by 38% to a record \$145 million. The program is expected to include more than 410 kilometres of planned drilling to expand resources and convert our large gold resource to reserves. We are targeting more than 22 million ounces of gold in reserves at year-end.

Major programs are planned at the following locations:

Meliadine (\$65 million) – 90,000 metres of diamond drilling, an underground bulk sample, new permanent accommodations at the exploration camp and infrastructure upgrades.

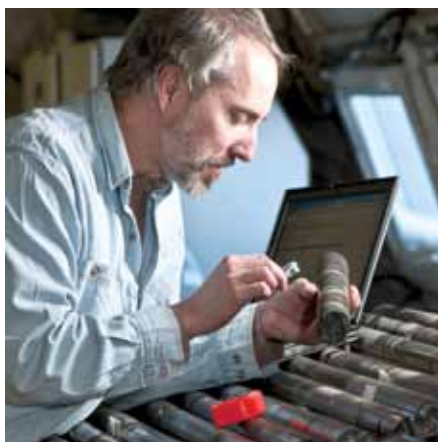
Kittila (\$16 million) – 56,200 metres of exploration and conversion drilling, and construction of an exploration ramp to accelerate the definition of resources and facilitate additional exploration at depth.

Goldex (\$6 million) – 58,200 metres of diamond drilling will principally target resource expansion for the D zone. Pending the results of a planned mining study in 2011, a reserve conversion program will also be considered.

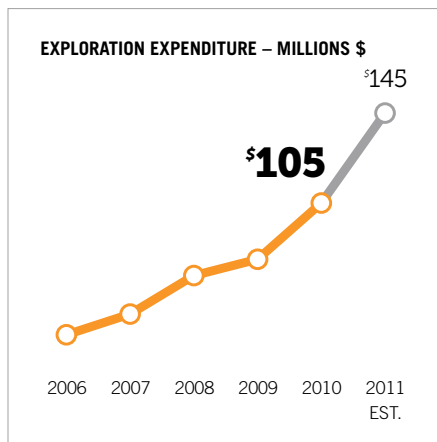
LaRonde/Bousquet/Ellison (\$9 million) – 42,050 metres of drilling, which includes a follow-up exploration program for Ellison.

Pinos Altos (\$9 million) – 33,800 metres of drilling including minesite (reserve conversion) and regional (resource expansion) drilling, and an underground exploration program and scoping study for the Cubiro zone.

Meadowbank (\$11 million) – 32,000 metres of conversion and exploration drilling targeting extension of the vault deposit and underground potential beneath Goose South.



RIGHT:
Logging core samples,
Meliadine, Nunavut, Canada



RESERVE SUMMARY

GOLD RESERVES BY MINE

(thousands of ounces)

	2010	2009
PROVEN AND PROBABLE RESERVES		
LaRonde	4,818	4,849
Goldex	1,566	1,630
Lapa	677	843
Kittila	4,880	4,025
Pinos Altos	3,271	3,396
Meadowbank	3,486	3,655
Meliadine	2,600	—
Total	21,299	18,398

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

AEM's byproduct proven and probable reserves include approximately 124 million ounces of silver, 404,000 tonnes of zinc and 95,000 tonnes of copper.

The byproduct reserves and resources for silver, zinc, copper and lead contained in the LaRonde orebody, and the silver reserves contained at Pinos Altos, are also presented on our website. These byproduct reserves are not included in AEM's gold reserve and resource totals.

The metals prices and exchange rates used in the reserve and resource calculation are the trailing three-year averages for such prices or rates, as mandated by the U.S. Securities and Exchange Commission (the SEC). The assumptions used in calculating the 2010 reserves and resources were \$1,024 per ounce gold, \$16.62 per ounce silver, \$0.86 per pound zinc, \$2.97 per pound copper, \$0.90 per pound lead, a C\$/US\$ exchange rate of 1.08, a US\$/Euro exchange rate of 1.40, and a Mexican Peso/US\$ exchange rate of 12.43. For a 10% change in the gold price (leaving all other assumptions unchanged), there would be an estimated 3% change in proven and probable reserves.

CORPORATE RESPONSIBILITY

5,000
PEOPLE

**AT AEM, WE ARE PROUD
OF THE DIVERSITY OF OUR
WORKFORCE, AND CONSIDER
IT TO BE AN ASSET.**

Community and Environmental Stewardship

We will have achieved our company's goals if we can create value for shareholders, provide opportunities for employees, and make our host communities better places to live and work.

In 2010, AEM once again demonstrated its strong commitment to corporate responsibility by operating safely, protecting the environment and treating people and communities well. Following are some of our stories from the past year. For more information, please see our 2010 Corporate Social Responsibility Report.

PROMOTING NEW OPPORTUNITIES

At the Meadowbank mine, the Company has created a great number of direct and indirect opportunities for the local population, including:

- Investing in the training of local employees;
- Teaching non-Inuit employees an understanding of Inuit cultural traditions; and
- Supporting the development of long-term human capital in the area by urging high school students to continue their education and offering university scholarships to students from the region.

At the end of 2010, approximately 40% of our permanent mine workforce at the Meadowbank mine were Inuit from the Kivalliq Region of Nunavut (~200 Inuit employees).



ABOVE LEFT TO RIGHT:

Management team, Pinos Altos, Chihuahua State, Mexico

Pit maintenance crew, Meadowbank, Nunavut, Canada



SAFETY RECOGNITION

Our record of strong safety performance was recognized by several external organizations. The Lapa and Goldex mines both won F.J. O'Connell safety awards, presented by L'Association minière du Québec, for the most noticeable improvements during the year in the field of accident prevention. The Pinos Altos mine was honoured by the Mexican Chamber of Mines (CAMIMEX) with the 2009 Silver Helmet CAMIMEX Safety Award for its improved safety performance. The award is presented to open pit mines with less than 500 workers.

HSE MANAGEMENT SYSTEM

We continued to develop and implement a formal health, safety and environmental (HSE) system at all six of our mining operations. The new system is consistent with the ISO 14001 environmental management system and the OHSAS 18001 health and safety management system. Led by a team of representatives from each site, we have started with the standardization of incident investigation and reporting, document control and legal and permit management modules and will roll out additional modules over the next two years. One of the benefits of the chosen, web-based system is that all of our operating divisions can use it in their host country language and can share information.

ENERGY EFFICIENCY AWARD

LaRonde was presented the Energy Efficiency Award by the Chamber of Commerce of Rouyn-Noranda, Quebec. The award recognizes both the efforts of our LaRonde employees to adopt high energy efficiency standards and AEM's support for this important objective.

LaRonde's energy efficiency committee recommended reductions in the settings for the underground mine air heating system. During the coldest winter months, the system uses natural gas to heat the mine air and ensure that the underground workings do not freeze. By implementing the adjustments, LaRonde was able to lower its natural gas consumption by approximately 1 million cubic metres annually, resulting in cost savings and a significant reduction in greenhouse gas emissions from this source.

4.2

**MILLION KILOWATT
HOURS OF ENERGY
SAVED AT LaRONDE**



ABOVE RIGHT:

Monitoring noise levels,
Goldex, Quebec, Canada

BIODIVERSITY CONSERVATION

At Meadowbank, we take great care to respect the wildlife near our operations. Much of the mine development requires us to build dewatering dikes to isolate mining pits from lakes. Prior to dewatering the Bay Goose area in 2010, we removed 2,139 fish and successfully transferred the majority to the Third Portage Lake. We also came across nesting peregrine falcons in three of our 22 quarries along the road, even though earlier studies suggested that the falcons would not nest there. We have since developed a raptor management plan to ensure that our activities do not affect the falcons.

**ABOVE:**

Community support for local schools,
Pinos Altos, Chihuahua State, Mexico

RESPONDING TO COMMUNITY CONCERNS

In 2010, new noise attenuation structures were designed and installed at LaRonde to reduce the level of noise emitted from the mine's underground ventilation and air heating systems. Corrosion of the noise reduction equipment installed in 2001 had raised the noise levels and disturbed local homeowners and cottagers. In addition to conducting a thorough noise survey, AEM retained a specialist in the field who worked with the Company, local homeowners and the rural municipality to better understand how the noise was affecting residents. This led to the installation of new noise attenuation structures that incorporate enclosures and baffles around the fans. The results have been highly satisfactory.

BUILDING A HEALTHY CULTURE AT KITTILA

At Kittila, we strive to create a welcoming environment for employees and their families. An employee-led recreation committee organized a wide variety of events in 2010 to build company spirit and promote healthy, active lifestyles. Events included an orientation day for employees and their families, as well as ice fishing, golfing, canoeing, hiking and bowling.

COMMUNITY SUPPORT AT PINOS ALTOS

At Pinos Altos, we have developed a proactive community relations program and strive to support the local people in areas of greatest need. For example, in 2010 we initiated the "Quality Education Program" aimed at improving the infrastructure of schools located in those communities near the mine in north-central Mexico. The program focuses on refurbishing classrooms, upgrading sanitary services, as well as donating sports equipment, work material, equipment for school kitchens and construction materials. The overall objective is to motivate students of all ages into continuing their studies all the way through to obtaining a professional career in the future. Some other initiatives include:

- Support for a Community Kitchen that provides meals for children and seniors in need. AEM participated by supplying equipment needed to establish this community kitchen.
- In 2010, AEM provided scholarships for up to 65 local students, donated supplies to local kindergarten and elementary classes, and provided sports equipment to local community schools.
- Pinos Altos employees visited local schools and met with over 730 high school students in the region to raise environmental awareness through educational programs.
- AEM has initiated a program to help support the development of new local business ventures. In 2010, one such venture involved helping a group of local women to create a new sewing business.

MD&A At-a-Glance

DECLARED ANNUAL
DIVIDEND OF

\$0.64

PER COMMON SHARE

IN 2010, AEM
DECLARED ITS 29TH
CONSECUTIVE ANNUAL
CASH DIVIDEND,
AT \$0.64 PER
COMMON SHARE –
A 256% INCREASE.

2010 HIGHLIGHTS

Commercial production achieved at Meadowbank, our largest mine

Record net income of \$332.1 million, up 284% from 2009

Record cash provided by operating activities of \$483.5 million, up 320% from 2009

Record annual gold production of 987,609 ounces, up 100% from 2009

Record proven and probable gold reserves of 21.3 million ounces, up 16% from 2009

Total cash costs per ounce of gold of \$451 are in the lowest half of the gold industry

Completed acquisition of Meliadine project, providing great potential for additional growth

KEY PERFORMANCE DRIVERS

Spot price of gold and byproducts Gold prices continued their upward march as AEM realized a 22% increase in the average realized price of gold to \$1,250 per ounce. AEM also benefitted from continued increases in byproduct prices as its realized prices for silver, zinc and copper were \$22.56 per ounce, \$2,165 per tonne and \$8,182 per tonne respectively. These prices represented increases of 45%, 20% and 33% over 2009.

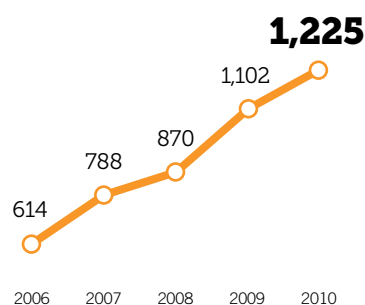
Production volumes Record 987,609 ounces of payable gold production, primarily due to the opening and optimizing of the new mines.

Production costs Total cash costs per ounce of gold of \$451 compared to \$346 in 2009, primarily as a result of four new mines not having the benefit of byproduct production to the same degree as LaRonde.

Good cost control at the steady-state mines of LaRonde, Goldex, Lapa and Pinos Altos, each of which achieved its minesite costs-per-tonne target.

C\$/US\$ exchange rate Partly offsetting the positive impact of higher commodity prices was the 6% strengthening of the Canadian dollar relative to the US dollar, which contributed to higher costs at AEM's Canadian mines.

LONDON GOLD PM FIX
(US\$/ounce) (avg. daily) (source: kitco.com)



AT DECEMBER 31, 2010, AEM HAD \$105 MILLION IN CASH AND CASH EQUIVALENTS, AND AVAILABLE BANK LINES OF APPROXIMATELY \$1.1 BILLION.

PAYABLE GOLD PRODUCTION

(ounces)

TOTAL CASH COSTS

(per ounce of gold)

	2010 (actual)	2011 (estimate)	2010 (actual)	2011 (estimate)
MINE				
Goldex	184,386	183,500	\$ 335	\$ 349
Kittila	126,205	149,700	\$ 657	\$ 548
Lapa	117,456	124,800	\$ 529	\$ 518
LaRonde	162,806	157,200	\$ (7)	\$ 54
Meadowbank	265,659	361,600	\$ 693	\$ 597
Pinos Altos	131,097	199,000	\$ 425	\$ 406
Total	987,609	1,175,800	\$ 451	\$ 439

CAPITAL EXPENDITURES

AEM's gold growth program remains well funded. Capital expenditures, including all costs for construction and development, sustaining capital and capitalized exploration costs, are expected to total approximately \$313 million in 2011.

METALS PRODUCTION OUTLOOK

	2010 (actual)	2011 (estimate)
Gold (thousands of ounces)	987.6	1,130–1,230
Silver (thousands of ounces)	5,305	6,140
Zinc (thousands of tonnes)	62.5	71.8
Copper (thousands of tonnes)	4.2	4.4

Table of Contents

33	MANAGEMENT'S DISCUSSION AND ANALYSIS
74	SUMMARIZED QUARTERLY DATA
76	FIVE YEAR FINANCIAL AND OPERATING SUMMARY
79	ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS
88	CONSOLIDATED BALANCE SHEETS
89	CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
90	CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
91	CONSOLIDATED STATEMENTS OF CASH FLOWS
92	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
115	CORPORATE GOVERNANCE
116	BOARD OF DIRECTORS
118	OFFICERS
120	SHAREHOLDER INFORMATION
	KEY TARGETS AND ACHIEVEMENTS (INSIDE BACK COVER)

FORWARD-LOOKING STATEMENT

The information in this annual report has been prepared as at March 18, 2011. Certain statements contained in this annual report constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information under Canadian provincial securities laws. When used in this document, the words "anticipate", "expect", "estimate", "forecast", "planned" and similar expressions are intended to identify forward-looking statements and information.

Such statements include, without limitation: estimates of future mineral production and sales; estimates of future production costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs; statements as to the projected development of certain ore deposits, including estimates of exploration, development, and other capital costs, and estimates of the timing of such development or decisions with respect to such development; estimates of reserves and resources, anticipated future exploration and feasibility study results; the anticipated timing of events with respect to the Company's minesites; and other statements regarding anticipated trends with respect to the Company's capital resources and results of operations. Such statements reflect the Company's views as at the date this annual report was prepared and are subject to certain risks, uncertainties and assumptions. Many factors, known and unknown, could cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such risks include, but are not limited to: uncertainty of mineral reserve, mineral resource, mineral grade and mineral recovery estimates; uncertainty of future production, capital expenditures and other costs; gold and other metals price volatility; currency fluctuations; mining risks; and governmental and environmental regulation. For a more detailed discussion of such risks and other factors, see the Company's Annual Information Form and Annual Report on Form 20-F for the year ended December 31, 2010 as well as the Company's other filings with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission. The Company does not intend, and does not assume any obligation, to update these forward-looking statements.

TECHNICAL INFORMATION Please refer to the company press release dated February 16, 2011 for further details on the mineral reserves and resources. The technical information has been prepared under the supervision of, and reviewed by, Marc Legault, P.Eng., Vice-President, Project Development, and a "Qualified Person" for the purposes of National Instrument 43-101.

Management's Discussion and Analysis

NOTE TO INVESTORS CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A, referred to herein as “forward looking statements”, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and “forward-looking information” under the provisions of Canadian provincial securities laws. These statements relate to, among other things, the Company's plans, objectives, expectations, estimates, beliefs, strategies and intentions and can generally be identified by the use of words such as “anticipate”, “believe”, “budget”, “could”, “estimate”, “expect”, “forecast”, “intend”, “likely”, “may”, “plan”, “project”, “schedule”, “should”, “target”, “will”, “would” or other variations of these terms or similar words. Forward-looking statements in this report include, but are not limited to, the following: the Company's outlook for 2011 and future periods; statements regarding future earnings, and the sensitivity of earnings to gold and other metal prices; anticipated levels or trends for prices of gold and byproduct metals mined by the Company or for exchange rates between currencies in which capital is raised, revenue is generated or expenses are incurred by the Company; estimates of future mineral production and sales; estimates of future costs, including mining costs, total cash costs per ounce, minesite costs per tonne and other expenses; estimates of future capital expenditure, exploration expenditure and other cash needs, and expectations as to the funding thereof; statements regarding the projected exploration, development and exploitation of certain ore deposits, including estimates of exploration, development and production and other capital costs and estimates of the timing of such exploration, development and production or decisions with respect thereto; estimates of mineral reserves, mineral resources and ore grades and statements regarding anticipated future exploration results; estimates of cash flow; estimates of mine life; anticipated timing of events with respect to the Company's minesites, mine construction projects and exploration projects; estimates of future costs and other liabilities for environmental remediation; statements regarding anticipated legislation and regulation regarding climate change and estimates of the impact on the Company; and other anticipated trends with respect to the Company's capital resources and results of operations.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Agnico-Eagle as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions of Agnico-Eagle upon which the forward-looking statements in this MD&A are based, and which may prove to be incorrect, include, but are not limited to, the assumptions set out in this MD&A and the Form 20-F as well as: that there are no significant disruptions affecting Agnico-Eagle's operations, whether due to labour disruptions, supply disruptions, damage to equipment, natural occurrences, political changes, title issues or otherwise; that permitting, development and expansion at each of Agnico-Eagle's mines and mine development projects proceed on a basis consistent with current expectations, and that Agnico-Eagle does not change its exploration or development plans relating to such projects; that the exchange rates between the Canadian dollar, Euro, Mexican peso and the US dollar will be approximately consistent with current levels or as set out in this MD&A and the Form 20-F; that prices for gold, silver, zinc, copper and lead will be consistent with Agnico-Eagle's expectations; that prices for key mining and construction supplies, including labour costs, remain consistent with Agnico-Eagle's current expectations; that production meets expectations; that Agnico-Eagle's current estimates of mineral reserves, mineral resources, mineral grades and mineral recovery are accurate; that there are no material delays in the timing for completion of development projects; and that there are no material variations in the current tax and regulatory environment that affect Agnico-Eagle.

The forward-looking statements in this MD&A reflect the Company's views as at the date of this MD&A and involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk factors set forth in “Item 3 Key Information – Risk Factors” in the Form 20-F. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based. This MD&A contains information regarding anticipated total cash costs per ounce and minesite costs per tonne at certain of the Company's mines and mine development projects. This information was developed to assist management with its assessment as to what resources to allocate to the construction and/or expansion of its mine and mine development projects. Investors are cautioned that this information may not be suitable for other purposes.

NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESOURCES

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

This document uses the terms “measured mineral resources” and “indicated mineral resources”. Investors are advised that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission (the “SEC”) does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into mineral reserves.**

Cautionary Note to Investors Concerning Estimates of Inferred Mineral Resources

This document uses the term “inferred mineral resources”. Investors are advised that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. “Inferred mineral resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that any part or all of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred mineral resource exists, or is economically or legally mineable.**

NOTE TO INVESTORS CONCERNING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “total cash costs per ounce” and “minesite costs per tonne”, that are not recognized measures under US GAAP. This data may not be comparable to data presented by other gold producers. For a reconciliation of these measures to the figures presented in the consolidated financial statements prepared in accordance with US GAAP see “Results of Operations – Production Costs”. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in allowing year over year comparisons. However, both of these non-US GAAP measures should be considered together with other data prepared in accordance with US GAAP; taken by themselves, these measures are not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. This MD&A also contains information as to estimated future total cash costs per ounce and minesite costs per tonne for projects under development. These estimates are based upon the total cash costs per ounce and minesite costs per tonne that the Company expects to incur to mine gold at those projects and, consistent with the reconciliation provided, do not include production costs attributable to accretion expense and other asset retirement costs, which will vary over time as each project is developed and mined. It is therefore not practicable to reconcile these forward-looking non-US GAAP financial measures to the most comparable US GAAP measure.

EXECUTIVE SUMMARY

Agnico-Eagle is a gold mining company with mining operations in northwestern Quebec, northern Mexico, northern Finland and Nunavut and exploration activities in Canada, Europe, Latin America and the United States. Agnico-Eagle's LaRonde Mine in Quebec is one of Canada's largest operating gold mines by gold reserves and has provided the Company's foundation for domestic and international expansion. Agnico-Eagle earns a significant proportion of its revenue and cash flow from the production and sale of gold in both dore bars and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of byproduct metals, namely silver, zinc, copper and lead.

Agnico-Eagle's production costs, which the Company believes to be below industry averages, are competitive in the mining industry. This competitive cost position increases margins, and somewhat protects the Company during periods of weaker gold prices. Agnico-Eagle is positioned to benefit from a stronger gold price and, throughout its 39-year history, Agnico-Eagle's policy has been not to sell forward its future gold production. In 2010, Agnico-Eagle achieved total cash costs⁽¹⁾ per ounce of gold produced of \$451 and an average realized price of gold of \$1,250 per ounce, an increase of 22% over 2009's realized price of \$1,024 per ounce.

In the past two years, Agnico-Eagle has gone from operating two gold mines in Canada to being an international gold mining company operating a total of six gold mines. As with most newly built mines, the Company's new mines have gone through start-up issues. The Company believes it has made good progress to date in bringing these mines up to planned performance, but work is ongoing. Each mine is located in what the Company believes to be a politically stable country that is supportive of the mining industry. The political stability of the regions in which Agnico-Eagle operates helps to provide confidence in its current and future prospects and profitability. This is an important quality for Agnico-Eagle as it believes each one of its new mines and recently acquired mining projects has long-term mining camp potential.

In 2010, the Company experienced start up and ramp up issues at the Meadowbank, Kittila and Pinos Altos Mines which impacted both production and costs. At the Meadowbank Mine, a permanent secondary crusher is being constructed with installation expected to be complete in the third quarter of 2011 with the aim of achieving production and cost targets. During 2010 at the Kittila Mine, there were periods of low recovery due to autoclave processing issues, however, the Company believes those issues have now been largely resolved. Also during early 2010 at the Pinos Altos Mine, there were filtration processing problems which the Company believes have now been resolved.

Key Results and Success Factors

- The Company achieved record gold production in 2010 with production up 100% versus 2009. The Meadowbank Mine achieved commercial production in March 2010. This new mine is the Company's largest gold producer, and production from this mine is expected to increase to projected rates as the new crusher is completed and operations reach steady state levels.
- At year-end 2010, gold reserves increased 16%, as compared to December 31, 2009 to 21.3 million ounces through exploration on existing properties and the acquisition of the Meliadine property.
- Operations are located in mining-friendly regions that the Company believes have low political risk and long-term mining camp potential.
- The Company's total cash costs per ounce are competitive in the gold industry; total cash costs per ounce of gold in 2010 were \$451.⁽¹⁾ However, costs in the mining industry continue to increase due to general cost escalation.
- In December 2010, the Company increased its dividend by 256% to \$0.64 per share, its 29th consecutive annual cash dividend.
- The Company's longstanding policy not to sell forward its future gold production ensures that shareholders always participate fully in rising gold prices; in 2010, the Company benefited from an increase of 22% in realized gold prices in 2010 over 2009 levels.
- The Company maintains a solid financial position and forecasts being fully funded for its currently planned growth. The Company maintains a low number of shares outstanding relative to its peers, putting it in a strong position to continue to build per share value.
- The Company has strong senior management continuity as its chief executive officer and its chief operating officer each individually have 26 years of service with the Company and were previously named Mining Men of the Year by the Northern Miner Newspaper.

⁽¹⁾ For a discussion of the Company's use of the non GAAP measures, please see "Production Costs", "Reconciliation of Total Cash Costs per Ounce of Gold to Production Costs by Mine" and "Reconciliation of Minesite Costs per Tonne to Production Costs by Mine".

QUEBEC, CANADA

Throughout 2010, the Company continued executing its strategy of building a multi-mine platform from the foundation of its Quebec, Canada operations. Deepening the LaRonde mine's existing infrastructure below Level 245, referred to as the "LaRonde Mine Extension", is anticipated to extend the mine life through 2022. The infrastructure and knowledge base gained from building and operating the LaRonde Mine has been leveraged by the Company in building and operating the Goldex and Lapa mines, both of which are within 60 kilometres of the LaRonde Mine. The Goldex Mine achieved commercial production in August 2008 and the Lapa Mine achieved commercial production in May 2009. These three Quebec mines, with a total of 7.1 million ounces of proven and probable gold reserves, benefit from common infrastructure and mining teams and are expected to continue to increase the Company's production profile. The LaRonde Mine extension is expected to increase production from that mine with gold production expected to average 324,000 ounces annually for the remainder of its mine life, while the Goldex and Lapa Mines are expected to produce on average 164,000 and 119,000 ounces of gold annually, respectively. After completing a positive scoping study in July 2009, the Company successfully expanded mining and milling operations at the Goldex Mine to 8,000 tonnes per day in 2010. The mines in this region are experiencing general cost escalation due to the high demand for labour and materials in the mining industry.

FINLAND

The Kittila Mine in northern Finland was added to the Company's portfolio through the acquisition of Riddarhyttan Resources AB in 2005. This property was attractive to the Company because northern Finland is geologically similar to the Abitibi region of Quebec, where the LaRonde Mine is located, and there is excellent infrastructure in the surrounding region. Using the Company's technical experience gained from its operations in Quebec, the team designed a drilling program at Kittila that led to the conversion of mineral resources to mineral reserves at the beginning of 2006. A positive feasibility study was completed in mid-2006 and the Company decided to build the Kittila Mine.

Construction was completed in 2008 and the commissioning of the mill commenced in late 2008. Commercial production was achieved in May 2009. A total of 126,205 ounces of gold were produced in 2010. During 2010, the Kittila Mine experienced periods of low recovery due to autoclave processing issues. The Company believes the processing issues have been largely resolved during 2010. The Kittila Mine is forecast to produce an average of 146,000 ounces of gold annually for the remainder of its mine life.

The 2010 exploration program resulted in an additional 0.9 million ounces of mineral reserves at Kittila. The Company believes the Kittila Mine has potential to grow further. In addition to the total mineral reserves of 4.9 million ounces of gold, the deposit continues to be open at depth and along strike. A scoping study is underway to assess the feasibility of increasing production by approximately 50%. This may involve sinking a shaft and expanding the Kittila mill. The study is expected to be completed in 2011.

MEXICO

In 2006, the Company completed the acquisition of the Pinos Altos property, then an advanced stage exploration property in northern Mexico, after the Company's extensive drilling campaign had doubled the contained gold and silver resources. In August 2007, a favourable feasibility study led to the decision to build the Pinos Altos Mine, with construction completed in 2009 and commercial production achieved in November 2009. A total of 130,431 ounces of gold were produced in 2010. During early 2010, the Pinos Altos Mine experienced tailings filtration processing problems. The Company believes that filtration problems have now been resolved through the installation of additional filter capacity. The Pinos Altos Mine, including the Creston Mascota Mine, is forecast to produce an average of 187,000 ounces of gold annually for the remainder of its mine life.

The Pinos Altos Mine has total mineral reserves of 3.3 million ounces of gold and 92.0 million ounces of silver. Several areas of exploration upside, in combination with a targeted exploration program in 2011, provides the Company with further potential of increasing mineral reserves at the Pinos Altos Mine. In 2010, the Company completed the construction of a stand-alone heap leach operation at the Creston Mascota deposit at the Pinos Altos Mine. The Creston Mascota operation's annual production and mineral reserves are included in the Pinos Altos Mine data. During the fourth quarter of 2010, 666 ounces of gold were produced at Creston Mascota. The Creston Mascota deposit is approximately seven kilometres to the northwest of the main deposit at Pinos Altos. There is also the potential to develop additional satellite deposits (Cubiro, Sinter and San Eligio) which will be investigated during 2011. Agnico-Eagle believes it is an employer of choice in the region due to its high-quality facilities, good community relations and local hiring and purchases.

NUNAVUT, CANADA

In 2007, the Company acquired Cumberland Resources Ltd., then owner of the Meadowbank gold project in Nunavut, Canada. This transaction was consistent with the Company's strategy of building value by growing in mining-friendly, low political risk areas. The Company had its first dore bar pour at the Meadowbank Mine in February 2010 and commercial production was achieved during March 2010. Total production during 2010 amounted to 265,659 ounces of gold and the estimated average annual production over the remaining life of the mine amounts to 297,000 ounces of gold per year once the mine reaches steady state production (currently estimated to be in the latter half of 2011 following the commissioning and installation of a new crusher).

The Company continues to apply the proven technical expertise gained at the Quebec operations, as the Meadowbank Mine is supervised by the Company's technical team based in northwestern Quebec. The Meadowbank Mine's gold reserves are approximately 3.5 million ounces with multiple areas of exploration upside potential.

In early 2011, the kitchen facilities to support the employee camp at the Meadowbank Mine sustained extensive damage as a result of a fire. The fire was contained to the kitchen and there were no injuries sustained. Although processing and mining operations continue, the Company is assessing the potential impact on short-term production of any temporary reduction in personnel.

STRATEGY AND RESULTS

Agnico-Eagle focuses on quality, growth and a strong financial position, while maintaining a safe workplace for employees, protecting the environment and retaining full exposure to gold prices.

Agnico-Eagle believes it creates value for shareholders by growing gold production in regions it believes to have good exploration upside and low political risk. The Company believes it can achieve its objective of maximizing shareholder value while operating in an environmentally friendly manner.

With roots that go back more than 39 years, the Company has sought to deliver on its vision by following a five-pronged growth strategy that has successfully guided the Company throughout 2010 to achieve record production results:

1. Produce more gold

- Record consolidated annual gold production of 987,609 ounces in 2010, an increase of 100% over the 492,972 ounces produced in 2009
- The Meadowbank Mine achieved commercial production in March of 2010; however, the mine, did miss the production target in 2010 due to crusher and other issues which are anticipated to be largely resolved in the latter half of 2011 through the installation of a permanent secondary crusher
- LaRonde Mine extension proceeding on schedule
- Construction at the Creston Mascota deposit at Pinos Altos completed in 2010
- Additional opportunities for internal growth continuously being evaluated

2. Grow gold reserves

- Gold reserves increased year over year with a net increase of 16% in 2010, compared to year-end 2009, or 2.9 million ounces to a record total of 21.3 million ounces; of the 2.9 million ounce increase, 2.3 million ounces were at the Meliadine project and 0.3 million ounces pertained to resource conversion
- This net increase in total gold reserves includes the replacement of the 1.0 million ounces of gold produced in 2010
- The Company believes several of its deposits are on track to exceed five million ounces of proven mineral reserves

3. Acquire small, think big

- Significant gold reserve and resource growth largely from prior acquisitions that adhered to the "acquire small, think big" strategy; during 2010 the Company acquired the Meliadine property
- Strategic investments made in several junior gold exploration companies in order to maintain a continuous pipeline of potential growth opportunities

4. Be a low-cost producer

- Consolidated total cash costs per ounce of \$451 which the Company believes is competitive within the mining industry; the Company is, however, striving to further reduce costs. Additionally, the Company is expected to face input cost pressures being experienced industry wide
- Minesite costs per tonne targets achieved at the LaRonde, Goldex, Lapa and Pinos Altos Mines. The mine site costs per tonne at the Kittila and Meadowbank Mines are forecast to improve compared to 2010 levels

5. Maintain a solid financial position

- Bank credit facility increased to \$1.2 billion
- All six operating mines generating a positive operating margin and are covering their operating costs
- 2011 capital expenditure program fully funded

KEY PERFORMANCE DRIVERS

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

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

The exchange rates of the US dollar against the Canadian dollar, Euro and Mexican peso are important financial drivers:

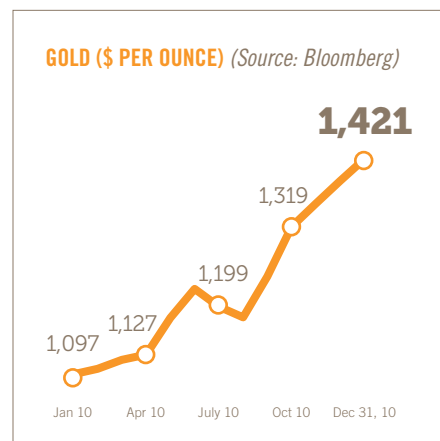
- the majority of operating costs at the LaRonde, Goldex, Lapa and Meadowbank Mines are paid in Canadian dollars while revenue is generated in US dollars;
- a portion of operating costs at the Pinos Altos Mine are incurred in Mexican pesos; and
- the majority of operating costs at the Kittila Mine are incurred in Euros.

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

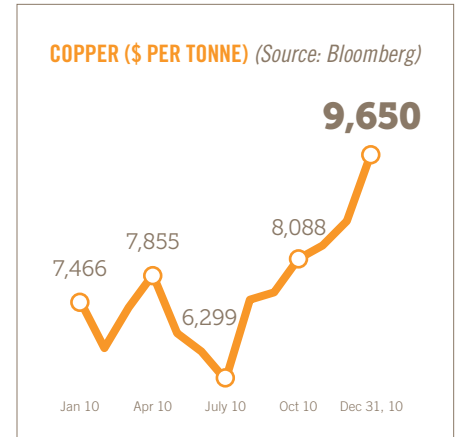
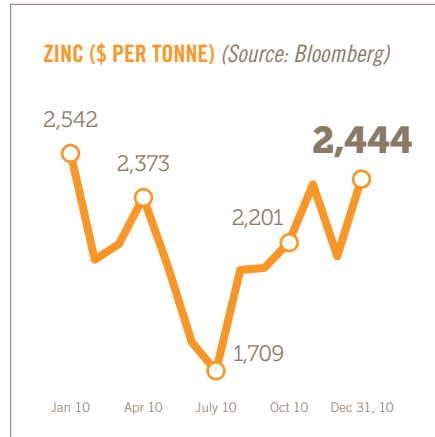
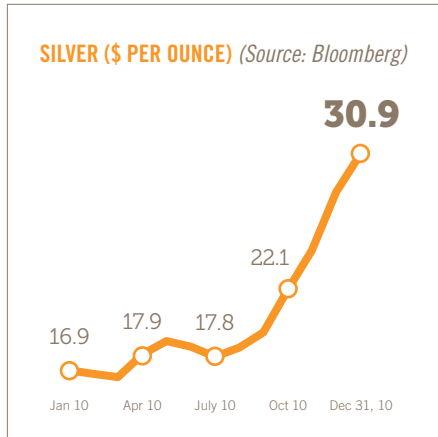
Spot Price of Gold, Silver, Zinc and Copper

The Company has never sold gold forward as this allows the Company to take full advantage of rising gold prices, and as management believes that low-cost production is the best protection against decreasing gold prices. As a result, the Company benefitted from the rising gold prices in 2010.

	GOLD P.M. FIX (\$ PER OUNCE)		
	2010	2009	% increase
	<i>(Source: Bloomberg)</i>		
High price	\$ 1,421	\$ 1,227	16%
Low price	\$ 1,058	\$ 803	32%
Average price	\$ 1,225	\$ 974	26%
Average price received	\$ 1,250	\$ 1,024	22%

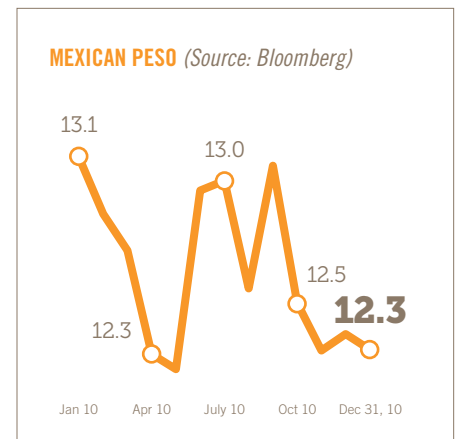
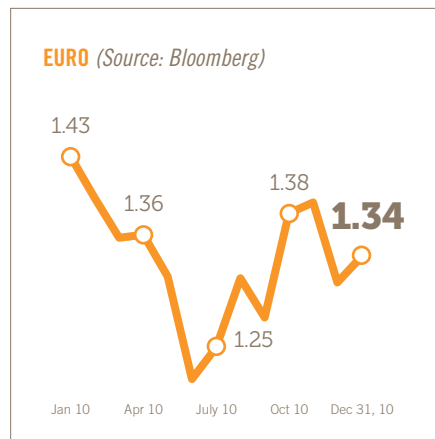
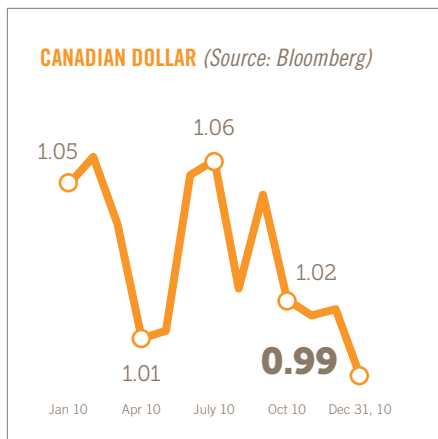


In 2010, the market price for gold per ounce was on average 26% higher than in 2009. The Company's average realized price per ounce of gold in 2010 was 22% higher than in 2009. The Company was well-positioned to take advantage of market highs and achieved an average realized price that was greater than the increase in the average gold price in the market.



Net silver, zinc, copper and lead revenue is treated as a reduction of production costs in calculating total cash costs per ounce of gold and therefore production and price assumptions for these metals are important factors in both revenue and total cash costs per ounce of gold for the LaRonde Mine. The realized sales price for each of these byproduct metals have increased in 2010 when compared to 2009. This contributed to the decline in 2010 total cash costs per ounce at the LaRonde Mine by \$110 as compared to 2009. While the impact of these significantly fluctuating byproduct metal revenues resulted in higher net income from the LaRonde Mine, the future impact of fluctuations in byproduct metal prices will be substantially reduced as the LaRonde Mine's relative proportion of production declines (as other mines continue to ramp up) and the remainder of the Company's mines and mine projects either contain immaterial or no byproduct metals, with the exception of the Pinos Altos Mine, which contains significant byproduct silver.

Foreign Exchange Rates (Ratio to US\$)



In 2010, the Company's operating results and cash flows were influenced by changes in the relevant exchange rates against the US dollar. All of the Company's revenues are earned in US dollars but a substantial portion of its operating costs and capital costs are denominated in Canadian dollars. For much of 2010, the Canadian dollar gained strength as compared to the US dollar which had a negative effect on production costs and Canadian dollar-denominated capital expenditures when translated into US dollars. A stronger US dollar would result in lower reported production costs and capital expenditures in 2010 when translated into US dollars.

The Kittila Mine's capital and operating costs were positively affected by the weaker Euro/US dollar exchange rate in 2010 and the Pinos Altos Mine's capital and operating costs were negatively affected by the stronger Mexican peso/US dollar exchange rate.

Production Volumes

Changes in production volumes have a direct impact on the Company's financial results. In 2010, with the first full year of commercial production at the Kittila, Lapa and Pinos Altos Mines and the achievement of commercial production at the Meadowbank Mine during March 2010, a total of 10.2 million tonnes of ore was milled, a record for the Company. This is an increase of 60% as compared to 2009.

Production Costs

Total cash costs per ounce of gold was \$451 in 2010 compared to \$346 in 2009. The increase in total cash costs per ounce of gold is primarily a result of the production at four new mines that have no byproduct revenue, immaterial byproduct revenue or significantly less byproduct revenue as compared to the LaRonde Mine. Good cost control was achieved as minesite costs per tonne at the LaRonde Mine rose slightly by C\$3 to C\$75 in 2010 in an inflationary environment for the industry through the majority of 2010. Minesite costs per tonne at the Goldex and Lapa Mines decreased by C\$1 to C\$22 and by C\$26 to C\$114, respectively, in 2010 as design efficiencies were achieved. At the Kittila Mine, minesite costs per tonne increased by €12 to €66, mainly due to ramping up which offset the general increase in input prices in the underground portion of the mine and issues relating to the autoclave. Production costs at the Pinos Altos Mine remained relatively stable as design efficiencies were achieved throughout 2010. The production costs at the Meadowbank Mine were higher than budgeted during 2010 mainly due to the longer than expected ramping-up phase of this new mine which were related, in part, to issues surrounding crushing at the mill.

RESULTS OF OPERATIONS

Revenues from Mining Operations

In 2010, revenue from mining operations increased 132% to \$1,423 million from \$614 million in 2009. The increase in revenue was mainly driven by the increase in gold production from the Company's Goldex, Kittila, Lapa, Pinos Altos and Meadowbank mines. In addition, higher sales prices were realized on gold, silver, zinc and copper.

In 2010, sales of precious metals accounted for 93% of revenues, up from 87% in 2009 and 78% in 2008. The increase in the percentage of revenues from precious metals when compared to 2009 is largely due to the increase in gold production and prices. Revenue from mining operations are accounted for net of related smelting, refining, transportation and other charges. The table below sets out net revenue, production volumes and sales volumes by metal:

	2010	2009	2008
	<i>(thousands)</i>		
REVENUES FROM MINING OPERATIONS:			
Gold	\$ 1,216,249	\$ 474,875	\$ 227,576
Silver	104,544	59,155	59,398
Zinc	77,544	57,034	54,364
Copper	22,219	22,571	27,600
Lead	1,965	127	—
	\$ 1,422,521	\$ 613,762	\$ 368,938

PRODUCTION VOLUMES:

Gold (ounces)	987,609	492,972	276,762
Silver (000s ounces)	5,305	4,035	4,079
Zinc (tonnes)	62,544	56,186	65,755
Copper (tonnes)	4,224	6,671	6,922

SALES VOLUMES:

Gold (ounces)	973,057	463,660	258,601
Silver (000s ounces)	4,722	3,871	4,023
Zinc (tonnes)	59,566	58,391	62,653
Copper (tonnes)	4,223	6,689	6,913

Revenue from gold sales increased by \$741.4 million, or 156%, in 2010. Gold production increased to 987,609 ounces in 2010, up 100% from 492,972 ounces in 2009. This increase is attributable to the full year of commercial production at the Kittila, Lapa and Pinos Altos Mines during 2010 and the commencement of production at the Meadowbank Mine during March 2010. Realized gold prices increased 22% in 2010 to \$1,250 per ounce from \$1,024 per ounce in 2009.

Silver revenue increased by \$45.4 million, or 77%, in 2010 when compared to 2009 due to an increase in the realized sales price and increased production. Revenue from zinc sales increased by \$20.5 million, or 36%, in 2010 when compared to 2009. The increase in zinc revenue was mainly due to an increase in realized zinc sales prices. Revenue from copper sales was relatively constant when compared to the previous year. However, the realized sales prices for copper in 2010 were 33% higher than 2009, which was offset by lower copper production.

Interest and Sundry Income

Interest and sundry income consists mainly of interest on cash balances and premiums on call options written on available-for-sale securities held by the Company. Interest and sundry income was \$10.3 million in 2010 compared to \$12.6 million in 2009.

Available-for-sale Securities

From time to time, the Company takes minority equity positions in other mining and exploration companies. As part of the Company's procedures to assess whether the value of its available-for-sale securities portfolio was reasonable for accounting purposes, it was determined (in accordance with the requirements of ASC 320 Investments – Debt and Equity Securities, prior authoritative literature: FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities") that a non-cash write-down was required in 2008. These write-downs do not necessarily reflect management's long-term outlook on the value of the securities, but rather an "other-than-temporary" impairment as defined in ASC 320. In 2010 and 2009, this determination resulted in no write-downs relating to its various investments as compared to \$74.8 million of write-downs in 2008.

In 2010, the sale of various available-for-sale securities resulted in a gain before taxes of \$19.5 million compared to \$10.1 million in 2009. Also during 2010, there was a net gain on the acquisition of Comaplex Minerals Corp. ("Comaplex"), of \$57.5 million. The gain was driven by the mark-to-market gain on the shares of Comaplex purchased prior to the announcement of the acquisition that were accumulated within other comprehensive income and have now reversed through the Consolidated Statements of Income, partially offset by the costs of acquisition.

Production Costs

In 2010, total production costs were \$677.5 million compared to \$306.3 million in 2009. This increase is due to significantly higher (100%) production with the full year of production at the Kittila, Lapa and Pinos Altos Mines and ten months of production at the Meadowbank Mine which achieved commercial production during March 2010. The table below sets out the components of production costs:

	PRODUCTION COSTS		
	2010	2009	2008
	<i>(thousands)</i>		
LaRonde	\$ 189,146	\$ 164,221	\$ 166,496
Goldex	61,561	54,342	20,366
Kittila	87,740	42,464	–
Lapa	66,199	33,472	–
Pinos Altos	90,293	11,819	–
Meadowbank	182,533	–	–
Production costs per Consolidated Statement of Income	\$ 677,472	\$ 306,318	\$ 186,862

Production costs at the LaRonde Mine during 2010 were \$189.1 million, an increase of approximately 15% as compared to 2009. During 2010, LaRonde processed an average of 7,102 tonnes of ore per day, compared to 6,975 tonnes of ore per day during 2009. Minesite costs per tonne were C\$79 in the fourth quarter of 2010, compared to C\$69 in the fourth quarter of 2009. For the full year, the minesite costs per tonne were C\$75 compared with C\$72 per tonne in 2009. The increase in minesite costs per tonne during 2010 is attributable to a general cost escalation in the mining industry (including labour and input costs).

Production costs at the Goldex Mine were \$61.6 million compared to \$54.3 million in 2009. The increase is due to increased production and a stronger Canadian dollar. During 2010, Goldex processed an average of 7,621 tonnes of ore per day, above the 2009 average production of 7,164 tonnes of ore per day and design capacity of 7,000 tonnes per day. Minesite costs per tonne were C\$21 in the fourth quarter of 2010 compared to C\$23 in the fourth quarter of 2009. For the full year, the minesite costs per tonne were C\$22 compared with C\$23 per tonne in 2009.

Both the Kittila and Lapa Mines achieved commercial production in May 2009. The Pinos Altos Mine achieved commercial production in November 2009.

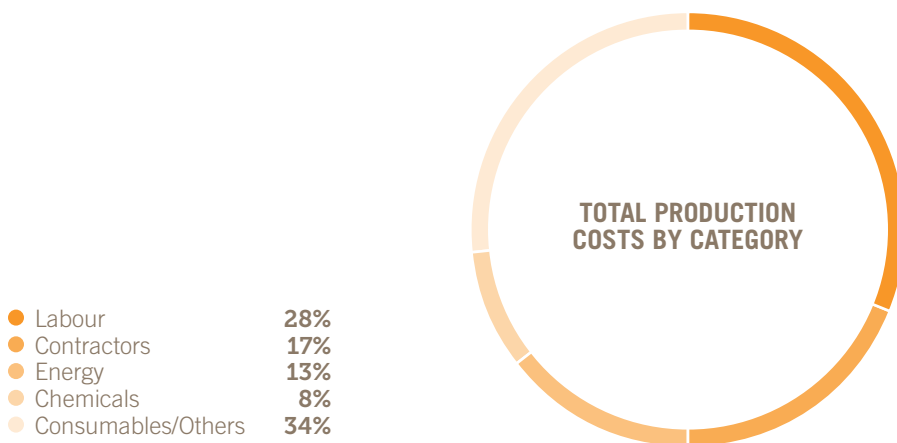
Production costs at the Kittila Mine during 2010 were \$87.7 million compared to \$42.5 million in 2009. The increase is mainly due to a full year of production in 2010. During 2010, Kittila processed an average of 2,631 tonnes of ore per day, above the 2009 average production of 2,057 tonnes of ore per day due to the 2009 ramping up period. The processing design capacity of the Kittila mill is approximately 3,000 tonnes per day. The underachievement in actual processing versus capacity was mainly due to the bottleneck effect caused by the autoclave problems and shutdowns of the mill. Minesite costs per tonne were €79 in the fourth quarter of 2010 compared to €46 in the fourth quarter of 2009. For the full year, the minesite costs per tonne were €66, compared with €54 per tonne in 2009. The increase in minesite costs per tonne during 2010 is attributable to the combination of labour and contractor cost increase, autoclave issues as well as the commencement of underground production which was ramped up during 2010.

Production costs at the Lapa Mine during 2010 amounted to \$66.2 million compared to \$33.5 million in 2009. The increase is mainly due to a full year of production in 2010. During 2010, Lapa processed an average of 1,512 tonnes of ore per day, above the 2009 average production of 1,232 tonnes of ore per day due to the 2009 ramping-up period. The processing design capacity of the Lapa mill is approximately 1,500 tonnes per day. Minesite costs per tonne were C\$115 in the fourth quarter of 2010 compared to C\$148 in the fourth quarter of 2009. For the full year, the minesite costs per tonne were C\$114, compared with C\$140 per tonne in 2009. The decrease in minesite costs per tonne during 2010 is attributable to the achievement of design efficiencies.

Production costs at the Pinos Altos Mine during 2010 were \$90.3 million compared to \$11.8 million in 2009. The increase is mainly due to a full year of production in 2010 versus two months of production in 2009. During 2010, Pinos Altos processed an average of 3,638 tonnes of ore per day, above the 2009 average production of 1,625 tonnes of ore per day due to the ramping-up period, but below design capacity of 4,000 tonnes per day. Minesite costs per tonne were \$35 in the fourth quarter of 2010, compared to \$27 in the fourth quarter of 2009. For the full year, the minesite costs per tonne were \$35 compared with \$27 per tonne in 2009. The increase in minesite costs per tonne during 2010 is mainly attributable to the additional hiring of contractors, the commencement of underground production during 2010, and the tailings filter issue.

During March 2010, the Meadowbank Mine achieved commercial production. Total production costs since March 1, 2010 were \$182.5 million. The daily average of ore processing amounted to 6,653 tonnes per day, below its design capacity of 8,500 tonnes per day as the Meadowbank Mine continues to ramp up.

TOTAL PRODUCTION COSTS BY CATEGORY



In 2010, total cash costs per ounce of gold increased to \$451 from \$346 in 2009 and \$162 in 2008. The total cash costs per ounce of \$451 represents a weighted average over all the Company's producing mines. In 2010, the LaRonde Mine total cash costs per ounce were negative \$7, the Goldex Mine total cash costs per ounce were \$335, the Kittila Mine total cash costs per ounce were \$657, the Lapa Mine total cash costs per ounce were \$529, the Pinos Altos Mine total cash costs per ounce were \$425 and the Meadowbank Mine

total cash costs per ounce were \$693. Total cash costs per ounce are comprised of minesite costs incurred during the period and, for the LaRonde and Pinos Altos Mines, reduced by their related net byproduct revenue. Total cash costs per ounce are affected by various factors such as the quantity of gold produced, operating costs, Canadian dollar/US dollar exchange rates, Euro/US dollar exchange rates and Mexican peso/US dollar exchange rates and, at the LaRonde and Pinos Altos mines, the quantity of byproduct metals produced and byproduct metal prices. For 2010, the Company decided to report total cash costs using the more common industry practice of deferring certain stripping costs that can be attributed to future production. The methodology is in line with the Gold Institute Production Cost Standard. The purpose of adjusting for these stripping costs is to enhance the comparability of cash costs to the majority of the Company's peers within the mining industry. The previous period's cash costs have also been adjusted to allow for comparability.

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

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

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

Total Production Costs by Mine

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Total production costs per Consolidated Statements of Income and Comprehensive Income	\$ 677,472	\$ 306,318	\$ 186,862
Attributable to LaRonde	189,146	164,221	166,496
Attributable to Goldex	61,561	54,342	20,366
Attributable to Lapa	66,199	33,472	—
Attributable to Kittila	87,740	42,464	—
Attributable to Pinos Altos	90,293	11,819	—
Attributable to Meadowbank	182,533	—	—
Total	\$ 677,472	\$ 306,318	\$ 186,862

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

	LARONDE TOTAL CASH COSTS PER OUNCE		
	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 189,146	\$ 164,221	\$ 166,496
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(192,155)	(138,262)	(142,337)
Inventory and other adjustments ⁽ⁱ⁾	3,287	(3,809)	45
Non-cash reclamation provision	(1,344)	(1,198)	(1,194)
Cash operating costs	\$ (1,066)	\$ 20,952	\$ 23,010
Gold production (ounces)	162,806	203,494	216,208
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ (7)	\$ 103	\$ 106

	GOLDEX TOTAL CASH COSTS PER OUNCE		
	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 61,561	\$ 54,342	\$ 20,366
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	727	—	—
Inventory and other adjustments ⁽ⁱ⁾	(253)	383	(448)
Non-cash reclamation provision	(216)	(196)	(72)
Cash operating costs	\$ 61,819	\$ 54,529	\$ 19,846
Gold production (ounces)	184,386	148,849	47,347
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ 335	\$ 366	\$ 419

	LAPA TOTAL CASH COSTS PER OUNCE		
	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 66,199	\$ 33,472	\$ —
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	644	—	—
Inventory and other adjustments ⁽ⁱ⁾	(4,683)	6,072	—
Non-cash reclamation provision	(57)	(25)	—
Cash operating costs	\$ 62,103	\$ 39,519	\$ —
Gold production (ounces)	117,456	52,602	—
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ 529	\$ 751	\$ —

KITTLA TOTAL CASH COSTS PER OUNCE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 87,740	\$ 42,464	\$ —
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	252	—	—
Inventory and other adjustments ⁽ⁱ⁾	(4,774)	1,565	—
Non-cash reclamation provision	(334)	(254)	—
Cash operating costs	\$ 82,884	\$ 43,775	\$ —
Gold production (ounces)	126,205	65,547	—
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ 657	\$ 668	\$ —

PINOS ALTOS TOTAL CASH COSTS PER OUNCE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 90,293	\$ 11,819	\$ —
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(25,052)	(625)	—
Inventory adjustments ⁽ⁱ⁾	2,925	(5,356)	—
Non-cash reclamation provision	(858)	(100)	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(11,857)	(253)	—
Cash operating costs	\$ 55,451	\$ 5,485	\$ —
Gold production (ounces)	130,431	9,634	—
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ 425	\$ 570	\$ —

MEADOWBANK TOTAL CASH COSTS PER OUNCE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs per Consolidated Statements of Income and Comprehensive Income	\$ 182,533	\$ —	\$ —
ADJUSTMENTS:			
Byproduct metal revenues, net of smelting, refining and marketing charges	(584)	—	—
Inventory adjustments ⁽ⁱ⁾	6,911	—	—
Non-cash reclamation provision	(1,315)	—	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(4,321)	—	—
Cash operating costs	\$ 183,224	\$ —	\$ —
Gold production (ounces)	264,576	—	—
Total cash costs (per ounce) ⁽ⁱⁱⁱ⁾	\$ 693	\$ —	\$ —

Reconciliation of Minesite Costs per Tonne to Production Costs by Mine

	LARONDE MINESITE COSTS PER TONNE		
	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 189,146	\$ 164,221	\$ 166,496
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	3,287	234	45
Non-cash reclamation provision	(1,344)	(1,198)	(1,194)
Minesite operating costs (US\$)	\$ 191,089	\$ 163,257	\$ 165,347
Minesite operating costs (C\$)	\$ 194,993	\$ 184,233	\$ 176,893
Tonnes of ore milled (000s tonnes)	2,592	2,546	2,639
Minesite costs per tonne (C\$) ^(iv)	\$ 75	\$ 72	\$ 67

	GOLDEX MINESITE COSTS PER TONNE		
	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 61,561	\$ 54,342	\$ 20,366
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	(253)	383	(448)
Non-cash reclamation provision	(216)	(196)	(72)
Minesite operating costs (US\$)	\$ 61,092	\$ 54,529	\$ 19,846
Minesite operating costs (C\$)	\$ 62,545	\$ 60,986	\$ 23,224
Tonnes of ore milled (000s tonnes)	2,782	2,615	851
Minesite costs per tonne (C\$) ^(iv)	\$ 22	\$ 23	\$ 27

LAPA MINESITE COSTS PER TONNE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 66,199	\$ 33,472	\$ —
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	(4,683)	6,072	—
Non-cash reclamation provision	(57)	(26)	—
Minesite operating costs (US\$)	\$ 61,459	\$ 39,518	\$ —
Minesite operating costs (C\$)	\$ 62,771	\$ 42,055	\$ —
Tonnes of ore milled (000s tonnes)	552	299	—
Minesite costs per tonne (C\$) ^(v)	\$ 114	\$ 140	\$ —

KITILA MINESITE COSTS PER TONNE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 87,740	\$ 42,464	\$ —
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	(4,774)	1,565	—
Non-cash reclamation provision	(334)	(254)	—
Minesite operating costs (US\$)	\$ 82,632	\$ 43,775	\$ —
Minesite operating costs (€)	€ 63,464	€ 30,568	€ —
Tonnes of ore milled (000s tonnes)	960	563	—
Minesite costs per tonne (€) ^(v)	€ 66	€ 54	€ —

PINOS ALTOS MINESITE COSTS PER TONNE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 90,293	\$ 11,819	\$ —
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	2,925	(5,356)	—
Non-cash reclamation provision	(858)	(100)	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(11,857)	(253)	—
Minesite operating costs (US\$)	\$ 80,503	\$ 6,110	\$ —
Tonnes of ore milled (000s tonnes)	2,318	227	—
Minesite costs per tonne (US\$) ^(v)	\$ 35	\$ 27	\$ —

MEADOWBANK MINESITE COSTS PER TONNE

	2010	2009	2008
	<i>(thousands, except as noted)</i>		
Production costs	\$ 182,533	\$ —	\$ —
ADJUSTMENTS:			
Inventory and other adjustments ^(iv)	6,911	—	—
Non-cash reclamation provision	(1,315)	—	—
Stripping costs (capitalized vs expensed) ⁽ⁱⁱⁱ⁾	(4,321)	—	—
Minesite operating costs (US\$)	\$ 183,808	\$ —	\$ —
Minesite operating costs (C\$)	\$ 190,980	\$ —	\$ —
Tonnes of ore milled (000s tonnes)	2,001	—	—
Minesite costs per tonne (C\$) ^(v)	\$ 95	\$ —	\$ —

Notes:

- ⁽ⁱ⁾ Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since total cash costs per ounce are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production for which revenue has not been recognized in the period.
- ⁽ⁱⁱ⁾ The Company has decided to report total cash costs per ounce using the more common industry practice of deferring certain stripping costs that can be attributed to future production. The methodology is in line with the Gold Institute Production Cost Standard. The purpose of adjusting for these stripping costs is to enhance the comparability of cash costs to the majority of the Company's peers within the mining industry. The previous period's cash costs have been adjusted for comparability purposes.
- ⁽ⁱⁱⁱ⁾ Total cash costs per ounce is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. This measure is calculated by adjusting Production Costs as shown in the Consolidated Statements of Income and Comprehensive Income for net byproduct metals revenues, stripping costs, royalties, inventory adjustments and asset retirement provisions. This measure is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management uses this measure to monitor the performance of the Company's mining operations. Since market prices for gold are quoted on a per ounce basis, using this per ounce measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that this per ounce measure of performance can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for 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) This inventory adjustment reflects production costs associated with unsold concentrates.
- ^(v) Minesite costs per tonne is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. This measure is calculated by adjusting Production Costs as shown in the Consolidated Statements of Income and Comprehensive Income for inventory and hedging adjustments, stripping costs and asset retirement provisions and then dividing by tonnes processed through the mill. Since total cash costs per ounce data can be affected by fluctuations in byproduct metal prices and exchange rates, management believes minesite costs per tonne provides additional information regarding the performance of mining operations and allows management to monitor operating costs on a more consistent basis as the per tonne measure eliminates the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, in order to be economically viable the estimated revenue on a per tonne basis must be in excess of the minesite costs per tonne. Management is aware that this per tonne measure is impacted by fluctuations in production levels and thus uses this evaluation tool in conjunction with production costs prepared in accordance with US GAAP. This measure supplements production cost information prepared in accordance with US GAAP and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

The Company's operating results and cash flow are significantly affected by changes in the US dollar/Canadian dollar exchange rate since four operating mines are located in Canada. Exchange rate movements can have a significant impact as all of the Company's revenues are earned in US dollars but most of its operating costs and a substantial portion of its capital costs are in Canadian dollars. The US dollar/Canadian dollar exchange rate has varied significantly over the past several years. During the period from January 1, 2005 to December 31, 2010, the noon buying rate, as reported by the Bank of Canada has fluctuated from C\$1.30 per US\$1.00 to C\$0.91 per US\$1.00. In addition, a significant portion of the Company's expenditures at the Kittila Mine and the Pinos Altos Mine are denominated in Euros and Mexican pesos, respectively. Each of these currencies has varied significantly against the US dollar over the past several years as well.

Exploration and Corporate Development Expense

Exploration drilling during 2010 resulted in an increase of 2.9 million ounces of gold contained in mineral reserves at the end of the year, due to conversion from the mineral resource category. In spite of this conversion, the mineral resources continued to grow marginally over 2009 levels at several of the mines by approximately 0.3 million ounces to a total of 21.3 million ounces.

Set out below is a summary of the significant exploration and corporate development activities undertaken in 2010:

- Canadian regional exploration expenditures were \$28.3 million in 2010, an increase of \$17.2 million compared to 2009. This increase was mainly attributable to the exploration activities at the Meliadine property since it was acquired by the Company in July 2010. Results on the Meliadine property have been very encouraging, especially on the Tiriganiaq, F zone, Wolf and Wesmeg zones. In addition, aggressive exploration activities were focused a few kilometres west of the LaRonde Mine at the Company's Ellison and Bousquet Zone 5 projects.
- During 2010, approximately \$8.3 million of regional exploration expenses were incurred on the Pinos Altos Mine property in Mexico. The most concentrated drill programs in 2010 focused on the potential to develop satellite deposits including Cubiro, Sinter and San Eligio.
- The Company incurred exploration expenditures of \$7.0 million during 2010 in Nevada, a decrease of \$0.1 million compared to 2009. In Nevada, exploration activities during 2010 were concentrated on the West Pequop property located in the northeastern region of the state.
- During 2010, regional exploration expenditures in northern Finland were \$4.6 million, a decrease of \$0.8 million compared to 2009. The Company continued its aggressive exploration program at the Suurikuusikko structures around the Kittila Mine.
- The Company's corporate development team continued to be active in 2010 in evaluating many new properties and possible acquisition opportunities, resulting in a doubling of the corporate development expense when compared to 2009. During 2010, the team was significantly involved with the Meliadine acquisition.

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

	2010	2009	2008
	<i>(thousands)</i>		
Canada (except Meliadine)	\$ 18,423	\$ 11,194	\$ 7,966
Meliadine	9,923	—	—
Latin America	8,268	9,212	7,426
United States	7,042	7,176	9,347
Europe	4,569	5,325	7,017
Corporate development expense	6,733	3,372	2,948
	\$ 54,958	\$ 36,279	\$ 34,704

General and Administrative Expenses

General and administrative expenses increased to \$94.3 million in 2010 from \$63.7 million in 2009. This was attributable to the increase of Quebec regional general and administrative expenses as this regional support division focused on new development projects in 2010 as compared to supporting the Company's construction projects in 2009, resulting in a \$9.7 million increase from year to year. In addition, there was an increase in stock option expense due to a higher volume of stock options granted and an increase in the Black-Scholes calculated value of the options granted. Of the total general and administrative expenses, stock-based compensation was \$38.1 million and \$27.1 million in 2010 and 2009, respectively.

Provincial Capital Taxes

These taxes are assessed on the Company's capitalization (paid-up capital and debt) less certain allowances and tax credits for exploration expenses incurred. Provincial capital taxes decreased to a recovery of \$6.1 million in 2010 compared to an expense of \$5.0 million in 2009 due to the reinstatement of previously disallowed Quebec resource credits. Ontario capital tax was eliminated on July 1, 2010, while Quebec capital tax was eliminated at the end of 2010. Therefore, the provincial capital tax expense is expected to be nil in 2011 and going forward.

Amortization Expense

The consolidated amortization expense for the year increased to \$192.5 million in 2010, compared to \$72.5 million in 2009, largely as a result of a full year of production at the Kittila, Lapa and Pinos Altos Mines during 2010 and the commencement of commercial production at the Meadowbank Mine during March 2010. Amortization expense commences once a mine achieves commercial production.

Interest Expense

In 2010, interest expense increased to \$49.5 million from \$8.4 million in 2009 and \$3.0 million in 2008. The table below shows the components of interest expense:

	2010	2009	2008
	<i>(thousands)</i>		
Stand-by fees on credit facilities	\$ 8,159	\$ 2,730	\$ 1,163
Amortization of credit facilities financing and note issuance costs	3,507	2,392	1,192
Government interest, penalties and other	2,165	3,326	597
Interest on credit facilities	10,795	15,470	4,584
Interest on notes	29,423	—	—
Interest capitalized to construction in progress	(4,556)	(15,470)	(4,584)
	\$ 49,493	\$ 8,448	\$ 2,952

Foreign Currency Translation Gain (Loss)

The foreign currency translation loss was \$19.5 million in 2010, compared to a loss of \$39.8 million in 2009. The significant negative effect of exchange rates is attributable to the weakening of the US dollar against the Canadian dollar and the Euro during 2010. The loss is mainly due to the impact on the foreign currency future tax liabilities and is partially off-set by the impact on cash balances in Canadian dollars and Swedish krona, the currency in which the Company's Swedish subsidiaries pay tax.

Income and Mining Taxes

In 2010, the effective accounting income and mining tax expense rate was 23.7%, compared to 19.9% in 2009 and 23.8% in 2008. There was one unusual item recognized in 2010, which reduced the effective tax rate from the statutory tax rate. During the second quarter of 2010, the Company executed the newly enacted Quebec foreign currency election to commence using the US dollar as its functional currency for Quebec income tax purposes. As the related tax legislation was enacted in the second quarter of 2010, this election applies to taxation years ended December 31, 2008 and subsequent. This election resulted in a deferred tax benefit of \$21.8 million for the period ended December 31, 2010.

The beneficial unusual item above is partially offset by permanent differences, principally stock-based compensation that is not deductible for tax purposes in Canada and non-taxable foreign exchange losses. In addition, Quebec mining duties (current and deferred) increase the effective tax rate.

Supplies Inventory

The supplies inventory balance as of December 31, 2010 increased significantly to \$149.6 million, compared to the December 31, 2009 balance of \$100.9 million. This increase is mainly attributable to the build-up of supplies inventory at the Meadowbank Mine due to a full year of production and an increased consumption of supplies (including fuel) due to operating conditions and increased maintenance requirements. In addition, supplies inventory at the Pinos Altos Mine increased to support underground mining operations and operations at the Creston Mascota deposit.

During July 2010, the Company acquired Comaplex, whose sole asset at the time it was acquired was the Meliadine property located in Nunavut, Canada, 290 kilometres southeast of the Company's existing Meadowbank Mine. The Company expects to achieve efficiencies by leveraging experience gained from the development of the Meadowbank Mine, if it determines to build a mine at Meliadine. This acquisition was accounted for as a business combination under US GAAP and resulted in the recognition of \$200.1 million in goodwill.

LIQUIDITY AND CAPITAL RESOURCES

At the end of 2010, the Company's cash and cash equivalents, short-term investments and restricted cash totalled \$104.6 million, compared to \$163.6 million at the end of 2009. This decrease, which resulted from investing and financing activities, was partially offset by operating activities. In 2010, cash used in investing activities decreased to \$523.3 million from \$587.6 million in 2009. The investing activities in 2010 mainly consisted of project capital expenditures at the Meadowbank Mine, the LaRonde Mine extension, the Creston Mascota deposit and sustaining capital expenditures at all of the Company's operating mines. Cash flow provided by operating activities increased significantly to \$483.5 million in 2010 from \$115.1 million in 2009 mainly due to the full year of production from the Kittila, Lapa and Pinos Altos Mines and ten months of production from the Meadowbank Mine. In addition, higher realized sales prices for all metals, especially gold, also contributed to the increase of cash flow provided by operating activities. In 2010, cash used in financing activities increased to \$21.9 million compared to 2009 when cash provided from financing activities was \$559.8 million. The cash provided from financing activities in 2009 was mainly attributable to the bank debt drawdowns of \$625.0 million.

In 2010, the Company invested \$511.6 million of cash in new projects and sustaining capital expenditures. Major expenditures in 2010 included \$173.9 million on construction at the Meadowbank Mine, \$62.0 million on construction at the LaRonde Mine extension, \$43.4 million on construction at the Creston Mascota deposit and \$225.0 million for sustaining capital expenditures at the LaRonde, Goldex, Kittila, Lapa and Pinos Altos Mines. The remaining capital expenditures to complete all of the Company's projects are expected to be funded by cash provided by operating activities and cash on hand. A significant portion of the Company's cash and cash equivalents are denominated in US dollars.

During 2010, the Company received net proceeds on available-for-sale securities equal to \$36.6 million compared to \$48.3 million during 2009. Also during 2010, the Company purchased available-for-sale securities for \$42.5 million compared to \$6.4 million in 2009. This was mainly due to the 12.7% ownership position acquired in Queenston Mining Incorporated during the fourth quarter of 2010.

In 2010, the Company declared its 29th consecutive annual dividend. The dividend increased significantly to \$0.64 per share from \$0.18 per share in 2009. During the first quarter of 2010, the Company paid out its 2009 dividend, amounting to \$26.8 million. Although the Company expects to continue paying dividends, future dividends will be at the discretion of the Company's board of directors (the "Board") and will be subject to factors such as income, financial condition and capital requirements. Also in 2010, the Company issued common shares for gross proceeds of \$84.7 million. This was mainly due to stock option exercises and issuances under the Company's employee share purchase plan.

The effect of exchange rate changes on cash and cash equivalents during 2010 resulted in a decreased cash balance of \$2.9 million. This was mainly attributable to the changes in value of the Canadian dollar and Euro-denominated cash balances when compared to the US dollar.

In 2010, the Company increased amounts available from the syndicate of banks that comprised its lenders from an aggregate of \$900 million to \$1.2 billion in a transaction under which the Company also terminated one of its bank credit facilities (see note 4 to the Company's audited consolidated financial statements).

As at December 31, 2010, the Company had drawn \$50.0 million from its bank credit facility. In addition, the amounts available under the credit facility are reduced by letters of credit drawn under the facility. Letters of credit outstanding under the credit facility at December 31, 2010 totalled \$29.4 million. Accordingly, the amount available to be borrowed as at December 31, 2010, was approximately \$1.12 billion. The credit facility require the Company to maintain specified financial ratios and meet financial condition covenants. These financial condition covenants were met as of December 31, 2010.

In June 2009, the Company entered into a C\$95 million financial security guarantee issuance agreement with Export Development Canada (the "EDC Facility"). Under the agreement, which matures in June 2014, Export Development Canada agreed to provide guarantees in respect of letters of credit issued on behalf of the Company in favour of certain beneficiaries in respect of obligations relating to the Meadowbank Mine. As at December 31, 2010, outstanding letters of credit drawn under the EDC Facility totalled C\$75.6 million.

On April 7, 2010, the Company closed a note offering with institutional investors in the United States and Canada for a private placement of \$600 million of guaranteed senior unsecured notes due in 2017, 2020 and 2022 (the "Notes"). The Notes have a weighted average maturity of 9.84 years and weighted average yield of 6.59%. Proceeds from the offering of Notes were used to repay amounts under the Company's then outstanding credit facilities.

Agnico-Eagle's contractual obligations as at December 31, 2010 are set out below:

	CONTRACTUAL OBLIGATIONS				
	Total	Less than 1 Year	1–3 Years	4–5 Years	More than 5 Years
	<i>(millions)</i>				
Letter of credit obligations	\$ 2.3	\$ –	\$ 2.3	\$ –	\$ –
Reclamation obligations ⁽¹⁾	179.6	2.0	4.7	6.4	166.5
Purchase commitments	61.8	10.3	13.7	8.9	28.9
Pension obligations ⁽²⁾	5.8	0.1	1.0	1.0	3.7
Capital and operating leases	64.2	14.5	31.0	13.8	4.9
Long-term debt repayment obligations ⁽³⁾	650.0	–	–	50.0	600.0
Total⁽⁴⁾	\$ 963.7	\$ 26.9	\$ 52.7	\$ 80.1	\$ 804.0

Notes:

- (1) Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. The estimated undiscounted cash outflows of these reclamation obligations are presented here. These estimated costs are recorded in the Company's consolidated financial statements on a discounted basis in accordance with ASC 410-20 – Asset Retirement Obligations (prior authoritative literature: FASB Statement No. 143, "Accounting for Asset Retirement Obligations"). See Note 5(a) to the audited consolidated financial statements.
- (2) The Company has retirement compensation arrangement plans (the "RCA Plans") with certain executives. The RCA Plans provide pension benefits to each of these executives equal to 2% of the executive's final three-year average pensionable earnings for each year of service with the Company less the annual pension payable under the Company's basic defined contribution plan. Payments under the RCA Plans are secured by letter of credit from a Canadian chartered bank. The figures presented in this table have been actuarially determined.
- (3) For the purposes of the Company's obligations to repay amounts outstanding under its credit facility, the Company has assumed that the indebtedness will be repaid at the current expiry date of the credit facility.
- (4) The Company's estimated future positive cash flows are expected to be sufficient to satisfy the obligations set out above.

Off-Balance Sheet Arrangements

The Company has the following off-balance sheet arrangements: operating leases (see Note 13(b) to the audited consolidated financial statements) and \$111.3 million of outstanding letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes (see Note 12 to the audited consolidated financial statements). If the Company were to terminate these off-balance sheet arrangements, the penalties or obligations would be insignificant based on the Company's liquidity position, as outlined in the table below.

2011 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2011 mandatory expenditure commitments (including the future obligations set out above) and discretionary expenditure commitments. The following table sets out expected future capital requirements and resources for 2011:

	Amount
	<i>(millions)</i>
2011 MANDATORY COMMITMENTS:	
Contractual obligations (from table above)	\$ 27
Dividend payable (declared in 2010)	108
Goldex government grant	3
Total 2011 mandatory expenditure commitments	\$ 138
2011 DISCRETIONARY COMMITMENTS:	
Budgeted capital expenditures	\$ 313
Total 2011 mandatory and discretionary expenditure commitments	\$ 451
2011 CAPITAL RESOURCES:	
Cash, cash equivalents and short term investments (at December 31, 2010)	\$ 102
Estimated 2011 operating cash flow	476
Working capital (at December 31, 2010) (excluding cash, cash equivalents and short-term investments)	269
Available under the Credit Facilities	1,121
Total 2011 Capital Resources	\$ 1,968

While the Company believes its capital resources will be sufficient to satisfy all 2011 commitments (mandatory and discretionary), the Company may choose to decrease certain of its discretionary expenditure commitments, which includes its construction projects and future dividends, should extremely negative financial circumstances arise in the future.

OUTLOOK

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

Gold Production Growth

LARONDE MINE EXTENSION

In 2011, payable gold production at the LaRonde Mine is expected to be approximately 157,200 ounces of gold, as the gold grade of the stopes scheduled to be mined does not increase until late in the year, when the deeper, gold-rich ore of the LaRonde Mine extension will be accessed. Total cash costs per ounce at the LaRonde Mine in 2011 are expected to be approximately \$54 reflecting the assumption of significantly higher silver and copper prices (byproduct metal revenue) going forward.

Over the 2012 to 2015 period, annual average gold production is expected to be approximately 290,000 ounces. Over the same period, total cash costs per ounce are expected to average approximately \$381 as byproduct revenues are projected to decline significantly, largely due to lower zinc grades at depth. However, depending on prevailing byproduct prices over the next several years, the potential exists to extend the life of the upper mine by mining lower grade (predominantly zinc) ore that becomes economic. The effect of this would likely be lower total cash costs per ounce due to the byproduct metal revenue.

GOLDEX MINE

The Goldex Mine is anticipated to produce approximately 183,500 ounces of gold in 2011 at estimated total cash costs per ounce of approximately \$349. This is in line with the total cash costs per ounce incurred in 2010 and compares favourably to 2009, which reflects the ongoing optimization efforts at the mine and improved throughput.

Over the period of 2012 through 2015, annual average gold production of approximately 179,000 ounces is expected, with total cash costs per ounce estimated to average approximately \$344.

Due to exploration success in 2010, it is possible that the mine life may be extended as the deeper D-Zone is explored and quantified. Beginning in 2011, it is expected that a ramp will be driven below the current workings to facilitate additional drilling which would be incorporated in a feasibility study considering the extraction of this zone. The study is expected to be completed in mid-2013.

KITTILA MINE

In 2011, the Kittila Mine is expected to produce approximately 149,700 ounces of gold, while from 2012 through 2015, it is expected to produce an average of 173,000 ounces per year. Total cash costs per ounce in 2011 are expected to be approximately \$548 per ounce. From 2012 through 2015, total cash costs per ounce are expected to average approximately \$501.

Reflecting the continued growth of the Kittila orebody, a feasibility study regarding an initial expansion is underway. The study, which will evaluate the potential for an expansion of at least 50% in throughput, is expected to be completed in the third quarter of 2011.

LAPA MINE

Gold production during 2011 is expected to be approximately 124,800 ounces at estimated total cash costs per ounce of approximately \$518. Over the period of 2012 to 2014, annual average gold production of approximately 119,000 ounces is expected, with total cash costs per ounce expected to average \$535. According to the current mine plan, the last year of the mine's life will be a partial year in 2015. However, the Company will continue its exploration program at Lapa in 2011 and plans to extend the underground exploration drift to facilitate drilling along the trend to the east and at depth. These areas have not previously been explored. The drilling is intended to investigate the possibility of extending the mine life.

PINOS ALTOS MINE

Total gold production in 2011 is expected to be approximately 199,000 ounces at estimated total cash costs per ounce of approximately \$406. Over the period of 2012 to 2015, the mine (including production from the Creston Mascota deposit) is expected to produce an average of 230,000 ounces of gold per year. From 2012 through 2015, total cash costs per ounce are expected to average approximately \$334.

Construction on the satellite Creston Mascota deposit was completed with the first gold production occurring during the fourth quarter of 2010. Commercial production at this heap leach operation is expected to be achieved in the first quarter of 2011.

The Company is evaluating alternatives with respect to increasing the underground mine capacity at Pinos Altos either through an additional production ramp or a production shaft. The study is expected to be completed near the end of 2011. In 2011, studies are continuing in regards to the development of several other satellite deposits on the Pinos Altos concession package including the Sinter, Cubiro and San Eligio zones. Exploration activities in 2011 will focus on conversion of current gold resources to reserves and extending the mine life.

MEADOWBANK MINE

Gold production in 2011 is expected to be approximately 361,600 ounces at estimated total cash costs per ounce of approximately \$597. The mine is expected to produce an average of 399,000 ounces of gold per year from 2012 to 2015. From 2012 through 2015, total cash costs per ounce are expected to average approximately \$511.

The Meadowbank Mine is still early in its life cycle (commercial production achieved March 2010) and as such continues to go through start-up issues that are not uncommon for a large, complex and remote mine. The 2011 production forecast reflects continued progress in resolving these start-up issues, and the installation of a permanent secondary crushing unit during the third quarter, which is expected to resolve crushing issues, thereby reaching design capacity of 8,500 tonnes per day.

In early 2011, the kitchen facilities to support the employee camp at the Meadowbank Mine sustained extensive damage as a result of a fire. The fire was contained to the kitchen and there were no injuries sustained. Although processing and mining operations continue, the Company is assessing the potential impact on short-term production of any temporary reduction in personnel.

During the 2011 drilling season, conversion and expansion of the indicated and inferred resource around the southern end of the Goose deposit will remain the priority. In addition, the exploration program in 2011 will continue to focus on resource to reserve conversion and the expansion of resources and reserves at the Vault deposit where recent exploration has suggested that additional mineralization may have the potential to extend the life of the mine.

MELIADINE PROJECT

In July 2010, Agnico-Eagle completed the acquisition of the Meliadine project near Rankin Inlet, Nunavut.

The initial reserve estimate is 2.6 million ounces of gold from 9.5 million tonnes grading 8.5 grams per tonne. It is expected that this reserve will continue to grow rapidly as the large gold resource is drilled extensively over the next 12 months. Pending further drilling, feasibility study and a determination by the company to commence mining operations, this large gold deposit could have first production as early as late in 2015 or early 2016. Approximately \$65 million is expected to be spent on Meliadine in 2011.

GROWTH SUMMARY

With the achievement of commercial production of the Goldex Mine in 2008, Kittila, Lapa and Pinos Altos Mines in 2009 and the Meadowbank Mine in March 2010, the Company has completed its transformation from a one-mine operation to a six-mine company resulting in record gold reserves and record annual financial and operating results. As the Company begins the next five-year growth phase from its expanded production platform, it will continue to deliver on its vision and growth strategy. In 2010, gold production increased significantly by 100% from 2009 levels to 987,609 ounces and in 2011, the Company is anticipating that total gold production will grow to between approximately 1.13 and 1.23 million ounces. Based on exploration results to date and planned exploration programs in 2011, the Company believes it is well positioned to potentially have several five-million-ounce gold deposits. The Company's goal is to increase gold reserves from its existing portfolio of mines and development projects, exceeding 22 million ounces by year-end 2011. Further internal growth opportunities are expected to add to production post-2011. In summary, the Company anticipates that the main contributors to the targeted increase in gold production, gold reserves, and increases to gold resources, could include:

- Continued conversion of Agnico-Eagle's current gold resources to reserves
- Increased production from LaRonde as the mine accesses the deeper higher grade orebody
- At least 50% throughput expansion at the Kittila Mine, reflecting continued growth of orebody
- Resource conversion and continued expansion along strike at Meliadine project
- Expansion at depth and along strike of D zone at Goldex
- Resource expansion and scoping study at Bousquet Zone 5 deposit
- Extension of the Westwood deposit on the Ellison property, immediately west of LaRonde and Bousquet
- Resource conversion at Lapa Zulapa Corridor target and extension of the Lapa Contact zone
- Extension at depth and along strike at Goose Island and Goose South at Meadowbank
- Extension to the south and east at the Vault deposit at Meadowbank
- Extensions at depth at the Sinter and Cubiro zones at Pinos Altos

Financial Outlook

MINING REVENUE AND PRODUCTION COSTS

In 2011, the Company expects to continue to generate strong cash flow as production volumes are expected to increase by approximately 18% to between 1.13 million ounces and 1.23 million ounces due to relatively steady production at the LaRonde, Goldex, Pinos Altos and Lapa Mines and the ramping up to designed capacity at the Kittila and Meadowbank Mines. Metal prices will have a large impact on financial results and, although the Company cannot predict the prices that will be realized in 2011, gold prices in early 2011 (to March 18, 2011) have remained strong. On March 18, 2011, the gold spot price closed at an all time record high of \$1,438 per ounce.

The table below sets out actual production for 2010 and estimated production in 2011.

	2011 Estimate	2010 Actual
Gold (ounces)	1,175,800	987,609
Silver (000s ounces)	6,224	5,305
Zinc (tonnes)	71,800	62,544
Copper (tonnes)	4,386	4,224

For 2011, the Company is expecting total cash costs per ounce at the LaRonde Mine to be \$54 compared to negative \$7 in 2010. In calculating estimates of total cash costs per ounce, net silver, zinc and copper revenue is treated as a reduction of production costs, and therefore production and price assumptions for these metals play an important role in these estimates for the LaRonde Mine, due to its large byproduct production. An increase in byproduct metal prices above forecast levels would result in improved cash costs for the LaRonde Mine. In addition, the Pinos Altos Mine contains significant byproduct silver.

In 2011, total cash costs per ounce at the Goldex, Kittila, Lapa, Pinos Altos and the Meadowbank Mines are expected to be \$349, \$548, \$518, \$406 and \$597 respectively. As production costs at the LaRonde, Goldex, Lapa and Meadowbank Mines are denominated mostly in Canadian dollars, the production costs at the Kittila Mine are denominated mostly in Euros and the production costs at the Pinos Altos Mine are denominated mostly in Mexican pesos, the Canadian dollar/US dollar, Euro/US dollar and Mexican peso/US dollar exchange rates also affect the estimates. The foreign exchange rates have been trending unfavorably for the Company as the US dollar has depreciated relative to these currencies since late 2010.

The table below sets out the metal price assumptions and exchange rate assumptions used in deriving the estimated total cash costs per ounce for 2011 (production estimates for each metal are shown in the table above) as well as the market average closing prices for each variable for the period of January 1 to March 18, 2011.

	Cash Cost Assumptions	Market Average
Silver (per ounce)	\$ 22.00	\$ 31.01
Zinc (per tonne)	\$ 2,100	\$ 2,402
Copper (per tonne)	\$ 8,000	\$ 9,661
C\$/US\$ exchange rate	\$ 1.0300	\$ 0.9871
Euro/US\$ exchange rate	\$ 0.7692	\$ 0.7350

The table below sets out the estimated approximate sensitivity of the Company's 2011 estimated total cash costs per ounce to a change in metal price and exchange rate assumptions:

	CHANGE IN VARIABLE
	Impact on total cash costs (\$/oz.)
1% C\$/US\$	\$ 5
1% Euro/US\$	\$ 1
\$100/per tonne of Zinc	\$ 6
\$1/oz Silver	\$ 5
\$200/per tonne of Copper	\$ 1

Note:

The sensitivities presented are based on the production and price assumptions set out above. Operating costs are not affected by fluctuations in byproduct metal prices. The Company may use derivative strategies to limit the downside risk associated with fluctuating byproduct metal prices and enters into forward contracts to lock in exchange rates based on projected Canadian dollar, Euro and Mexican peso operating and capital needs. Please see "Risk Profile – Metal Price and Foreign Currency" and "Risk Profile – Derivatives". Please see "Results of Operations – Production Costs" for a discussion about the use of the non-US GAAP financial measure total cash costs per ounce.

EXPLORATION EXPENSE

In 2011, Agnico-Eagle expects expenditures of \$105 million on grassroots exploration and corporate development, comprised mostly of grassroots exploration outside of the Company's currently contemplated mining areas in Canada, Latin America, Finland and the United States. Exploration is success driven and thus these estimates could change materially based on the success of the various exploration programs. In addition, when it is determined that a mining property can be economically developed as a result of established proven and probable reserves, the costs of exploration to further delineate the ore body on such property are capitalized. In 2011, the Company expects to capitalize \$40 million on exploration related to further delineating ore bodies and converting resources into reserves.

OTHER EXPENSES

Cash general and administrative expenses are not expected to increase materially in 2011; however non-cash variances may occur as a result of variances in the Black-Scholes pricing of any stock options granted by the Company in 2011. In 2011, provincial capital taxes are expected to be nil since the Ontario provincial capital tax was eliminated on July 1, 2010 and Quebec capital tax was eliminated at the end of 2010. Amortization is expected to be approximately \$227 million mainly due to the first full year of amortization of the Meadowbank Mine. Interest expense in 2011 is expected to be approximately \$49 million due to the long-term debt and standby fees associated with the \$1.2 billion Credit Facility. The Company's effective tax rate is expected to be approximately 30% to 35% in 2011 compared to an effective rate of 23.7% in 2010. The lower effective rate in 2010 was due to the factors mentioned in "Results of Operations – Income and Mining Taxes".

CAPITAL EXPENDITURES

Agnico-Eagle's gold growth program remains well funded. Capital expenditures, including construction and development costs, sustaining capital and capitalized exploration costs, are expected to total approximately \$313 million in 2011. During 2011, the Company expects to generate internal cash flow from the sale of 1.13–1.23 million ounces of gold and the associated byproduct metals. The breakdown of the 2011 capital expenditures program is as follows:

- \$55 million in capital expenditures related to construction and development at the LaRonde Mine extension;
- \$41 million in sustaining capital expenditures related to the LaRonde Mine;
- \$6 million in capital expenditures related to construction and development at the Creston Mascota deposit at the Pinos Altos Mine;
- \$26 million in sustaining capital expenditures related to the Pinos Altos Mine;
- \$52 million in sustaining capital expenditures related to the Kittila Mine;
- \$26 million in sustaining capital expenditures related to the Goldex Mine;
- \$53 million in sustaining capital expenditures related to the Meadowbank Mine;
- \$14 million in sustaining capital expenditures related to the Lapa Mine; and
- \$40 million in capitalized exploration expenditures.

The Company continues to examine other possible corporate development opportunities which may result in the acquisition of companies or assets with securities, cash or a combination thereof. If cash is used, 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

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

The Company also mitigates some of its normal business risk through the purchase of insurance coverage. An Insurable Risk Management Policy, approved by the Board, governs the purchase of insurance coverage and 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 Form 20-F.

Metal Price and Foreign Currency

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

- Gold – \$1,050 per ounce;
- Silver – \$22.00 per ounce;
- Zinc – \$2,100 per tonne;
- Copper – \$7,000 per tonne;
- Canadian dollar/US dollar – C\$1.03 per \$1.00; and
- Euro/US dollar – \$1.30 per €1.00.

Changes in the market price of gold are due to numerous factors such as demand, global mine production levels, forward selling by producers, central bank sales and investor sentiment. Changes in the market prices of other metals are due to factors such as demand and global mine production levels. Changes in the exchange rates are due to factors such as supply and demand for currencies and economic conditions in each country or currency area. In 2010, the ranges of metal prices and exchange rates were:

- Gold: \$1,058–\$1,421 per ounce averaging \$1,225 per ounce;
- Silver: \$15.14–\$30.70 per ounce averaging \$20.19 per ounce;
- Zinc: \$1,596–\$2,686 per tonne averaging \$2,159 per tonne;
- Copper: \$6,068–\$9,650 per tonne averaging \$7,543 per tonne;
- Canadian dollar/US dollar: C\$0.9980–C\$1.0758 per \$1.00 averaging C\$1.0302 per \$1.00; and
- Euro/US dollar: \$1.1923–\$1.4514 per €1.00 averaging \$1.3266 per €1.00.

The following table sets out the estimated impact on 2011 total cash costs per ounce of a 10% change in assumed metal prices and exchange rates. A 10% change in each variable was considered in isolation while holding all other assumptions constant. Based on historical market data and 2010 price ranges shown above, a 10% change in assumed metal prices and exchange rates is reasonably likely in 2011.

	CHANGES IN VARIABLE	
	Impact on total cash costs per ounce	
Canadian dollar/US dollar	\$	49
Euro/US dollar	\$	7
Zinc	\$	13
Silver	\$	12
Copper	\$	2

In order to mitigate the impact of fluctuating precious and base metal prices, the Company occasionally enters into derivative transactions under its Metal Price Risk Management Policy, approved by the Board. The Company's policy and practice is not to sell forward its gold production. However, the policy does allow the Company to use other hedging strategies where appropriate to mitigate foreign exchange and base metal pricing risks. The Company occasionally buys put options, enters into price collars and enters into forward contracts to protect minimum base metal prices while maintaining full exposure to gold price. In 2009, the Risk Management Committee approved the strategy of using short-term call options in an attempt to enhance the realized base metal prices. The Company's policy does not allow speculative trading.

The Company receives payment for all of its metal sales in US dollars and pays most of its operating and capital costs in Canadian dollars, Euros or Mexican pesos. This gives rise to significant currency risk exposure. From time to time the Company has entered into currency hedging transactions under the Company's Foreign Exchange Risk Management Policy, approved by the Board, to hedge part of its foreign currency exposure. The policy does not permit the hedging of translation exposure (that is, the gains and losses that arise from the accounting translation of Canadian dollar, Euro or Mexican peso denominated assets and liabilities into US dollars), as these do not give rise to cash exposure. The Company's foreign currency derivative strategy includes the use of purchased puts, sold calls, collars and forwards. The Company's policy does not allow speculative trading.

Cost Inputs

The Company also considers and may enter into risk management strategies to mitigate price risk on certain consumables (including, but not limited to, energy). These strategies have largely been confined to longer term purchasing contracts but may include financial and derivative instruments.

Interest Rates

The Company's current exposure to market risk for changes in interest rates relates primarily to the drawdown on the credit facility and its investment portfolio. Drawdowns on the credit facility are used, primarily, to fund a portion of the capital expenditures related to the Company's development projects and working capital requirements. As at December 31, 2010, the Company had drawn down \$50 million on the credit facility. In addition, the Company usually invests its cash in investments with short maturities or with frequent interest reset terms and a credit rating of R1-High or better. As a result, the Company's interest income fluctuates with short-term market conditions. As at December 31, 2010, short-term investments amounted to \$6.6 million.

Amounts drawn under the credit facility are subject to floating interest rates based on benchmark rates available in the United States and Canada or on LIBOR. In the past, the Company has entered into derivative instruments to hedge against unfavorable changes in interest rates. The Company will continue to monitor its interest rate exposure and may enter into such agreements to manage its exposure to fluctuating interest rates. In 2010, there were no interest rate derivative instruments in place.

Financial Instruments

The Company, from time to time, enters into contracts to limit the risk associated with decreased byproduct metal prices, increased foreign currency costs (including capital expenditures) and input costs. The contracts act as economic hedges of underlying exposures and are not held for speculative purposes. Agnico-Eagle does not use complex derivative contracts to hedge exposures. The Company uses simple contracts, such as puts and calls, collars and forwards.

Using financial instruments creates various financial risks. Credit risk is the risk that the counterparties to financial contracts will fail to perform on an obligation to the Company. Credit risk is partially mitigated by dealing with high quality counterparties such as major banks. Market liquidity risk is the risk that a financial position cannot be liquidated quickly. The Company primarily mitigates market liquidity risk by spreading out the maturity of financial contracts over time, usually based on projected production levels for the specific metal being hedged, such that the relevant markets will be able to absorb the contracts. Mark-to-market risk is the risk that an adverse change in market prices for metals will affect financial condition. Since derivative contracts are used as economic hedges, for most of the contracts, changes in the mark-to-market value will affect income. For a description of the accounting treatment of derivative contracts, please see "Critical Accounting Estimates – Financial Instruments".

Operational Risk

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

As a result of a full year of production at the Kittila, Lapa and Pinos Altos Mines and the startup of production at the Meadowbank Mine in March 2010, the Company's gold production and operating margin has diversified, reflecting the transition from one mine to six mines. In 2010, Meadowbank contributed the highest percentage at approximately 27% of the Company's production, and will continue to account for a significant portion of gold production and operating margin going forward, as optimization continues and it achieves its design parameters. The table below outlines forecasted estimated payable gold production per mine for 2011:

	Estimated Payable Production (oz)	Estimated Payable Production (%)
LaRonde	157,200	13
Goldex	183,500	16
Lapa	124,800	11
Meadowbank	361,600	31
Kittila	149,700	13
Pinos Altos	168,400	14
Creston Mascota	30,600	2
Total	1,175,800	100

However, mining is a complex and unpredictable business and, therefore, the Company provides a range of expected production of 1.13 to 1.23 million ounces. While this is the expected range of production, actual production may fall outside this range. Any adverse condition affecting mining or milling conditions could be expected to have a material adverse effect on the Company's financial performance and results of operations. One of the Company's major development programs is the extension of the LaRonde Mine below Level 245, referred to as the LaRonde Mine extension. This program involves the construction of infrastructure at depth and extraction of ore from new zones, and may present new challenges for the Company. Gold production at the LaRonde Mine above Level 245 has started to decline. The Kittila, the Lapa and the Pinos Altos Mines commenced commercial production in 2009, while the Meadowbank Mine achieved commercial production in March 2010; however, Kittila and Meadowbank continue to be optimized and are not expected to reach design capacity until 2011. In addition, production from the Kittila and Meadowbank Mines in 2011 may be lower than anticipated if there are delays in achieving full production rates. The Company anticipates using revenue generated by its operations to finance the capital expenditures required at its mine development projects.

The Company's gold production may fall below estimated levels as a result of mining accidents such as cave-ins, rock falls, rock bursts, pit wall failures, fires or flooding or as a result of other operational problems such as a failure of a production hoist, an autoclave, a filter press or a semi-autogenous grinding mill. In addition, production may be reduced if, during the course of mining or processing, unfavourable weather conditions, ground conditions or seismic activity are encountered, ore grades are lower than expected, the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment or dilution increases, electrical power is interrupted or heap leach processing results in containment discharge. In six of the last eight years, as a result of such adverse conditions, the Company has failed to meet production forecasts due to: a rock fall, production drilling challenges and lower than planned mill recoveries in 2003; higher than expected dilution in 2004; and increased stress levels in a sill pillar, requiring the temporary closure of production sublevels in 2005. In 2008, gold production was 276,762 ounces, down from the Company's initial estimate of 358,000 ounces. This reduction was primarily a result of delays in the commencement of production at the Goldex Mine and the Kittila Mine, mainly due to delays in commissioning the Goldex production hoist and the Kittila autoclave, respectively. In 2009, gold production was 492,972 ounces, down from the Company's initial estimate of 590,000 ounces, primarily as a result of delays in the commencement of production at the Kittila Mine due to issues with the autoclave and at the Pinos Altos Mine resulting from problems in commissioning the dry tailings filter presses and dilution issues at the Lapa Mine. In 2010, gold production was 987,609, slightly below the estimate of 1,000,000, largely due to the slower than anticipated ramp-up at Meadowbank, along with lower than expected grades at the LaRonde and Lapa Mines in the fourth quarter. Occurrences of this nature and other accidents, adverse conditions or operational problems in future years may result in the Company's failure to achieve current or future production estimates.

The Company's production forecasts assume that production will commence at the Creston Mascota deposit and LaRonde Mine extension in the second and fourth quarters of 2011, respectively, and that the Kittila Mine and the Meadowbank Mine will reach full production rates by the first and third quarters of 2011, respectively. The Company's ability to optimize and achieve full production rates at its new mines on schedule is subject to a number of risks and uncertainties.

The LaRonde Mine extension will be one of the deepest operations in the Western Hemisphere, with an expected maximum depth of 3,110 metres. The operations of the LaRonde Mine extension will rely on new infrastructure for hauling ore and materials to the surface, including a winze (or internal shaft) and a series of ramps linking mining deposits to the Penna Shaft that services current operations at the LaRonde Mine. The depth of the operations could pose significant challenges to the Company, such as geomechanical risks and ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives.

The development of the LaRonde Mine extension requires the construction of significant new underground mining operations. The construction of underground mining facilities is subject to a number of risks and challenges, including unforeseen geological formations, the implementation of new mining processes, delays in obtaining required construction, environmental or operating permits and engineering and mine design adjustments. These occurrences may result in delays in the planned start up dates and in additional costs being incurred by the Company beyond those budgeted. Moreover, the construction activities at the LaRonde Mine extension are taking place concurrently with normal mining operations at LaRonde, which may result in conflicts with, or possible delays to, existing mining operations.

The figures for mineral reserves and mineral resources published by the Company are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The ore grade actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. The estimates of mineral reserves and mineral resources have been determined based on assumed metal prices, foreign exchange rates and operating costs. For example, the Company has estimated proven and probable mineral reserves on all of its properties based on, among other things, a \$1,024 per ounce gold price. Monthly average gold prices have been above \$1,024 per ounce since October 2009. Prolonged declines in the market price of gold (or applicable by product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should such reductions occur, the Company may be required to take a material write-down of its investment in mining properties or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Market price fluctuations of gold (or applicable byproduct metal prices), as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to the mineral reserve, such as the need for orderly development of orebodies or the processing of new or different grades, may impair the profitability of a mine in any particular accounting period.

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

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

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

Regulatory 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, exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, environmental protection, mine safety and other matters. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, constructing, operating, closing, reclaiming and rehabilitating mines and other facilities. New laws or regulations, amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation thereof could have a material adverse impact on the Company, cause a reduction in levels of production and delay or prevent the development of new mining properties.

OUTSTANDING SECURITIES

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at March 18, 2011 were exercised:

Common shares outstanding at March 18, 2011	168,944,915
Employee stock options	9,082,770
Warrants	8,600,000
	186,627,685

Human Capital and the Environment

The Company believes that its people provide it with a distinct competitive advantage and are one of its key operating strengths. Agnico-Eagle recognizes the importance of its employees and strives to provide a corporate culture that is based on the principle that every person has the right to be treated with dignity and respect and operates as a partnership based on mutual respect, commitment and dedication to excellence. The employees of Agnico-Eagle have responded with strong loyalty and performance. As a result of their ideas and efforts, efficiency has improved, gold production has increased and the Company's safety record remains strong. From exploration through mining, the Company works hard to preserve and protect the natural environment by implementing sound environmental management systems and processes at all stages of its business and by pursuing continuous improvement in its environmental performance. The Company's operations are required to meet and, where practicable, exceed relevant laws, regulations and standards. In 2010, the Company continued to build upon these philosophies.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT SYSTEM

In 2010 the Company continued to develop and implement a formal Health, Safety and Environmental Management System at all six of its mining operations. The Health, Safety and Environmental Management System that is being implemented by the Company uses a commercially available software platform that has wide spread use in the Canadian mining industry and is consistent with the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety Management System. Implementation is being rolled out in phases or modules with the development being led by an internal implementation committee composed of Environmental and Health and Safety professionals at each of the Company's operating mines. The first modules implemented included:

- incident investigation and follow up;
- document control; and
- legal and permit management.

The incident investigation and follow up module covers accident investigations and environmental incident investigations and it provides a formalized system to ensure that recommended remedial actions are pursued. It allows for common incident and accident data to be stored, facilitating trend interpretation such as common causes or circumstances to be identified and interpreted. The document control module provides a platform for the management of all Company procedures, policies, job procedures and management plans. The module provides a means for control over the most recent versions of each of these documents including a means for controlling future modifications. The legal and permit management module provides a platform to manage all of the Company's legal and permit requirements and to track and manage future permit updates as required. Over the next two years, the Company intends to implement additional modules including: risk identification and management, operational control, emergency response management, monitoring and measurement, audit and inspection management, management review and non-conformance, management of preventative/corrective action and training.

MINE RESCUE

The Company has developed emergency response capacity at each of its operating divisions. The training of personnel to respond to all forms of emergencies remains a key element of the health and safety programs across the Company. In 2010 the mine rescue team from the Goldex Mine represented the Abitibi region at the Quebec Mine Rescue Provincial competition. This follows a string of five consecutive provincial mine rescue championships for the mine rescue team from the LaRonde Mine (2005 through 2009). At Pinos Altos the mine rescue team (first created in 2009) competed at the national mine rescue competition in Mexico. At Kittila the mine rescue teams were created and commenced training in 2010 and are now the only accredited mine rescue teams in Finland. The two team trainers are employees of the Kittila Mine and were trained to be mine rescue trainers in Sudbury, Ontario.

QUEBEC DIVISIONS (LARONDE, LAPA & GOLDEX MINES)

- In 2010 new noise attenuation structures were designed and installed at the LaRonde Mine to reduce noise coming from the mine's underground ventilation and air heating systems. A specialist consultant was retained who worked with the Company and with local homeowners and the rural municipality to understand how fan noise was affecting those living in the area. This led to the design of new noise attenuation structures that were fabricated and installed at the LaRonde Mine in 2010. These attenuation structures incorporate enclosures and baffles built around the fans and have been successful in making significant reductions to the audible nuisance noise associated with these fans.
- The Company's LaRonde Division was awarded the "Energy Efficiency Agency" award at the "Extras" Gala organized by the Chamber of Commerce of Rouyn-Noranda on November 20, 2010. This award was given to recognize the efforts made by the Company's LaRonde Mine in adopting high standards in energy efficiency and to thank the Company for its contribution to this societal objective.
- Every year, the Quebec Mining Association awards the F.J. O'Connell trophy in three categories to recognize the efforts of its members who have registered the most noticeable improvements during the year in the field of accident prevention. The incident rates are calculated on a basis of 200,000 hours, equivalent to the work done by 100 workers over a period of one year, and take into account accidents with loss of time and accidents with amended work assignments. In June 2010, the F.J. O'Connell trophy for Underground Mine Operations with less than 400,000 hours in a year was awarded to the Company's Lapa Mine and the F.J. O'Connell trophy for Underground Mine Operations with greater than 400,000 hours per year was awarded to the Company's Goldex Mine.
- In 2010 a new ammonia stripping water treatment plant was constructed and commissioned at the Lapa Mine. This plant treats excess mine water to reduce ammonia concentrations prior to discharge into the environment. The ammonia comes from the dissolution of residual nitrogen based explosives used underground when in contact with underground mine water. At the LaRonde Mine, the Company continued to make significant technical achievements with the biological water treatment plant in 2010 as a result of on-site research and development efforts. This water treatment plant removes nitrogen compounds, such as ammonia, from the combined waste water stored in the tailings impoundment area to allow the excess water to be discharged to the receiving environment.
- At the Goldex Mine, which is located in close proximity to residential communities, the Company has developed effective control, monitoring and public information tools to manage the effects of large underground production blasts.

KITILA MINE – FINLAND

- At the Kittila Mine, the Company has implemented a waste rock management system to segregate potentially acid-generating rock and to control its placement within the waste rock pile. The mine segregates its mill tailings into two streams: flotation tailings that have had no contact with cyanide and cyanide leach tailings. This ensures that only a relatively small portion of the tailings have had any contact with cyanide. The tailings are stored in separate lined containment areas and the cyanide leach tailings pass through a cyanide destruction circuit before leaving the mill. This significantly reduces the risk of environmental harm in the event of a system failure.
- The Kittila Mine supports local recreational initiatives that include such events as a local mountain biking race, ice fishing derbies, the Levi marathon and reindeer racing. The Company is a sponsor of a local theatre festival which includes providing access for Company employees.

PINOS ALTOS – MEXICO

- 99.8% of the operating and management staff of the Pinos Altos Mine are Mexican nationals with approximately two-thirds of the operating workforce derived from the local area within a 20 kilometre radius of the mine site. Local contractors are also employed for various service and support functions.
- For each of the past three years, the Company's Mexico Division has received certification as a Socially Responsible Company from the Mexican Center for Philanthropy (Centro Mexicano para a Filantropia) and the Alliance for Social Responsibility of Enterprises (Alianza por la Responsabilidad Social Empresarial de Mexico).
- In 2009 and 2010, the Pinos Altos Mine also earned the distinction awarded by the Mexican Government of being an 'equal opportunity' employer in Mexico, specifically for providing equality of women's rights in the workplace (Equidad de Genero). The Company is in the process of implementing the Gender Equity Model, which is coordinated through the National Women's Institute in Mexico and involves external auditing of the Company's gender equality performance and of the systems in place to promote gender equality in the workplace.
- In 2010 the Pinos Altos Mine was awarded certification as a "Clean Industry" by the Federal office for Environmental Protection (PROFEPA) (Certificado de Industria Limpia). This certification is valid for a two year period (December 21, 2010 through December 21, 2012) and was awarded following an extensive external environmental performance audit of the Company's operations and environmental management systems in place at the Pinos Altos Mine. A new audit is required every two years to maintain this certification.
- The Company also supports a number of community health and educational initiatives in the region surrounding the Pinos Altos Mine. These include initiatives such as:
 - support of two health clinics in the region;
 - support for a Community Kitchen that provides meals for children and seniors in need. The Company participated by supplying equipment needed to establish this community kitchen;
 - provided scholarships for up to 65 local students, donated supplies to local kindergarten and elementary classes and provided sports equipment to local community schools;
 - Pinos Altos employees visited local schools and met with over 730 high school students in the region to raise environmental awareness through educational programs; and
 - the initiation of a program to help support the development of new local business ventures. In 2010, one such venture involved helping a group of local women to create a new sewing business.
- The Company has created and operates a tree nursery on site at the Pinos Altos Mine to protect local biodiversity. Prior to mine development, the Company recovered and transplanted critical vegetation species to this nursery. At the nursery this key vegetation is maintained and "farmed" to provide a source of critical local trees and plants for use in the re-vegetation of reclaimed mine facilities through a program of progressive reclamation.

MEADOWBANK – NUNAVUT

- At the Meadowbank Mine in Nunavut, mining requires the construction of dykes to isolate sections of both Second and Third Portage Lakes to allow access to the ore that lies under these two lakes. Once the dykes are constructed, the fish inside the dyked areas must be transferred and the water removed. The construction of these dykes requires extensive sediment management control procedures to ensure that water quality in the non-impacted portion of Second and Third Portage Lakes is not harmed. These include use of turbidity barriers, construction of a starter dyke through an ice cover, extensive pumping systems and the operation of a water treatment plant. In 2010 the Company succeeded in constructing the final 1.1 kilometres of the dyke system (Phase 2) in Third Portage Lake, completing the dyke system around the Goose Island deposit without exceeding the total suspended solids and turbidity thresholds in the unimpacted section of the lake.
- Throughout 2010, the Meadowbank Mine operated a water treatment plant (with a maximum capacity of 50,000 cubic metres per hour) to remove suspended solids from the water removed from behind the first phase of dyke constructed in 2008 in Second Portage Lake. This water treatment plant was operated throughout all four seasons in 2010 and consistently achieved the stringent water quality standards established in the mine's water use licence.
- In 2010, under Department of Fisheries and Oceans (Canada) authorization, the Company successfully removed the remaining fish population from inside the dewatering dyke system constructed in 2009 and 2010 to isolate the Goose Island and Portage Pits from Third Portage Lake. A total of 2,139 fish were recovered. A total of 58% of these fish were successfully transferred into the non-impacted portion of Third Portage Lake.
- At the Meadowbank Mine, the Company has created a number of direct and indirect opportunities for the local population, including:
 - investing in the training of local employees;
 - teaching non-Inuit employees about Inuit cultural traditions; and
 - supporting the development of long-term human capital in the area by urging high school students to continue their education and offering university scholarships to students from the region.
- At the end of 2010, approximately 40% of the Company's permanent mine workforce at the Meadowbank Mine were Inuit from the Kivalliq Region of Nunavut (totalling approximately 200 Inuit employees).
- In 2010 the Company invested in a number of community initiatives to help local communities meet their objectives and needs. These initiatives include such items as the following:
 - supporting the Kivalliq Science Camp designed to encourage students to pursue post secondary education in the field of science;
 - supporting the GEMS program designed to encourage students to seek post secondary education through a field camp that combines training in traditional knowledge through interaction with Inuit elders with job shadowing and mentoring with young mining professional staff working at the Meadowbank Mine;
 - supporting the Northern Youth Abroad Program; support for local sports such as hockey, basketball and volleyball with an emphasis on youth; school visits focusing on the high schools to encourage and inform students to stay in school and train for mine-related employment;
 - partnering with the hamlet of Baker Lake to re-construct the hamlet's baseball facility, a project initiated by the community;
 - working with the hamlet of Baker Lake to address how they manage the hazardous waste accumulating at their municipal landfill site. These wastes were accumulating at the landfill site with no containment. The Company brought in an external Nunavut-based environmental company who worked with the hamlet to sort through this material, remove it from the landfill, place it in appropriate packaging and load into shipping containers for shipment to appropriate licensed waste handling facilities. A total of 25 shipping containers were prepared for shipment during the 2011 shipping season; and
 - developing and initiating a small business development program designed to assist in the creation of new Inuit-owned businesses and to allow these businesses to pursue opportunities at the Meadowbank Mine. In 2010 workshops were held by the Company in the local communities to inform Northern businesses of upcoming opportunities and to create a means for them to remain informed and to seek opportunities in the areas where they see opportunity. This program has led to the creation of a number of new joint-venture companies bringing together established southern suppliers with new Inuit partners. As an example, a new Inuit-owned business was created in Baker Lake that manufactures survey stakes used at the mine for setting out blast and dig patterns from the recycling of used wood pallets. This is a unique venture in an area where there is no local source for lumber and thus it saves freight cost in shipping lumber into the Arctic while turning a waste into a value-added product. Typically these pallets are not returned south because of the high cost of shipping. At the other end of the scale, one of these new joint-venture companies has been constructing the dewatering dykes at Meadowbank, which represents a multi-million dollar contract.

CRITICAL ACCOUNTING ESTIMATES

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

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

Mining Properties, Plant and Equipment and Mine Development Costs

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

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

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

Agnico-Eagle records depreciation on both plant and equipment and mine development costs used in commercial production on a unit-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The unit-of-production method defines the denominator as the total proven and probable tonnes of reserves.

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

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

The carrying values of mining properties, plant and equipment and mine development costs are periodically reviewed for possible impairment, when impairment factors exist, based on the future undiscounted net cash flows of the operating mine or development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of an operating mine and development properties include estimates of recoverable ounces of gold based on the proven and probable mineral reserves. To the extent that economic value exists beyond the proven and probable mineral reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding metal prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows may affect the recoverability of long-lived assets.

Goodwill

Business combinations are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair values is recorded as goodwill. As of the date of acquisition, goodwill is allocated to reporting units by determining estimates of the fair value of each reporting unit and comparing this amount to the fair values of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company performs goodwill impairment tests on an annual basis as well as when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Company estimates the fair values of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to the carrying amount, and any excess of the carrying amount of goodwill over the implied fair value is charged to earnings.

Revenue Recognition

Revenue is recognized when the following conditions are met:

- (a) persuasive evidence of an arrangement to purchase exists;
- (b) the price is determinable;
- (c) the product has been delivered; and
- (d) collection of the sales price is reasonably assured.

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

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

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

Reclamation Costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of Asset Retirement Obligations ("ARO") at each of its mineral properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO which has a material balance. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit within other expense, whereas at operating mines the charge is recorded as an adjustment to the carrying amount of the corresponding asset. The Company did record some adjustments for changes in estimates of the AROs at our operating mines in 2010. AROs arise from the acquisition, development, construction and operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of AROs are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an ARO is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor, whereas when expected cash flows decrease, the reduced cash flows are discounted using the historical discount factor used in the original estimation of the expected cash flows, in either case, any change in the fair value of the ARO is recorded. Agnico-Eagle records the fair value of an ARO when it is incurred. AROs are adjusted to reflect the passage of time (accretion), which is calculated by applying the discount factor implicit in the initial fair value measurement to the beginning-of-period carrying amount of the AROs. For producing mines, accretion expense is recorded in the cost of goods sold each period. Upon settlement of an ARO, Agnico-Eagle records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in other (income) expense. Other environmental remediation costs that are not AROs as defined by ASC 410 – Asset Retirement and Environmental Obligations (Prior authoritative literature: FASB Statement No. 143, Accounting for Asset Retirement Obligations) are expensed as incurred.

Future Tax Assets and Liabilities

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.

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and international tax audits. The Company recognizes the effect of uncertain tax positions and records tax liabilities for anticipated tax audit issues in Canada and other tax jurisdictions where it is more likely than not based on technical merits that the position would not be sustained. The Company recognizes the amount of any tax benefits that have greater than 50 percent likelihood of being ultimately realized upon settlement.

Changes in judgment related to the expected ultimate resolution of uncertain tax positions are recognized in the year of such change. Accrued interest and penalties related to unrecognized tax benefits are recorded in income tax expense in the current year. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

On December 12, 2008, the Company executed a Canadian federal tax election to commence using the US dollar as its functional currency for federal Canadian income tax purposes. As the related tax legislation was enacted in the first quarter of 2009, this election applies to taxation years ended December 31, 2008 and subsequent. This election resulted in a deferred tax benefit of \$21.0 million for the year ended December 31, 2009.

During the second quarter of 2010, the Company executed the newly enacted Quebec foreign currency election to commence using the U.S. dollar as its functional currency for Quebec income tax purposes. As the related tax legislation was enacted in the second quarter of 2010, this election applies to taxation years ended December 31, 2008 and subsequent. This election resulted in a deferred tax benefit of \$21.8 million for the year ended December 31, 2010.

Financial Instruments

Agnico-Eagle uses derivative financial instruments, primarily option and forward contracts, to manage exposure to fluctuations of base metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs as well. Agnico-Eagle does not hold financial instruments or derivative financial instruments for trading purposes.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of accumulated other comprehensive income (loss), depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Financial instruments designated as hedges are tested for effectiveness on a quarterly basis. Gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Stock-Based Compensation

The Company's Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statement of income or in the consolidated balance sheet if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

Fair value is determined using the Black-Scholes option valuation model which requires the Company to estimate the expected volatility of the Company's share price and the expected life of the stock options. Limitations with existing option valuation models and the inherent difficulties associated with estimating these variables create difficulties in determining a reliable single measure of the fair value of stock option grants. The dilutive impact of stock option grants is factored into the Company's reported diluted income per share.

Commercial Production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moved into the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce minerals in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

Stripping Costs

Pre-production stripping costs are capitalized until an "other than *de minimis*" level of mineral is produced, after which time such costs are either capitalized to inventory or expensed. The Company considers various relevant criteria to assess when an "other than *de minimis*" level of mineral is produced. The criteria considered include: (1) the number of ounces mined compared to total ounces in mineral reserves; (2) the quantity of ore mined compared to the total quantity of ore expected to be mined over the life of the mine; (3) the current stripping ratio compared to the expected stripping ratio over the life of the mine; and (4) the ore grade compared to the expected ore grade over the life of the mine. Please refer to notes (ii) and (iii) of the "Reconciliation of Total Cash Costs per Ounce of Production to Production Costs by Mine" section for a discussion of stripping costs with regards to "cash costs".

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Under the SEC Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. The Company is currently evaluating the impact that the adoption of these statements will have on the Company's consolidated financial position, results of operations and disclosures.

BUSINESS COMBINATIONS

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

FAIR VALUE ACCOUNTING

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require enhanced detail in the level 3 reconciliation. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company expects minimal impact from adopting this guidance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Based on recent announcements from the Canadian Securities Administrators and the SEC, it is currently anticipated that as a Canadian issuer and existing US GAAP filer, the earliest date at which the Company will be required to adopt International Financial Reporting Standards ("IFRS") as its principal basis of accounting is for the year ending December 31, 2015. Therefore, financial statement comparative figures prepared under IFRS would be required for fiscal year 2013. A decision to voluntarily adopt IFRS at a date earlier than potentially required has not been made.

An IFRS project group and a steering committee have been established by the Company and a high level project plan has been formulated. The implementation of IFRS will be done through three distinct phases:

- (i) diagnostics;
- (ii) detailed IFRS analysis and conversion; and
- (iii) implement IFRS in daily business.

The first phase is complete and the second phase was started in 2009. A report has been finalized with the primary objective to understand, identify and assess the overall effort required by the Company to produce financial information in accordance with IFRS. The key areas for the diagnostics work was to review the 2007 consolidated financial statements of the Company and obtain a detailed understanding of the differences between IFRS and US GAAP to be able to identify potential system and process changes required as a result of converting to IFRS.

MINERAL RESERVE DATA

The preparation of the information set forth below with respect to the mineral reserves at the LaRonde Mine (which includes mineral reserves at the LaRonde Mine extension), the Goldex, Kittila, Lapa, Pinos Altos and Meadowbank Mines and the Meliadine project has been supervised by the Company's Vice-President, Project Development, Marc Legault, P.Eng, a "qualified person" under the CSA's National Instrument 43-101 *Standards of Disclosure for Mineral Properties*. The Company's mineral reserve estimate was derived from internally generated data or audited reports.

The assumptions used for the 2010 mineral reserves and resources estimate reported by the Company in this MD&A were based on three-year average prices for the period ending December 31, 2010 of \$1,024 per ounce gold, \$16.62 per ounce silver, \$0.86 per pound zinc, \$2.97 per pound copper, \$0.90 per pound lead and exchange rates of C\$1.08 per \$1.00, 12.43 Mexican pesos per \$1.00 and \$1.40 per €1.00.

	PROPERTY		
	Tonnes	Grade (g/t)	Contained Gold (oz)
PROVEN RESERVE			
Goldex	14,804,000	1.87	890,000
Lapa	1,122,000	7.24	261,000
Kittila	403,000	4.23	55,000
Meadowbank	839,000	3.13	85,000
Pinos Altos	2,864,000	1.90	175,000
LaRonde	4,838,000	2.36	366,000
Total Proven Reserve	24,870,000		1,832,000
PROBABLE RESERVE			
Goldex	12,990,000	1.62	676,000
Lapa	1,709,000	7.56	416,000
LaRonde	29,892,000	4.63	4,452,000
Kittila	32,329,000	4.64	4,825,000
Meadowbank	33,259,000	3.18	3,402,000
Pinos Altos	41,298,000	2.33	3,096,000
Meliadine	9,467,000	8.54	2,600,000
Total Probable Reserve	160,944,000		19,467,000
Total Proven and Probable Reserve	185,814,000		21,299,000

Notes:

- (1) Total contained gold ounces does not include equivalent gold ounces for the byproduct metals contained in the mineral reserve; tonnage and contained gold quantities are rounded to the nearest thousand.
- (2) Complete information on the verification procedures, the quality assurance program, quality control procedures, operating and capital cost assumptions, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A and definition of certain terms used herein may be found in the Form 20-F under the caption "Item 4 Information on the Company – Property, Plant and Equipment – Mineral Reserve and Resource", the 2005 LaRonde Mineral Resource & Mineral Reserve Estimate filed with Canadian securities regulatory authorities on SEDAR March 23, 2005, the Technical Report on the Lapa Gold Project filed with Canadian securities regulatory authorities on SEDAR June 8, 2006, the Technical Report on the Estimation of Mineral Resource and Reserves for the Goldex Extension Zone filed with the Canadian securities regulatory authorities on SEDAR October 27, 2005, the Technical Report on the July 31, 2008 Mineral Resource and Mineral Reserve Estimate of the Kittila Mine Project, Finland filed with the Canadian securities regulatory authorities on SEDAR December 11, 2008, the Technical Report on the Mineral Resources and Mineral Reserves dated September 30, 2008, Meadowbank Gold Project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR December 15, 2008 Pinos Altos Gold-Silver Project, Chihuahua State, Mexico, Technical Report on Mineral Resources and Reserves as at December 31, 2008 filed with Canadian securities regulatory authorities March 25, 2009 and the Technical Report on the December 31, 2010 Mineral Resource and Mineral Reserve Estimate for the Meliadine Gold Project, Nunavut, Canada filed with Canadian securities regulatory authorities on SEDAR March 8, 2011.

Summarized Quarterly Data

CONSOLIDATED FINANCIAL DATA

	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	Total 2009
--	-------------------	------------------	-----------------------	----------------------	---------------

(thousands of United States dollars, except where noted)

INCOME CONTRIBUTION ANALYSIS

LaRonde Mine	\$ 37,647	\$ 50,652	\$ 40,276	\$ 59,425	\$ 188,000
Goldex Mine	18,466	19,107	16,687	33,891	88,151
Kittila Mine	—	3,145	884	14,964	18,993
Lapa Mine	—	(833)	2,751	8,019	9,937
Pinos Altos Mine	—	—	—	2,363	2,363
Operating margin	56,113	72,071	60,598	118,662	307,444
Amortization	12,130	15,470	23,200	21,661	72,461
Corporate expenses	14,647	38,016	44,007	30,275	126,945
Income (loss) before tax	29,336	18,585	(6,609)	66,726	108,038
Tax provision (recovery)	(25,005)	17,358	10,357	18,790	21,500
Net income (loss) for the period	\$ 54,341	\$ 1,227	\$ (16,966)	\$ 47,936	\$ 86,538
Net income (loss) per share – basic	\$ 0.35	\$ 0.01	\$ (0.11)	\$ 0.31	\$ 0.55
Net income (loss) per share – diluted	\$ 0.35	\$ 0.01	\$ (0.11)	\$ 0.30	\$ 0.55

CASH FLOWS

Operating cash flow	\$ 48,823	\$ 26,369	\$ (13,787)	\$ 53,701	\$ 115,106
Investing cash flow	\$ (155,422)	\$ (155,730)	\$ (136,756)	\$ (139,703)	\$ (587,611)
Financing cash flow	\$ 216,447	\$ 88,247	\$ 217,590	\$ 37,534	\$ 559,818

REALIZED PRICES

Gold (per ounce)	\$ 969	\$ 962	\$ 939	\$ 1,153	\$ 1,024
Silver (per ounce)	\$ 13.53	\$ 14.32	\$ 15.59	\$ 19.17	\$ 15.54
Zinc (per tonne)	\$ 1,213	\$ 1,698	\$ 1,932	\$ 2,506	\$ 1,808
Copper (per tonne)	\$ 4,110	\$ 5,832	\$ 7,580	\$ 7,469	\$ 6,140

PAYABLE PRODUCTION:⁽¹⁾

Gold (ounces)					
LaRonde Mine	51,339	58,034	47,726	46,395	203,494
Goldex Mine	35,959	35,645	31,169	46,076	148,849
Kittila Mine	4,514	13,771	18,284	35,269	71,838
Lapa Mine	—	11,603	18,409	22,590	52,602
Pinos Altos Mine	—	—	3,175	13,014	16,189
	91,812	119,053	118,763	163,344	492,972
Silver (ounces in thousands)					
LaRonde Mine	1,029	1,034	995	861	3,919
Pinos Altos Mine	—	—	16	100	116
	1,029	1,034	1,011	961	4,035
Zinc (LaRonde Mine) (tonnes)	13,291	14,928	12,516	15,451	56,186
Copper (LaRonde Mine) (tonnes)	1,682	2,066	1,400	1,523	6,671

PAYABLE METAL SOLD:

Gold (ounces)					
LaRonde Mine	53,516	59,608	48,959	42,751	204,834
Goldex Mine	30,901	33,501	32,572	48,241	145,215
Kittila Mine	—	6,780	21,946	30,635	59,361
Lapa Mine	—	3,167	14,669	23,885	41,721
Pinos Altos Mine	—	—	594	11,935	12,529
	84,417	103,056	118,740	157,447	463,660

Notes:

⁽¹⁾ Payable mineral production means the quantity of mineral produced during a period contained in products that are or will be sold by the Company, whether such products are sold during the period or held as inventory at the end of the period.

CONSOLIDATED FINANCIAL DATA

	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	Total 2010
<i>(thousands of United States dollars, except where noted)</i>					
INCOME CONTRIBUTION ANALYSIS					
LaRonde Mine	\$ 45,387	\$ 43,614	\$ 48,722	\$ 65,517	\$ 203,240
Goldex Mine	26,423	42,635	44,349	50,122	163,529
Kittila Mine	11,470	16,625	26,838	17,467	72,400
Lapa Mine	21,273	20,204	17,764	25,477	84,718
Pinos Altos Mine	12,631	22,626	15,089	34,998	85,344
Meadowbank Mine	2,171	35,179	49,042	49,426	135,818
Operating margin	119,355	180,883	201,804	243,007	745,049
Amortization	30,503	44,003	48,145	69,835	192,486
Corporate expenses	47,578	28,331	(9,818)	51,269	117,360
Income (loss) before tax	41,274	108,549	163,477	121,903	435,203
Tax provision (recovery)	18,942	8,189	42,016	33,940	103,087
Net income (loss) for the period	\$ 22,332	\$ 100,360	\$ 121,461	\$ 87,963	\$ 332,116
Net income (loss) per share – basic	\$ 0.14	\$ 0.64	\$ 0.73	\$ 0.53	\$ 2.05
Net income (loss) per share – diluted	\$ 0.14	\$ 0.63	\$ 0.71	\$ 0.51	\$ 2.00
CASH FLOWS					
Operating cash flow	\$ 74,491	\$ 161,574	\$ 156,829	\$ 90,576	\$ 483,470
Investing cash flow	\$ (119,329)	\$ (116,826)	\$ (163,798)	\$ (123,353)	\$ (523,306)
Financing cash flow	\$ (1,646)	\$ (10,422)	\$ 531	\$ (10,408)	\$ (21,945)
REALIZED PRICES					
Gold (per ounce)	\$ 1,111	\$ 1,222	\$ 1,235	\$ 1,387	\$ 1,250
Silver (per ounce)	\$ 17.87	\$ 19.29	\$ 20.53	\$ 31.96	\$ 22.56
Zinc (per tonne)	\$ 2,235	\$ 1,890	\$ 2,151	\$ 2,391	\$ 2,165
Copper (per tonne)	\$ 7,288	\$ 6,581	\$ 8,689	\$ 10,311	\$ 8,182
PAYABLE PRODUCTION:⁽¹⁾					
Gold (ounces)					
LaRonde Mine	45,036	41,533	37,832	38,405	162,806
Goldex Mine	42,269	48,334	50,672	43,111	184,386
Kittila Mine	24,547	31,593	40,344	29,721	126,205
Lapa Mine	31,553	28,927	27,687	29,289	117,456
Pinos Altos Mine	26,228	29,665	35,248	39,289	130,431
Creston Mascota Mine	–	–	–	666	666
Meadowbank Mine	18,599	77,676	93,395	75,990	265,659
	188,232	257,728	285,178	256,471	987,609
Silver (ounces in thousands)					
LaRonde Mine	875	860	1,080	766	3,581
Pinos Altos Mine	222	248	290	427	1,185
Creston Mascota Mine	–	–	–	493	493
Meadowbank Mine	2	12	18	14	46
	1,099	1,120	1,388	1,700	5,305
Zinc (LaRonde Mine) (tonnes)	14,224	18,465	14,915	14,939	62,544
Copper (LaRonde Mine) (tonnes)	1,052	1,056	1,181	935	4,224
PAYABLE METAL SOLD:					
Gold (ounces)					
LaRonde Mine	45,240	41,666	36,979	39,896	163,781
Goldex Mine	37,863	48,310	49,117	48,067	183,357
Kittila Mine	30,674	28,588	41,655	28,722	129,639
Lapa Mine	34,193	31,920	25,846	31,177	123,136
Pinos Altos Mine	20,965	30,634	31,759	39,156	122,514
Meadowbank Mine	7,103	70,182	93,495	79,849	250,629
	176,038	251,300	278,851	266,867	973,056

Notes:

⁽¹⁾ Payable mineral production means the quantity of mineral produced during a period contained in products that are or will be sold by the Company, whether such products are sold during the period or held as inventory at the end of the period.

Five Year Financial and Operating Summary

	FINANCIAL DATA									
	2010		2009		2008		2007		2006	
	<i>(thousands of United States dollars, except where noted)</i>									
Revenues from mining operations	\$	1,422,521	\$	613,762	\$	368,938	\$	432,205	\$	464,632
Interest, sundry income and gain on available-for-sale securities		94,879		26,314		(37,465)		29,230		45,915
		1,517,400		640,076		331,473		461,435		510,547
Costs and expenses		1,082,197		532,038		235,482		302,157		249,904
Income before income taxes		435,203		108,038		95,991		159,278		260,643
Income and mining taxes expense (recovery)		103,087		21,500		22,824		19,933		99,306
Net income	\$	332,116	\$	86,538	\$	73,167	\$	139,345	\$	161,337
Net income per share – basic	\$	2.05	\$	0.55	\$	0.51	\$	1.05	\$	1.40
Net income per share – diluted	\$	2.00	\$	0.55	\$	0.50	\$	1.04	\$	1.35
Operating cash flow	\$	483,470	\$	115,106	\$	121,175	\$	246,329	\$	227,015
Investing cash flow	\$	(523,306)	\$	(587,611)	\$	(917,549)	\$	(373,099)	\$	(299,723)
Financing cash flow	\$	(21,945)	\$	559,818	\$	558,072	\$	126,508	\$	297,816
Dividends declared per share	\$	0.64	\$	0.18	\$	0.18	\$	0.18	\$	0.12
Capital expenditures	\$	511,641	\$	657,175	\$	908,853	\$	523,793	\$	149,185
Average gold price per ounce realized	\$	1,250	\$	1,024	\$	879	\$	748	\$	622
Average exchange rate – C\$ per \$	C\$	1.0301	C\$	1.1415	C\$	1.0669	C\$	1.0738	C\$	1.1344
Weighted average number of common shares outstanding (in thousands)		162,343		155,942		144,741		132,768		115,461
Working capital (including undrawn credit lines)	\$	1,491,471	\$	598,581	\$	508,335	\$	751,587	\$	839,898
Total assets	\$	5,500,351	\$	4,427,357	\$	3,378,824	\$	2,735,498	\$	1,521,488
Long-term debt	\$	650,000	\$	715,000	\$	200,000	\$	–	\$	–
Shareholders' equity	\$	3,665,450	\$	2,751,761	\$	2,517,756	\$	2,058,934	\$	1,252,405
OPERATING SUMMARY										
LaRonde Mine										
Revenues from mining operations	\$	392,386	\$	352,221	\$	330,652	\$	432,205	\$	464,632
Production costs		189,146		164,221		166,496		166,104		143,753
Gross profit (exclusive of amortization shown below)	\$	203,240	\$	188,000	\$	164,156	\$	266,101	\$	320,879
Amortization		30,404		28,392		28,285		27,757		25,255
Gross profit	\$	172,836	\$	159,608	\$	135,871	\$	238,344	\$	295,624
Tonnes of ore milled		2,592,252		2,545,831		2,638,691		2,673,463		2,673,080
Gold – grams per tonne		2.17		2.75		2.84		2.95		3.13
Gold production – ounces		162,806		203,494		216,208		230,992		245,826
Silver production – ounces (in thousands)		3,581		3,919		4,079		4,920		4,956
Zinc production – tonnes		62,544		56,186		65,755		71,577		82,183
Copper production – tonnes		4,224		6,671		6,922		7,482		7,289
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	1,162	\$	807	\$	770	\$	719	\$	585
Less: Net byproduct revenues		(1,180)		(699)		(658)		(1,082)		(1,240)
Inventory adjustments		19		1		–		4		(31)
Accretion expense and other		(8)		(6)		(6)		(6)		(4)
Total cash costs (per ounce) ⁽¹⁾	\$	(7)	\$	103	\$	106	\$	(365)	\$	(690)
Minesite costs per tonne ⁽¹⁾	C\$	75	C\$	72	C\$	67	C\$	66	C\$	62

Notes:

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

	FINANCIAL DATA (CONTINUED)									
	2010		2009		2008		2007		2006	
Goldex Mine										
Revenues from mining operations	\$	225,090	\$	142,493	\$	38,286	\$	–	\$	–
Production costs		61,561		54,342		20,366		–		–
Gross profit (exclusive of amortization shown below)	\$	163,529	\$	88,151	\$	17,920	\$	–	\$	–
Amortization		21,428		21,716		7,250		–		–
Gross profit	\$	142,101	\$	66,435	\$	10,670	\$	–	\$	–
Tonnes of ore milled		2,781,564		2,614,645		1,118,543		–		–
Gold – grams per tonne		2.21		1.98		1.86		–		–
Gold production – ounces		184,386		148,849		57,436		–		–
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	333	\$	365	\$	430	\$	–	\$	–
Less:										
Net byproduct revenues		4								
Inventory adjustments		(1)		3		(9)		–		–
Accretion expense and other		(1)		(1)		(2)		–		–
Total cash costs (per ounce) ⁽¹⁾	\$	335	\$	367	\$	419	\$	–	\$	–
Minesite costs per tonne ⁽¹⁾	C\$	22	C\$	23	C\$	27	C\$	–	C\$	–
Lapa Mine										
Revenues from mining operations	\$	150,917	\$	43,409	\$	–	\$	–	\$	–
Production costs		66,199		33,472		–		–		–
Gross profit (exclusive of amortization shown below)	\$	84,718	\$	9,937	\$	–	\$	–	\$	–
Amortization		31,986		9,906		–		–		–
Gross profit	\$	52,732	\$	31	\$	–	\$	–	\$	–
Tonnes of ore milled		551,739		299,430		–		–		–
Gold – grams per tonne		8.26		7.29		–		–		–
Gold production – ounces		117,456		52,602		–		–		–
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	564	\$	636	\$	–	\$	–	\$	–
Less:										
Net byproduct revenues		5		–		–		–		–
Inventory adjustments	\$	(40)		115		–		–		–
Accretion expense and other		–		–		–		–		–
Total cash costs (per ounce) ⁽¹⁾	\$	529	\$	751	\$	–	\$	–	\$	–
Minesite costs per tonne ⁽¹⁾	\$	114	C\$	140	C\$	–	C\$	–	C\$	–
Kittila Mine										
Revenues from mining operations	\$	160,140	\$	61,457	\$	–	\$	–	\$	–
Production costs		87,740		42,464		–		–		–
Gross profit (exclusive of amortization shown below)	\$	72,400	\$	18,993	\$	–	\$	–	\$	–
Amortization		31,488		10,909		–		–		–
Gross profit	\$	40,912	\$	8,084	\$	–	\$	–	\$	–
Tonnes of ore milled		960,365		563,238		–		–		–
Gold – grams per tonne		5.41		5.02		–		–		–
Gold production – ounces		126,205		71,838		–		–		–
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	695	\$	648	\$	–	\$	–	\$	–
Less:										
Net byproduct revenues		2		–		–		–		–
Inventory adjustments		(38)		24		–		–		–
Accretion expense and other		(2)		(4)		–		–		–
Total cash costs (per ounce) ⁽¹⁾	\$	657	\$	668	\$	–	\$	–	\$	–
Minesite costs per tonne ⁽¹⁾	€	66	€	54	€	–	€	–	€	–

Notes:

(1) Minesite costs per tonne and total cash costs per ounce are non-US GAAP measures of performance that the Company uses to monitor the performance of its operations. See “Results of Operations – Production Costs”.

	FINANCIAL DATA (CONTINUED)									
	2010		2009		2008		2007		2006	
Pinos Altos Mine										
Revenues from mining operations	\$	175,637	\$	14,182	\$	–	\$	–	\$	–
Production costs		90,293		11,819		–		–		–
Gross profit (exclusive of amortization shown below)	\$	85,344	\$	2,363	\$	–	\$	–	\$	–
Amortization		21,577		1,524		–		–		–
Gross profit	\$	63,767	\$	839	\$	–	\$	–	\$	–
Tonnes of ore milled		2,318,266		227,394		–		–		–
Gold – grams per tonne		1.95		1.08		–		–		–
Gold production – ounces		130,431		16,189		–		–		–
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	692	\$	1,227	\$	–	\$	–	\$	–
Less: Net byproduct revenues		(192)		(65)		–		–		–
Inventory adjustments		22		(556)		–		–		–
Accretion expense and other		(6)		(10)		–		–		–
Stripping Costs (capitalized vs. expensed)		(91)		–		–		–		–
Total cash costs (per ounce) ⁽¹⁾	\$	425	\$	596	\$	–	\$	–	\$	–
Minesite costs per tonne ⁽¹⁾	\$	35	\$	28						
Meadowbank Mine										
Revenues from mining operations	\$	318,351	\$	–	\$	–	\$	–	\$	–
Production costs		182,533		–		–		–		–
Gross profit (exclusive of amortization shown below)	\$	135,818	\$	–	\$	–	\$	–	\$	–
Amortization		55,604		–		–		–		–
Gross profit	\$	80,214	\$	–	\$	–	\$	–	\$	–
Tonnes of ore milled		2,000,792		–		–		–		–
Gold – grams per tonne		4.34		–		–		–		–
Gold production – ounces		265,659		–		–		–		–
TOTAL CASH COSTS (PER OUNCE):										
Production costs	\$	690	\$	–	\$	–	\$	–	\$	–
Less: Net byproduct revenues		(2)		–		–		–		–
Inventory adjustments		26		–		–		–		–
Accretion expense and other		(5)		–		–		–		–
Stripping Costs (capitalized vs. expensed)		(16)		–		–		–		–
Total cash costs (per ounce) ⁽¹⁾	\$	693	\$	–	\$	–	\$	–	\$	–
Minesite costs per tonne ⁽¹⁾	C\$	95	C\$	–	C\$	–	C\$	–	C\$	–

Note:

⁽¹⁾ Minesite costs per tonne and total cash costs per ounce are non-US GAAP measures of performance that the Company uses to monitor the performance of its operations. See “Results of Operations – Production Costs”.

Annual Audited Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Agnico-Eagle Mines Limited:

We have audited the effectiveness of Agnico-Eagle Mines Limited's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Agnico-Eagle Mines Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Agnico-Eagle Mines Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Agnico-Eagle Mines Limited as of December 31, 2010 and 2009, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 28, 2011, expressed an unqualified opinion thereon.

Toronto, Canada
March 28, 2011

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script.

ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

MANAGEMENT CERTIFICATION

Management of Agnico-Eagle Mines Limited (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company’s Chief Executive Officer and Chief Financial Officer and effected by the Company’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010. In making this assessment, the Company’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2010, the Company’s internal control over financial reporting was effective.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada
March 28, 2011



SEAN BOYD
Vice Chairman and
Chief Executive Officer



AMMAR AL-JOUNDI
Senior Vice-President, Finance
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Agnico-Eagle Mines Limited as of December 31, 2010 and 2009, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Agnico-Eagle Mines Limited at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with United States generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Agnico-Eagle Mines Limited's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2011 expressed an unqualified opinion thereon.

Toronto, Canada
March 28, 2011



ERNST & YOUNG LLP

Chartered Accountants
Licensed Public Accountants

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments in money market instruments with remaining maturities of three months or less at the date of purchase. Short-term investments are designated as held to maturity for accounting purposes and are carried at amortized cost, which approximates market value given the short-term nature of these investments. Agnico-Eagle places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

Inventories

Inventories consist of ore stockpiles, concentrates, doré bars and supplies. Amounts are removed from inventory based on average cost. The current portion of stockpiles, ore on leach pads and inventories are determined based on the expected amounts to be processed within the next 12 months. Stockpiles, ore on leach pads and inventories not expected to be processed within the next 12 months are classified as long-term.

STOCKPILES

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

Mining costs include all costs associated with mining operations and are allocated to each tonne of stockpiled ore. Costs fully absorbed into inventory values include direct and indirect materials and consumables, direct labour, utilities and amortization of mining assets incurred up to the point of stockpiling the ore. Royalty expenses and production taxes are included in production costs, but are not capitalized into inventory. Stockpiles are not intended to be long-term inventory items and are generally processed within twelve months of extraction, with the exception of the Goldex and Pinos Altos Mine ore stockpiles. Due to the structure of the Goldex and Pinos Altos ore bodies, a significant amount of drilling and blasting is incurred in the early years of its mine life, which results in a long-term stockpile. The decision to process stockpiled ore is based on a net smelter return analysis. The Company processes its stockpiled ore if its estimated revenue, on a per tonne basis and net of estimated smelting and refining costs, is greater than the related mining and milling costs. The Company has never elected to not process stockpiled ore and does not anticipate departing from this practice in the future. Stockpiled ore on the surface is exposed to the elements, but the Company does not expect its condition to deteriorate significantly as a result.

Pre-production stripping costs are capitalized until an “other than *de minimis*” level of mineral is produced, after which time such costs are either capitalized to inventory or expensed. The Company considers various relevant criteria to assess when an “other than *de minimis*” level of mineral is produced. The criteria considered include: (1) the number of ounces mined compared to total ounces in mineral reserves; (2) the quantity of ore mined compared to the total quantity of ore expected to be mined over the life of the mine; (3) the current stripping ratio compared to the expected stripping ratio over the life of the mine; and (4) the ore grade compared to the expected ore grade over the life of the mine.

CONCENTRATES AND DORÉ BARS

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

SUPPLIES

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

Mining properties, plant and equipment and mine development costs

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

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

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

Agnico-Eagle records depreciation on both plant and equipment and mine development costs used in commercial production on a unit-of-production basis based on the estimated tonnage of proven and probable mineral reserves of the mine. The unit-of-production method defines the denominator as the total proven and probable tonnes of reserves.

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

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

The carrying values of mining properties, plant and equipment and mine development costs are reviewed periodically, when impairment factors exist, for possible impairment, based on the future undiscounted net cash flows of the operating mine or development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to income. Estimated future cash flows of an operating mine and development properties include estimates of recoverable ounces of gold based on proven and probable reserves. To the extent that economic value exists beyond the proven and probable reserves of an operating mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding metal prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and related income and mining taxes, all based on detailed engineering life-of-mine plans. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows may affect the recoverability of long-lived assets.

Goodwill

Business combinations are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair values is recorded as goodwill. As of the date of acquisition, goodwill is allocated to reporting units by determining estimates of the fair value of each reporting unit and comparing this amount to the fair values of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company performs goodwill impairment tests on an annual basis as well as when events and circumstances indicate that the carrying amounts may no longer be recoverable. In performing the impairment tests, the Company estimates the fair values of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If a reporting unit's carrying amount exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to the carrying amount, and any excess of the carrying amount of goodwill over the implied fair value is charged to income.

Financial instruments

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

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in the consolidated statement of income or in shareholders' equity as a component of accumulated other comprehensive income (loss), depending on the nature of the derivative financial instrument and whether it qualifies for hedge accounting. Financial instruments designated as hedges are tested for effectiveness on a quarterly basis. Gains and losses on those contracts that are proven to be effective are reported as a component of the related transaction.

Revenue recognition

Revenue is recognized when the following conditions are met:

- (a) persuasive evidence of an arrangement to purchase exists;
- (b) the price is determinable;
- (c) the product has been delivered; and
- (d) collection of the sales price is reasonably assured.

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

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

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

Foreign currency translation

The functional currency for the Company's operations is the US dollar. Monetary assets and liabilities of Agnico-Eagle's operations denominated in a currency other than the US dollar are translated into US dollars using the exchange rate in effect at year end. Non-monetary assets and liabilities are translated at historical exchange rates while revenues and expenses are translated at the average exchange rate during the year, with the exception of amortization, which is translated at historical exchange rates. Exchange gains and losses are included in income except for gains and losses on foreign currency contracts used to hedge specific future commitments in foreign currencies. Gains and losses on these contracts are accounted for as a component of the related hedge transactions.

Reclamation costs

On an annual basis, the Company assesses cost estimates and other assumptions used in the valuation of Asset Retirement Obligations ("ARO") at each of its mineral properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit within other expense, whereas at operating mines the charge is recorded as an adjustment to the carrying amount of the corresponding asset. AROs arise from the acquisition, development, construction and normal operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of AROs are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an ARO is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that have an impact on required environmental protection measures and related costs; changes in water quality that have

an impact on the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor; whereas when expected cash flows decrease, the reduced cash flows are discounted using the historical discount factor used in the original estimation of the expected cash flows, and then in both cases any change in the fair value of the ARO is recorded. Agnico-Eagle records the fair value of an ARO when it is incurred. AROs are adjusted to reflect the passage of time (accretion), which is calculated by applying the discount factor implicit in the initial fair value measurement to the beginning-of-period carrying amount of the AROs. For producing mines, accretion expense is recorded in the cost of goods sold each period. Upon settlement of an ARO, Agnico-Eagle records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in other (income) expense. Other environmental remediation costs that are not AROs as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 410-20 – Asset Retirement Obligations (Prior authoritative literature: FASB Statement No. 143) are expensed as incurred.

Income and mining taxes

Agnico-Eagle follows the liability method of tax allocation for accounting for income taxes. Under this method of tax allocation, 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.

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxation authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and international tax audits. The Company recognizes the effect of uncertain tax positions and records tax liabilities for anticipated tax audit issues in Canada and other tax jurisdictions where it is more likely than not based on technical merits that the position would not be sustained. The Company recognizes the amount of any tax benefits that have a greater than 50 percent likelihood of being ultimately realized upon settlement.

Changes in judgment related to the expected ultimate resolution of uncertain tax positions are recognized in the year of such changes. Accrued interest and penalties related to unrecognized tax benefits are recorded in income tax expense when incurred. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

Stock-based compensation

Agnico-Eagle has two stock-based compensation plans. The Employee Stock Option Plan and the Employee Share Purchase Plan are described in note 7(a) and note 7(b), respectively, to the consolidated financial statements. The Company issues common shares to settle its obligations under both plans.

The Employee Stock Option Plan provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statement of income or in the consolidated balance sheet if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

Fair value is determined using the Black-Scholes option valuation model which requires the Company to estimate the expected volatility of the Company's share price and the expected life of the stock options. Limitations with existing option valuation models and the inherent difficulties associated with estimating these variables create difficulties in determining a reliable single measure of the fair value of stock option grants. The dilutive impact of stock option grants is factored into the Company's reported diluted net income per share.

Net income per share

Basic net income per share is calculated on net income for the year using the weighted average number of common shares outstanding during the year. The weighted average number of common shares used to determine diluted net income per share includes an adjustment, using the treasury stock method, for stock options outstanding and warrants outstanding. Under the treasury stock method:

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

Pension costs and obligations and post-retirement benefits

Effective July 1, 1997, Agnico-Eagle's defined benefit pension plan for active employees (the "Employees Plan") was converted to a defined contribution plan. Employees who retired prior to that date remained in the Employees Plan. During 2008, however, the Employees Plan was closed as a result of annuities having been purchased for all remaining members. In addition, Agnico-Eagle provides a non-registered supplementary executive retirement defined benefit plan for its senior officers (the "Executives Plan"). The Executives Plan benefits are generally based on the employees' years of service and level of compensation. Pension expense related to the Executives Plan is the net of the cost of benefits provided, the interest cost of projected benefits, return on plan assets and amortization of experience gains and losses. Pension fund assets are measured at current fair values. Actuarially determined plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized on a straight-line basis over the expected average remaining service life of the employee group.

In Canada, Agnico-Eagle maintains a defined contribution plan covering all of its employees. The plan is funded by Company contributions based on a percentage of income for services rendered by employees. The Company does not offer any other post-retirement benefits to its employees.

Commercial production

The Company assesses each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the nature of each mine construction project, such as the complexity of a plant and its location. The Company considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moved into the production stage. The criteria considered include: (1) the completion of a reasonable period of testing of mine plant and equipment; (2) the ability to produce minerals in saleable form (within specifications); and (3) the ability to sustain ongoing production of minerals. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for sustaining capital costs related to property, plant and equipment and underground mine development or reserve development.

OTHER ACCOUNTING DEVELOPMENTS

Recently adopted accounting pronouncements

SUBSEQUENT EVENTS

In May 2009, the FASB issued ASC 855-10-05 – Subsequent Events (Prior authoritative literature: FASB Statement No. 165, "Subsequent Events") to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the disclosure requirements beginning in the interim period ended June 30, 2009. In February 2010, the FASB issued an Accounting Standards Update ("ASU") to amend ASC 855 – Subsequent Events, which no longer requires United States Securities and Exchange Commission (the "SEC") registrants to disclose the date through which management evaluated subsequent events in the financial statements. As a result of the ASU, the Company's considerations with respect to evaluating subsequent events will be consistent with those before the issuance of the subsequent events accounting guidance.

VARIABLE INTEREST ENTITIES

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a VIE. This qualitative analysis identifies the primary beneficiary of a VIE as the entity that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. Adoption of the updated guidance, effective for the Company's fiscal year beginning January 1, 2010, had no impact on the Company's consolidated financial position, results of operations or cash flows.

FAIR VALUE ACCOUNTING

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to:

- (i) transfers in and out of Level 1 and 2 fair value measurements; and
- (ii) enhanced detail in the Level 3 reconciliation.

The guidance was amended to provide clarity about:

- (i) the level of disaggregation required for assets and liabilities; and
- (ii) the disclosures required for inputs and valuation techniques used to measure fair value for both recurring and nonrecurring measurements that fall in either Level 2 or Level 3 (Note 15).

The updated guidance is effective for the Company's fiscal year beginning January 1, 2010, with the exception of the Level 3 disaggregation, which is effective for the Company's fiscal year beginning January 1, 2011. There was no impact from adopting this guidance on the Company's consolidated financial position, results of operations or cash flows.

Recently issued accounting pronouncements and developments

Under the SEC Staff Accounting Bulletin 74, the Company is required to disclose information related to new accounting standards that have not yet been adopted. The Company is currently evaluating the impact that the adoption of these standards will have on the Company's consolidated financial position, results of operations and disclosures.

BUSINESS COMBINATIONS

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

FAIR VALUE ACCOUNTING

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require enhanced detail in the Level 3 reconciliation. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company expects minimal impact from adopting this guidance.

International Financial Reporting Standards

Based on recent announcements from the Canadian Securities Administrators and the SEC, it is currently anticipated that as a Canadian issuer and existing US GAAP filer, the earliest date at which the Company will be required to adopt International Financial Reporting Standards ("IFRS") as its principal basis of accounting is for the year ending December 31, 2015. Therefore, financial statement comparative figures prepared under IFRS would be required for fiscal year 2013. A decision to voluntarily adopt IFRS at a date earlier than potentially required has not been made.

An IFRS project group and a steering committee have been established by the Company and a high level project plan has been formulated. The implementation of IFRS will be done through three distinct phases:

- (i) diagnostics;
- (ii) detailed IFRS analysis and conversion; and
- (iii) implement IFRS in daily business.

The first phase is complete and the second phase was started in 2009. A report has been finalized with the primary objective to understand, identify and assess the overall effort required by the Company to produce financial information in accordance with IFRS. The key areas for the diagnostics work was to review the 2007 consolidated financial statements of the Company and obtain a detailed understanding of the differences between IFRS and US GAAP to be able to identify potential system and process changes required as a result of converting to IFRS.

Comparative figures

Certain items in the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 consolidated financial statements.

Consolidated Balance Sheets

As at December 31,

	2010	2009
	<i>(thousands of United States dollars, US GAAP basis)</i>	
ASSETS		
Current		
Cash and cash equivalents	\$ 95,560	\$ 160,280
Short-term investments	6,575	3,313
Restricted cash (note 14)	2,510	–
Trade receivables (note 1)	112,949	93,571
Inventories:		
Ore stockpiles	67,764	41,286
Concentrates and doré bars	50,332	31,579
Supplies	149,647	100,885
Available-for-sale securities (note 2(b))	99,109	111,967
Other current assets (note 2(a))	89,776	61,159
Total current assets	674,222	604,040
Other assets (note 2(c))	61,502	33,641
Future income and mining tax assets (note 8)	–	27,878
Goodwill (note 9)	200,064	–
Property, plant and mine development, net (note 3)	4,564,563	3,581,798
	\$ 5,500,351	\$ 4,247,357

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (note 10)	\$ 170,967	\$ 155,432
Dividends payable	108,009	28,199
Income taxes payable	14,450	4,501
Interest payable	9,743	1,666
Fair value of derivative financial instruments (note 15)	142	662
Total current liabilities	303,311	190,460
Long term debt (note 4)	650,000	715,000
Reclamation provision and other liabilities (note 5)	145,536	96,255
Future income and mining tax liabilities (note 8)	736,054	493,881

SHAREHOLDERS' EQUITY

Common shares (notes 6(a, b, c and d))	3,078,217	2,378,759
Stock options (note 7(a))	78,554	65,771
Warrants (note 6(c))	24,858	24,858
Contributed surplus	15,166	15,166
Retained earnings	440,265	216,158
Accumulated other comprehensive income (loss) (note 6(e))	28,390	51,049
Total shareholders' equity	3,665,450	2,751,761
	\$ 5,500,351	\$ 4,247,357

Contingencies and commitments (notes 5, 8, 12 and 13(b))

See accompanying notes

On behalf of the Board:



SEAN BOYD
C.A., Director



MEL LEIDERMAN
C.A., Director

Consolidated Statements of Income and Comprehensive Income

Years ended December 31,	2010	2009	2008
	<i>(thousands of United States dollars, except per share amounts, US GAAP basis)</i>		
REVENUES			
Revenues from mining operations <i>(note 1)</i>	\$ 1,422,521	\$ 613,762	\$ 368,938
COSTS, EXPENSES AND OTHER INCOME			
Production	677,472	306,318	186,862
Exploration and corporate development	54,958	36,279	34,704
Amortization of property, plant and mine development	192,486	72,461	36,133
General and administrative	94,327	63,687	47,187
Write-down of available-for-sale securities	–	–	74,812
Gain on derivative financial instruments	(7,612)	(3,592)	(4,481)
Provincial capital tax	(6,075)	5,014	5,332
Interest expense <i>(note 4)</i>	49,493	8,448	2,952
Interest and sundry income	(10,254)	(12,580)	(7,240)
Gain on acquisition of Comaplex, net of transaction costs <i>(note 9)</i>	(57,526)	–	–
Gain on sale of available-for-sale securities <i>(note 2(a))</i>	(19,487)	(10,142)	(25,626)
Foreign currency translation (gain) loss	19,536	39,831	(77,688)
Income before income and mining taxes	435,203	108,038	95,991
Income and mining taxes <i>(note 8)</i>	103,087	21,500	22,824
Net income for the year	\$ 332,116	\$ 86,538	\$ 73,167
Net income per share – basic <i>(note 6(f))</i>	\$ 2.05	\$ 0.55	\$ 0.51
Net income per share – diluted <i>(note 6(f))</i>	\$ 2.00	\$ 0.55	\$ 0.50
COMPREHENSIVE INCOME:			
Net income for the year	\$ 332,116	\$ 86,538	\$ 73,167
Other comprehensive income (loss):			
Unrealized gain (loss) on hedging activities	–	16,287	(8,888)
Unrealized gain (loss) on available-for-sale securities	64,649	76,037	(911)
Adjustments for derivative instruments maturing during the year	–	(7,399)	–
Adjustments for realized loss (gain) on available-for-sale securities due to dispositions and write-downs during the year	(19,487)	(10,142)	8,997
Net amount reclassified to income due to acquisition of business <i>(note 9)</i>	(64,508)	–	–
Change in unrealized gain (loss) on pension liability	(4,093)	(727)	1,822
Tax effect of other comprehensive income items	780	(2,399)	2,084
Other comprehensive income (loss) for the year	(22,659)	71,657	3,104
Comprehensive income for the year	\$ 309,457	\$ 158,195	\$ 76,271

See accompanying notes

Consolidated Statements of Shareholders' Equity

	Common Shares		Stock Options Outstanding	Warrants	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
	Shares	Amount					
<i>(thousands of United States dollars, US GAAP basis)</i>							
BALANCE DECEMBER 31, 2007	142,403,379	\$ 1,931,667	\$ 23,573	\$ —	\$ 15,166	\$ 112,240	\$ (23,712)
Shares issued under Employee Stock Option Plan <i>(note 7(a))</i>	1,340,484	41,392	—	—	—	—	—
Stock options	—	—	17,479	—	—	—	—
Shares issued under the Incentive Share Purchase Plan <i>(note 7(b))</i>	154,998	9,545	—	—	—	—	—
Shares issued under flow-through share private placement <i>(note 6(b))</i>	779,250	22,042	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	30,807	2,210	—	—	—	—	—
Shares issued under public offering <i>(note 6(d))</i>	900,000	34,200	—	—	—	—	—
Shares issued under private placement of units <i>(note 6(c))</i>	9,200,000	258,691	—	24,858	—	—	—
Net income for the year	—	—	—	—	—	73,167	—
Dividends declared (\$0.18 per share) <i>(note 6(a))</i>	—	—	—	—	—	(27,866)	—
Other comprehensive income for the year	—	—	—	—	—	—	3,104
BALANCE DECEMBER 31, 2008	154,808,918	\$ 2,299,747	\$ 41,052	\$ 24,858	\$ 15,166	\$ 157,541	\$ (20,608)
Shares issued under Employee Stock Option Plan <i>(note 7(a))</i>	1,238,000	48,313	—	—	—	—	—
Stock options	—	—	24,719	—	—	—	—
Shares issued under the Incentive Share Purchase Plan <i>(note 7(b))</i>	196,649	11,290	—	—	—	—	—
Shares issued under flow-through share private placement <i>(note 6(b))</i>	358,900	19,153	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	18,764	912	—	—	—	—	—
Shares issued for purchase of mining property <i>(note 6(c))</i>	33,825	894	—	—	—	—	—
Net income for the year	—	—	—	—	—	86,538	—
Dividends declared (\$0.18 per share) <i>(note 6(a))</i>	—	—	—	—	—	(27,921)	—
Other comprehensive income for the year	—	—	—	—	—	—	71,657
Restricted share unit plan <i>(note 7(c))</i>	(29,882)	(1,550)	—	—	—	—	—
BALANCE DECEMBER 31, 2009	156,625,174	\$ 2,378,759	\$ 65,771	\$ 24,858	\$ 15,166	\$ 216,158	\$ 51,049
Shares issued under Employee Stock Option Plan <i>(note 7(a))</i>	1,627,766	104,111	—	—	—	—	—
Stock options	—	—	12,783	—	—	—	—
Shares issued under the Incentive Share Purchase Plan <i>(note 7(b))</i>	229,583	14,963	—	—	—	—	—
Shares issued under the Company's dividend reinvestment plan	25,243	1,404	—	—	—	—	—
Shares issued for purchase of mining property <i>(note 6(c))</i>	10,225,848	579,800	—	—	—	—	—
Net income for the year	—	—	—	—	—	332,116	—
Dividends declared (\$0.64 per share) <i>(note 6(a))</i>	—	—	—	—	—	(108,009)	—
Other comprehensive income for the year	—	—	—	—	—	—	(22,659)
Restricted share unit plan <i>(note 6(a))</i>	(13,259)	(820)	—	—	—	—	—
BALANCE DECEMBER 31, 2010	168,720,355	\$ 3,078,217	\$ 78,554	\$ 24,858	\$ 15,166	\$ 440,265	\$ 28,390

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31,

	2010	2009	2008
	<i>(thousands of United States dollars, US GAAP basis)</i>		
OPERATING ACTIVITIES			
Net income for the year	\$ 332,116	\$ 86,538	\$ 73,167
Add (deduct) items not affecting cash:			
Amortization of property, plant and mine development	192,486	72,461	36,133
Future income and mining taxes	66,928	20,309	16,681
Loss (gain) on available-for-sale securities and derivative financial instruments, net	(20,007)	(20,677)	49,186
Stock-based compensation	41,635	28,753	16,061
Gain on acquisition of Comaplex <i>(note 9)</i>	(64,508)	-	-
Foreign currency translation loss (gain)	19,536	39,831	(77,688)
Other	13,535	5,321	4,642
Changes in non-cash working capital balances			
Trade receivables	(19,378)	(47,930)	33,779
Income taxes (payable)/recoverable	9,949	(313)	4,814
Inventories	(91,306)	(90,772)	(45,904)
Other current assets	(28,729)	4,834	(24,334)
Accounts payable and accrued liabilities	23,136	28,552	34,492
Prepaid royalty	-	(13,321)	-
Interest payable	8,077	1,520	146
Cash provided by operating activities	483,470	115,106	121,175
INVESTING ACTIVITIES			
Additions to property, plant and mine development	(511,641)	(657,175)	(908,853)
Sale of Stornoway Diamond Corporation debentures <i>(note 11)</i>	-	-	10,720
Decrease (increase) in short-term investments	(3,262)	(3,313)	78,770
Net proceeds on available-for-sale securities	36,586	48,258	43,583
Purchase of available-for-sale securities	(42,479)	(6,380)	(113,225)
Decrease (increase) in restricted cash	(2,510)	30,999	(28,544)
Cash used in investing activities	(523,306)	(587,611)	(917,549)
FINANCING ACTIVITIES			
Dividends paid	(26,830)	(27,132)	(23,779)
Repayment of capital lease obligations	(16,019)	(13,177)	(16,178)
Sale-leaseback financing	14,017	21,389	-
Proceeds from long-term debt	1,311,000	625,000	300,000
Repayment of long-term debt	(1,376,000)	(110,000)	(100,000)
Credit facility financing costs	(12,772)	(4,784)	(3,094)
Common shares issued	84,659	68,522	376,265
Warrants issued	-	-	24,858
Cash provided by (used in) financing activities	(21,945)	559,818	558,072
Effect of exchange rate changes on cash and cash equivalents	(2,939)	4,585	(8,110)
Net increase (decrease) in cash and cash equivalents during the year	(64,720)	91,898	(246,412)
Cash and cash equivalents, beginning of year	160,280	68,382	314,794
Cash and cash equivalents, end of year	\$ 95,560	\$ 160,280	\$ 68,382
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid during the year	\$ 41,429	\$ 17,189	\$ 6,345
Income, mining and capital taxes paid during the year	\$ 25,199	\$ 8,792	\$ 3,802

See accompanying notes

Notes to Consolidated Financial Statements

(thousands of United States dollars, except per share amounts, unless otherwise indicated)
December 31, 2010

1. TRADE RECEIVABLES AND REVENUES FROM MINING OPERATIONS

Agnico-Eagle is a gold mining company with mining operations in Canada, Finland and Mexico. The Company earns a significant proportion of its revenues from the production and sale of gold in both doré bar and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of byproduct metals. The revenue from byproduct metals is mainly generated by production at the LaRonde Mine in Canada (silver, zinc, copper and lead) and the Pinos Altos Mine in Mexico (silver).

Revenues are generated from operations in Canada, Finland and Mexico. The cash flow and profitability of the Company's operations are significantly affected by the market price of gold, and to a lesser extent, silver, zinc, copper and lead. The prices of these metals can fluctuate widely and are affected by numerous factors beyond the Company's control.

As gold can be sold through numerous gold market traders worldwide, the Company is not economically dependent on a limited number of customers for the sale of its product.

Trade receivables are recognized once the transfer of ownership for the metals sold has occurred and reflect the amounts owing to the Company in respect of its sales of doré bars or concentrates to third parties prior to the satisfaction in full of the payment obligations of the third parties.

	2010		2009	
Doré bars awaiting settlement	\$	24,281	\$	3,488
Concentrates awaiting settlement		88,668		90,083
	\$	112,949	\$	93,571

	2010			2009			2008		
	<i>(thousands)</i>								
REVENUES FROM MINING OPERATIONS:									
Gold	\$	1,216,249	\$	474,875	\$	227,576			
Silver		104,544		59,155		59,398			
Zinc		77,544		57,034		54,364			
Copper		22,219		22,571		27,600			
Lead		1,965		127		—			
	\$	1,422,521	\$	613,762	\$	368,938			

In 2010, precious metals accounted for 93% of Agnico-Eagle's revenues from mining operations (2009 – 87%; 2008 – 78%). The remaining revenues from mining operations consisted of net byproduct metals revenues. In 2010, these net byproduct metals revenues as a percentage of total revenues from mining operations were 5% from zinc (2009 – 9%; 2008 – 15%) and 2% from copper (2009 – 4%; 2008 – 7%).

2. OTHER ASSETS

(a) Other current assets

	2010	2009
Federal, provincial and other sales taxes receivable	\$ 63,553	\$ 37,847
Prepaid expenses	10,449	4,797
Employee loans receivable	4,498	3,640
Government refundables for local community improvements	803	1,764
Prepaid royalty	5,282	5,377
Other	5,191	7,734
	\$ 89,776	\$ 61,159

(b) Available-for-sale securities

In 2010, the Company realized \$36.6 million (2009 – \$41.0 million; 2008 – \$40.5 million) in proceeds and recorded a gain of \$19.5 million (2009 – \$10.1 million; 2008 – \$25.6 million) in the consolidated statements of income on the sale of available-for-sale securities. Available-for-sale securities consist of equity securities whose cost basis is determined using the average cost method. Available-for-sale securities are carried at fair value as follows:

	2010	2009
Cost	\$ 50,958	\$ 44,470
Unrealized gains	48,151	67,508
Unrealized losses	–	(11)
Estimated fair value of available-for-sale securities	\$ 99,109	\$ 111,967

(c) Other assets

	2010	2009
Deferred financing costs, less accumulated amortization of \$2,249 (2009 – \$2,732)	\$ 16,780	\$ 7,516
Long-term ore in stockpile ⁽ⁱ⁾	27,409	11,684
Prepaid royalty ⁽ⁱⁱ⁾	8,777	13,321
Other	8,536	1,120
	\$ 61,502	\$ 33,641

⁽ⁱ⁾ Due to the structure of the Goldex Mine and Pinos Altos Mine ore bodies, a significant amount of drilling and blasting is incurred in the early years of its mine life resulting in a long-term stockpile.

⁽ⁱⁱ⁾ The prepaid royalty relates to the Pinos Altos Mine in Mexico.

3. PROPERTY, PLANT AND MINE DEVELOPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Mining properties	\$ 1,885,476	\$ 44,823	\$ 1,840,653	\$ 1,221,646	\$ 27,865	\$ 1,193,781
Plant and equipment	2,123,191	321,907	1,801,284	1,389,081	197,794	1,191,287
Mine development costs	853,927	171,869	682,058	435,469	111,674	323,795
CONSTRUCTION IN PROGRESS:						
LaRonde Mine extension	185,905	—	185,905	121,102	—	121,102
Creston Mascota deposit	54,663	—	54,663	10,159	—	10,159
Meadowbank Mine	—	—	—	741,674	—	741,674
	\$ 5,103,162	\$ 538,599	\$ 4,564,563	\$ 3,919,131	\$ 337,333	\$ 3,581,798

	GEOGRAPHIC INFORMATION	
	Net Book Value 2010	Net Book Value 2009
Canada	\$ 3,456,809	\$ 2,592,704
Europe	605,283	568,620
Latin America	500,211	418,214
USA	2,260	2,260
Total	\$ 4,564,563	\$ 3,581,798

In 2010, Agnico-Eagle capitalized \$0.3 million of costs (2009 – \$0.4 million) and recognized \$0.8 million of amortization expense (2009 – \$0.8 million) related to computer software. The unamortized capitalized cost for computer software at the end of 2010 was \$4.7 million (2009 – \$5.2 million).

The unamortized capitalized cost for leasehold improvements at the end of 2010 was \$3.3 million (2009 – \$2.5 million), which is being amortized on a straight-line basis over the life of the lease plus one renewal period.

The amortization of assets recorded under capital leases is included in the “Amortization of property, plant and mine development” component of the consolidated statements of income.

4. LONG TERM DEBT

The Company entered into a credit agreement on January 10, 2008 with a group of financial institutions relating to a new \$300 million unsecured revolving credit facility (the "First Credit Facility"); the Company's previous \$300 million secured revolving credit facility was terminated. The First Credit Facility was scheduled to mature on January 10, 2013. However, the Company, with the consent of lenders representing 66²/₃% of the aggregate commitments under the facility, had the option to extend the term of this facility for additional one-year terms.

On September 4, 2008, the Company entered into a further credit agreement with a separate group of financial institutions relating to an additional \$300 million unsecured revolving credit facility (the "Second Credit Facility"). The Second Credit Facility was scheduled to mature on September 4, 2010.

On June 15, 2009, the Company amended and restated the First Credit Facility and the Second Credit Facility. The amount available under the Second Credit Facility was increased by \$300 million to \$600 million, and the scheduled maturity date was extended to June 2012.

On June 22, 2010, the Company terminated the First Credit Facility and amended and restated the Second Credit Facility to increase the amount available to \$1.2 billion and extend the scheduled maturity date to June 22, 2014 (as so amended and restated, the "Credit Facility").

Payment and performance of the Company's obligations under the Credit Facility is guaranteed by all material and certain other subsidiaries of the Company (the "Guarantors"). The Credit Facility contains covenants that restrict, among other things, the ability of the Company to incur additional indebtedness, make distributions in certain circumstances, sell material assets and carry on a business other than one related to the mining business. The Company is also required to maintain a total net debt to EBITDA ratio below a specified minimum value as well as a minimum tangible net worth. At December 31, 2010, the Credit Facility was drawn down by \$50 million (2009 – \$715 million). This drawdown, together with outstanding letters of credit under the Credit Facility, decrease the amounts available under the Credit Facility such that \$1.12 billion was available for future drawdowns at December 31, 2010.

In addition, on June 2, 2009, Agnico-Eagle executed an unsecured C\$95 million financial security issuance agreement with Export Development Canada. This agreement matures June 2014 and is used to provide letters of credit for environmental obligations or in relation to licence or permit bonds relating to the Meadowbank Mine. As at December 31, 2010, outstanding letters of credit drawn against this agreement totalled C\$75.6 million (2009 – C\$60.4 million).

On April 7, 2010, the Company closed a private placement of an aggregate of \$600 million of guaranteed senior unsecured notes due 2017, 2020 and 2022 (the "Notes") with a weighted average maturity of 9.84 years and weighted average yield of 6.59%. Net proceeds from the offering of the Notes were used to repay amounts owed under the Company's then existing credit facilities. Payment and performance of the Company's obligations under the Notes is guaranteed by the Guarantors. The Notes contains covenants that restrict, among other things, the ability of the Company to amalgamate or otherwise transfer its assets, sell material assets and carry on a business other than one related to the mining business and the ability of the Guarantors to incur indebtedness. The Notes also require the Company to maintain the same financial ratios and same minimum tangible net worth as under the Credit Facility. The Notes and the Credit Facility rank equally in seniority.

The following are the individual series of the issued Notes:

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

For the year ended December 31, 2010, interest expense was \$49.5 million (2009 – \$8.4 million; 2008 – \$3.0 million) and total cash interest payments were \$41.4 million (2009 – \$17.2 million; 2008 – \$6.3 million). In 2010, cash interest on the Credit Facilities was \$12.3 million (2009 – \$14.0 million; 2008 – \$4.6 million), cash standby fees on the Credit Facilities were \$6.7 million (2009 – \$2.4 million; 2008 – \$1.2 million), and cash interest on the Notes was \$19.8 million (2009 – N/A, 2008 – N/A). In 2010, \$4.6 million (2009 – \$15.5 million; 2008 – \$4.6 million) of the interest expense was capitalized to construction in progress.

The Company's weighted average interest rate on all of its long-term debt as at December 31, 2010 was 5.43% (2009 – 3.18%; 2008 – 3.77%).

5. RECLAMATION PROVISION AND OTHER LIABILITIES

Reclamation provision and other liabilities consist of the following:

	2010	2009
Reclamation and closure costs <i>(note 5(a))</i>	\$ 91,641	\$ 62,847
Long-term portion of capital lease obligations <i>(note 13(a))</i>	38,019	21,981
Pension benefits <i>(note 5(c))</i>	11,307	8,109
Goldex Mine government grant and other <i>(note 5(b))</i>	4,569	3,318
	\$ 145,536	\$ 96,255

(a) Reclamation and closure costs

Reclamation estimates are based on current legislation, third party estimates and feasibility study calculations. 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 amounts of the asset retirement obligations:

	2010	2009
Asset retirement obligations, beginning of year	\$ 62,847	\$ 52,125
Current year additions and changes in estimate	23,058	–
Current year accretion	3,176	2,916
Liabilities settled	(277)	–
Foreign exchange revaluation	2,837	7,806
Asset retirement obligations, end of year	\$ 91,641	\$ 62,847

(b) Goldex Mine government grant

The Company has received funds (the “Grant”) from the Quebec government in respect of the construction of the Goldex Mine. The Company has agreed to repay a portion of the Grant to the Quebec government, to a maximum amount of 50% of the Grant. The repayment amount is calculated and paid annually for fiscal years 2010, 2011 and 2012 if the agreed criteria are met. For each of these three years, if the yearly average gold price is higher than \$620 per ounce, 50% of one third of the Grant must be repaid.

For fiscal year 2010, the agreed criteria had been met and the Company recorded a current liability of \$1.5 million as of December 31, 2010 that will be paid to the Quebec government in the first quarter of 2011.

The Company believes the gold price will be higher than \$620 per ounce during the years 2011 and 2012 and that the criteria for recognition of a loss contingency accrual in accordance with FASB ASC 450 – Contingencies (prior authoritative literature: FASB Statement No. 5, “Accounting for Contingencies”) have been met.

(c) Pension benefits

Effective July 1, 1997, the Employees Plan was converted to a defined contribution plan. Employees who retired prior to that date remained in the Employees Plan. In addition, Agnico-Eagle provides the Executives Plan for certain senior officers. The funded status of the Executives Plan is based on actuarial valuations as of July 1, 2008 and projected to December 31, 2010. The funded status of the Employees Plan in 2007 was based on an actuarial valuation as of January 1, 2006 and projected to December 31, 2007. During 2008 however, the Employees Plan was closed as a result of annuities having been purchased for all remaining members. Recognition of the settlement has been reflected in the 2008 net periodic pensions cost.

The components of Agnico-Eagle's net pension plan expense are as follows:

	2010	2009	2008
Service cost – benefits earned during the year	\$ 981	\$ 509	\$ 452
Interest cost on projected benefit obligation	613	448	550
Amortization of net transition asset, past service liability and net experience gains	164	148	(11)
Prior service cost	25	23	24
Recognized net actuarial loss	–	(142)	–
Gain due to settlement	–	–	760
Return on plan assets	–	–	(156)
Net pension plan expense	\$ 1,783	\$ 986	\$ 1,619

Assets for the Executives Plan consist of deposits on hand with regulatory authorities which are refundable when benefit payments are made or on the ultimate wind-up of the plan. The accumulated benefit obligation for this plan at December 31, 2010 was \$9.6 million (2009 – \$6.4 million). At the end of 2010, the remaining unamortized net transition obligation was \$0.7 million (2009 – \$0.8 million) for the Executives Plan.

The following table provides the net amounts recognized in the consolidated balance sheets as at December 31:

	2010		2009	
	Employees Plan	Executives Plan	Employees Plan	Executives Plan
Liability (asset)	\$ –	\$ –	\$ –	\$ –
Accrued employee benefit liability	–	6,634	–	6,036
Accumulated other comprehensive income (loss):				
Initial transition obligation	–	681	–	809
Past service liability	–	104	–	122
Net experience (gains) losses	–	2,179	–	(604)
Net liability (asset)	\$ –	\$ 9,598	\$ –	\$ 6,363

The following table provides the components of the expected recognition in 2011 of amounts in accumulated other comprehensive income (loss):

	Executives Plan
Transition obligation	\$ 170
Past service cost or credit	26
Net actuarial gain or loss	244
	\$ 440

The funded status of the Employees Plan and the Executives Plan for 2010 and 2009 is as follows:

	2010		2009	
	Employees Plan	Executives Plan	Employees Plan	Executives Plan
RECONCILIATION OF THE MARKET VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	\$ —	\$ 1,635	\$ 110	\$ 1,142
Agnico-Eagle's contribution	—	1,397	—	598
Actual return on plan assets	—	—	—	—
Benefit payments	—	(699)	—	(299)
Other	—	—	(117)	—
Divestitures	—	—	—	—
Effect of exchange rate changes	—	110	7	194
Fair value of plan assets, end of year	\$ —	\$ 2,443	\$ —	\$ 1,635
RECONCILIATION OF PROJECTED BENEFIT OBLIGATION				
Projected benefit obligation, beginning of year	\$ —	\$ 7,998	\$ —	\$ 5,637
Service costs	—	981	—	509
Interest costs	—	613	—	448
Actuarial losses (gains)	—	2,718	—	734
Benefit payments	—	(812)	—	(401)
Settlements	—	—	—	—
Effect of exchange rate changes	—	543	—	1,071
Projected benefit obligation, end of year	\$ —	\$ 12,041	\$ —	\$ 7,998
Excess (deficiency) of plan assets over projected benefit obligation	\$ —	\$ (9,598)	\$ —	\$ (6,363)
Comprised of:				
Unamortized transition asset (liability)	\$ —	\$ (681)	\$ —	\$ (809)
Unamortized net experience gain (loss)	—	(2,283)	—	482
Accrued assets (liabilities)	—	(6,634)	—	(6,036)
	\$ —	\$ (9,598)	\$ —	\$ (6,363)
Weighted average discount rate	n.a.	7.00%	n.a.	7.00%
Weighted average expected long-term rate of return	n.a.	n.a.	n.a.	n.a.
Weighted average rate of compensation increase	n.a.	3.00%	n.a.	3.00%
Estimated average remaining service life for the plan (in years)	n.a.	4.0 ⁽ⁱ⁾	n.a.	5.0 ⁽ⁱ⁾

Notes:

⁽ⁱ⁾ 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 are presented below. As the Employees Plan was settled in 2008, no benefits are payable:

	Executives Plan
2011	\$ 117
2012	\$ 484
2013	\$ 483
2014	\$ 482
2015	\$ 481
2016–2020	\$ 3,744

In addition to the Employees Plan and the Executives Plan, the Company also has a basic pension plan (the “Basic Plan”) and a supplemental pension plan. Under the Basic Plan, Agnico-Eagle contributes 5% of each employee’s base employment compensation to a defined contribution plan. The expense in 2010 was \$8.8 million (2009 – \$6.5 million; 2008 – \$5.3 million). Effective January 1, 2008 the Company adopted the supplemental plan for designated executives at the level of Vice-President or above. Under this plan, an additional 10% of the designated executives’ earnings for the year (including salary and short-term bonus) are contributed by the Company. In 2010, \$1.1 million (2009 – \$0.9 million; 2008 – \$0.7 million) was contributed to the supplemental plan. The supplemental plan is accounted for as a cash balance plan.

6. SHAREHOLDERS’ EQUITY

(a) Common shares

The Company’s authorized capital stock includes an unlimited number of common shares with issued common shares of 168,763,496 (2009 – 156,655,056), less 43,141 common shares held by a trust in connection with the Company’s restricted share unit (“RSU”) plan (2009 – 29,882). The trust is treated as a variable interest entity and, as a result, its holdings of shares are set off against the Company’s issued shares in the consolidation (note 7(c)).

In 2010, the Company declared dividends on its common shares of \$0.64 per share (2009 – \$0.18 per share; 2008 – \$0.18 per share).

(b) Flow-through common share private placements

In 2010, Agnico-Eagle issued nil (2009 – 358,900; 2008 – 779,250) common shares under flow-through share private placements, which increased share capital by nil (2009 – \$19.2 million; 2008 – \$43.5 million), net of share issue costs. Effective December 31, 2010, the Company renounced to its investors nil (2009 – C\$30.6 million; 2008 – C\$54.5 million) of such expenses for income tax purposes. The Company does not have an obligation to incur any exploration expenditures related to the expenditures previously renounced.

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

(c) Private placements and warrants

On December 3, 2008, the Company closed a private placement of 9.2 million units. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$47.25 per share at any time during the five-year term of the warrant. As consideration for the lead purchaser’s commitment, the Company issued to the lead purchaser an additional 4 million warrants. The net proceeds of the private placement were approximately \$281 million, after deducting share issue costs of \$8.8 million. If all outstanding warrants are exercised, the Company would issue an additional 8.6 million common shares. No warrants have been exercised as of December 31, 2010.

On May 26, 2009, the Company issued 15,825 shares with a market value of \$0.9 million in connection with the acquisition of a 100% participating interest in 52 mining claims, located in the Abitibi region of Quebec.

On July 24, 2009, the Company issued 18,000 shares upon payment of the exercise price of \$500 in connection with the exercise of an option granted by a predecessor to the Company relating to the acquisition of certain properties related to the Goldex Mine.

On July 26, 2010, the Company issued 15,000 shares with a market value of \$0.8 million in connection with the purchase of mining property.

(d) Public offering of common shares

In December 2008, the Company issued 900,000 shares at a price of \$38 per share under a prospectus supplement to its base shelf prospectus to fund the purchase of surface rights and advance royalty payments in connection with the development of the Pinos Altos property. The net proceeds of the issuance were approximately \$34.2 million.

There were no public offerings of common shares in 2009.

On July 6, 2010, the Company issued 10,210,848 shares with a market value of \$579.0 million in connection with the acquisition of Comaplex Minerals Corp. ("Comaplex") (note 9).

(e) Accumulated other comprehensive income (loss)

The cumulative translation adjustment in accumulated other comprehensive income (loss) in 2010 and 2009 of \$(15.9) million resulted from Agnico-Eagle electing the US dollar as its principal currency of measurement. Prior to this change, the Canadian dollar had been used as the reporting currency. Prior periods' consolidated financial statements were translated into US dollars by the current rate method using the year end or the annual average exchange rate where appropriate. This translation approach was applied from January 1, 1994. This translation gave rise to a deficit in the cumulative translation adjustment account within accumulated other comprehensive income (loss) as at December 31, 2010 and 2009.

The following table sets out the components of accumulated other comprehensive income (loss), net of related tax effects:

	2010		2009	
Cumulative translation adjustment from electing US dollar as principal reporting currency	\$	(15,907)	\$	(15,907)
Unrealized gain on available-for-sale securities		48,151		67,497
Cumulative translation adjustments		(299)		(299)
Unrealized loss on pension liability		(4,420)		(327)
Tax effect of unrealized loss on pension liability		865		85
	\$	28,390	\$	51,049

In 2010, a \$19.5 million gain (2009 – \$10.1 million gain, 2008 – \$9.0 million gain) was reclassified from accumulated other comprehensive income (loss) to income to reflect the realization of gains on available-for-sale securities due to the disposition of those securities.

(f) Net income per share

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

	2010	2009	2008
Weighted average number of common shares outstanding – basic	162,342,686	155,942,151	144,740,658
Add: Dilutive impact of employee stock options	1,192,530	1,256,103	1,148,070
Dilutive impact of warrants	2,263,902	1,392,752	–
Dilutive impact of shares related to RSU plan	43,141	29,882	–
Weighted average number of common shares outstanding – diluted	165,842,259	158,620,888	145,888,728

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

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 day prior to the date of grant. The number of shares subject to option for any one person may not exceed 5% of the Company's common shares issued and outstanding at the date of grant.

Up to May 31, 2001, the number of common shares reserved for issuance under the ESOP was 6,000,000 and options granted under the ESOP had a maximum term of ten years. On April 24, 2001, the Compensation Committee of the Board of Directors adopted a policy pursuant to which options granted after that date have a maximum term of five years. In 2001, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP by 2,000,000 to 8,000,000. In 2004 and 2006, the shareholders approved a further 2,000,000 and 3,000,000 common shares for issuance under the ESOP, respectively. In 2008, the shareholders approved a further 6,000,000 common shares for issuance under the ESOP.

Of the 2,926,080 options granted under the ESOP in 2010, 731,520 options granted vested immediately and expire in 2015. The remaining options expire in 2015 and vest in equal installments, on each anniversary date of the grant, over a three-year period. Of the 2,276,000 options granted under the ESOP in 2009, 569,000 options granted vested immediately and expire in 2014. The remaining options expire in 2014 and vest in equal installments, on each anniversary date of the grant, over a three-year period. Of the 2,549,400 options granted under the ESOP in 2008, 637,350 options granted vested immediately and expire in 2013. The remaining options expire in 2013 and vest in equal installments, on each anniversary date of the grant, over a three-year period.

Upon the exercise of options under the ESOP, the Company issues new common shares to settle the obligation.

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

	2010		2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	5,707,940	C\$ 53.85	4,752,440	C\$ 44.57	3,609,924	C\$ 30.34
Granted	2,926,080	57.55	2,276,000	62.65	2,549,400	54.84
Exercised	(1,627,766)	47.02	(1,238,000)	34.28	(1,340,484)	25.46
Forfeited	(243,550)	58.03	(82,500)	55.99	(66,400)	51.32
Outstanding, end of year	6,762,704	C\$ 56.94	5,707,940	C\$ 53.85	4,752,440	C\$ 44.57
Options exercisable at end of year	2,972,857		2,445,615		1,860,890	

Cash received for options exercised in 2010 was \$74.7 million (2009 – \$36.6 million; 2008 – \$33.6 million).

The total intrinsic value of options exercised in 2010 was C\$46.5 million (2009 – C\$43.8 million; 2008 – C\$50.5 million).

The weighted average grant-date fair value of options granted in 2010 was C\$16.31 (2009 – C\$24.52; 2008 – C\$16.78). The following table summarizes information about Agnico-Eagle's stock options outstanding at December 31, 2010:

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price	
C\$23.02–C\$36.23	130,538	0.51 years	C\$ 26.68	124,438	C\$ 26.35	
C\$39.18–C\$59.71	4,546,516	2.96 years	54.90	1,990,456	53.04	
C\$60.72–C\$83.08	2,085,650	3.11 years	63.29	857,963	63.18	
C\$23.02–C\$83.08	6,762,704	2.96 years	C\$ 56.94	2,972,857	C\$ 54.85	

The weighted-average remaining contractual term of options exercisable at December 31, 2010 was 2.4 years.

The Company has reserved for issuance 6,762,704 common shares in the event that these options are exercised.

The number of shares available for granting of options as at December 31, 2010, 2009 and 2008 was 2,771,420, 4,155,750 and 6,349,250, respectively.

On January 4, 2011, 2,557,064 options were granted under the ESOP, of which 639,266 options vested immediately and expire in the year 2016. The remaining options expire in 2016 and vest in equal installments on each anniversary date of the grant, over a three-year period.

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

	2010	2009	2008
Risk-free interest rate	1.86%	1.27%	3.65%
Expected life of options (in years)	2.5	2.5	2.5
Expected volatility of Agnico-Eagle's share price	43.8%	64.0%	44.8%
Expected dividend yield	0.42%	0.42%	0.23%

The Company uses historical volatility in estimating the expected volatility of Agnico-Eagle's share price.

The aggregate intrinsic value of options outstanding at December 31, 2010 was C\$133.0 million. The aggregate intrinsic value of options exercisable at December 31, 2010 was C\$64.7 million.

The total compensation expense for the ESOP recognized in the consolidated statements of income for the current year was \$37.8 million (2009 – \$27.7 million; 2008 – \$25.3 million). The total compensation cost related to non-vested options not yet recognized was \$32.9 million as of December 31, 2010. Of the total compensation cost for the ESOP, \$1.3 million was capitalized as part of construction costs in 2010 (2009 – \$8.7 million; 2008 – \$9.0 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. In 2009, the Purchase Plan was amended to remove non-executive directors as eligible participants in the plan.

Under the Purchase Plan, Participants may contribute up to 10% of their basic annual salaries, and the Company contributes an amount equal to 50% of each Participant's contribution. All shares subscribed for under the Purchase Plan are newly issued by the Company. The total compensation cost recognized in 2010 related to the Purchase Plan was \$5.0 million (2009 – \$3.8 million; 2008 – \$3.2 million).

In 2010, 229,583 common shares were subscribed for under the Purchase Plan (2009 – 196,649; 2008 – 154,998) for a value of \$15.0 million (2009 – \$11.3 million; 2008 – \$9.5 million). In May 2008, shareholders approved an increase in the maximum number of shares reserved for issuance under the Purchase Plan to 5,000,000 from 2,500,000. As at December 31, 2010, Agnico-Eagle has reserved for issuance 2,510,921 common shares (2009 – 2,740,504; 2008 – 2,937,153) under the Purchase Plan.

(c) Restricted Share Unit Plan

In 2009, the Company implemented a RSU plan for certain employees. A deferred compensation balance was recorded for the total grant-date value on the date of the grant. The deferred compensation balance was recorded as a reduction of shareholders' equity and is being amortized as compensation expense (or capitalized to construction in progress) over the applicable vesting period of two years.

The Company funded the plan by transferring \$4.0 million (2009 – \$3.0 million) to an employee benefit trust (the "Trust") that then purchased shares of the Company in the open market. Compensation costs for RSUs incorporate an expected forfeiture rate. The forfeiture rate is estimated based on the Company's historical employee turnover rates and expectations of future forfeiture rates that incorporate various factors that include historical ESOP forfeiture rates. For 2009 and 2010, the impact of forfeitures was not material. For accounting purposes, the Trust is treated as a variable interest entity and consolidated in the accounts of the Company. On consolidation, the dividends paid on the shares held by the Trust are eliminated. The shares purchased and held by the Trust are treated as not being outstanding for the basic earnings per share ("EPS") calculations. They are amortized back into basic EPS over the vesting period. All of the shares held by the Trust were included in the diluted EPS calculations.

Compensation cost related to the RSU plan was \$3.0 million in 2010 (2009 – \$1.5 million), with \$0.1 million (2009 – \$0.3 million) being capitalized to the "Property, plant and mine development" line item in the consolidated balance sheets. The \$2.9 million (2009 – \$1.2 million) of compensation expense is included as a component of production, administration and exploration expense, consistent with the classification of other elements of compensation expense for those employees who had RSUs.

8. INCOME AND MINING TAXES

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

	2010		2009		2008	
Current provision						
Canada	\$	34,217	\$	1,171	\$	6,143
Mexico		1,942		–		–
		36,159		1,171		6,143
Future provision (recovery)						
Canada		47,083		27,083		25,580
Mexico		18,759		–		–
Finland		1,086		(6,754)		(8,899)
		66,928		20,329		16,681
	\$	103,087	\$	21,500	\$	22,824

Cash income and mining taxes paid in 2010 were \$25.2 million (2009 – \$8.8 million; 2008 – \$3.8 million).

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

	2010		2009		2008	
Combined federal and composite provincial tax rates		29.6%		30.9%		31.1%
Increase (decrease) in taxes resulting from:						
Provincial mining duties		6.8		16.1		6.9
Tax law change (US\$ election)		(5.1)		(24.4)		–
Impact of foreign tax rates		(0.5)		(4.9)		–
Permanent differences		(4.2)		2.2		(13.4)
Valuation allowance		(0.2)		–		5.8
Effect of changes in income tax rates		(2.7)		–		(6.6)
Actual rate as a percentage of pre-tax income		23.7%		19.9%		23.8%

As at December 31, 2010 and 2009, Agnico-Eagle's future income and mining tax assets and liabilities were as follows:

	2010		2009					
	Assets	Liabilities	Assets	Liabilities				
Mining properties	\$	–	\$	966,485	\$	–	\$	572,964
Net operating and capital loss carry-forwards		–		(133,042)		27,878		(24,692)
Mining duties		–		(71,492)		–		(44,967)
Reclamation provisions		–		(30,752)		–		(20,774)
Valuation allowance		–		4,855		–		11,350
Future income and mining tax assets and liabilities	\$	–	\$	736,054	\$	27,878	\$	493,881

All of Agnico-Eagle's future income tax assets and liabilities were denominated in local currency based on the jurisdiction in which the Company paid taxes and were translated into US dollars using the exchange rate in effect at the consolidated balance sheet dates until the Company executed a Canadian federal tax election to commence using the US dollar as its functional currency for Canadian income tax purposes for December 31, 2008 and subsequent years. This election resulted in a deferred tax benefit of \$21.8 million for the period ended December 31, 2010 (2009 – \$21.0 million).

The Company operates in different jurisdictions and, accordingly, it is subject to income and other taxes under the various tax regimes in the countries in which it operates. The tax rules and regulations in many countries are highly complex and subject to interpretation. The Company in the future may be subject to a review of its historic income and other tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules and regulations to the Company's business conducted within the country involved.

A reconciliation of the beginning and ending amount of the unrecognized tax benefits is as follows:

	2010	2009
Unrecognized tax benefit, beginning of year	\$ 5,608	\$ 2,824
Additions (reductions)	(3,978)	2,784
Unrecognized tax benefit, end of year	\$ 1,630	\$ 5,608

The full amount of unrecognized tax benefit, if recognized, would reduce the Company's annual effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company is subject to taxes in the following significant jurisdictions: Canada, Mexico, Sweden and Finland, each with varying statutes of limitations. The 2007 through 2010 tax years generally remain subject to examination.

9. ACQUISITIONS

COMAPLEX MINERALS CORP.

On April 1, 2010, Agnico-Eagle and Comaplex Minerals Corp. ("Comaplex") jointly announced that they reached an agreement in principle whereby Agnico-Eagle would acquire all of the shares of Comaplex (the "Comaplex Shares") that it did not already own. The transaction was completed under a plan of arrangement under the *Business Corporations Act* (Alberta). Under the terms of the transaction, each shareholder of Comaplex, other than Agnico-Eagle, received 0.1576 of an Agnico-Eagle share per Comaplex share. Additionally, at closing, each Comaplex shareholder, other than Agnico-Eagle and Perfora Investments S.a.r.l. ("Perfora"), received one common share of a newly formed, wholly owned, subsidiary of Comaplex, Geomark Exploration Ltd. ("Geomark"), in respect of each Comaplex Share and Comaplex transferred to Geomark all of the assets and related liabilities of Comaplex other than those relating to the Meliadine gold exploration properties in Nunavut, Canada. The Geomark assets included all of Comaplex's net working capital, the non-Meliadine mineral properties, all oil and gas properties and investments. Under the plan of arrangement, Comaplex changed its name to Meliadine Holdings Inc.

Prior to the announcement of the transaction, Perfora and Agnico-Eagle had entered into a support agreement pursuant to which Perfora agreed to, among other things, support the transaction and vote all of the shares it held in Comaplex in favour of the plan of arrangement. Perfora held approximately 17.3% and Agnico-Eagle held approximately 12.3%, on a fully diluted basis, of the outstanding shares of Comaplex prior to the announcement of the acquisition.

On July 6, 2010, the transactions relating to the plan of arrangement closed and Agnico-Eagle issued a total of 10,210,848 shares to the shareholders of Comaplex, other than Agnico-Eagle, for a total value of \$579.0 million. The related transaction costs associated with the acquisition totalling \$7.0 million were expensed through the Consolidated Statements of Income during the third quarter of 2010. The Company has accounted for the purchase of Comaplex as a business combination.

The following table sets forth the allocation of the purchase price to assets and liabilities acquired, based on management's estimates of fair value.

TOTAL PURCHASE PRICE:

Comaplex shares previously purchased	\$	88,683
Agnico-Eagle shares issued for acquisition		578,955
Total purchase price to allocate	\$	667,638

FAIR VALUE OF ASSETS ACQUIRED:

Property	\$	642,610
Goodwill		200,064
Supplies		542
Equipment		2,381
Asset retirement obligation		(3,400)
Deferred tax liability		(174,559)
Net assets acquired	\$	667,638

The Comaplex shares purchased prior to the April 1, 2010 announcement of the acquisition had a cost base of \$24.1 million and a fair value at July 6, 2010 of \$88.6 million. Upon the acquisition of Comaplex, the non-cash gain of \$64.5 million on those shares within accumulated other comprehensive income was reversed into the Consolidated Statements of Income as a gain during the third quarter of 2010.

The Company believes that goodwill for the Comaplex acquisition arose principally because of the following factors: 1) The going concern value implicit in our ability to sustain and/or grow our business by increasing reserves and resources through new discoveries; and 2) the requirement to record a deferred tax liability for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

Pro forma results of operations for Agnico-Eagle assuming the acquisition of Comaplex described above had occurred as of January 1, 2009 are shown below. On a pro forma basis, there would have been no effect on Agnico-Eagle's consolidated revenues:

	2010	2009
	<i>Unaudited</i>	
Pro forma net income	\$ 331,516	\$ 85,371
Pro forma income per share – basic	\$ 2.04	\$ 0.55

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Trade payables	\$ 91,974	\$ 86,392
Wages payable	21,583	14,036
Accrued liabilities	33,390	31,924
Current portion of capital lease obligations	10,592	11,955
Goldex Mine government grant (note 5(b))	1,485	–
Other liabilities	11,943	11,125
	\$ 170,967	\$ 155,432

In 2009, other liabilities included the liability portion of the flow-through shares issuance of \$6.8 million (note 6(b)). The liability portion of the flow-through shares issuance at December 31, 2010 was nil. The remaining 2009 amounts mainly consisted of various employee payroll tax withholdings and other payroll taxes.

In 2010, the other liabilities balance mainly consisted of various employee payroll tax withholdings and other payroll taxes.

11. RELATED PARTY TRANSACTIONS

Contact Diamond Corporation (“Contact”) was a consolidated entity of the Company for the year ended December 31, 2002. As of August 2003, the Company ceased consolidating Contact, as the Company’s investment no longer represented a “controlling financial interest”. A loan was originally advanced for the purpose of funding ongoing exploration and operating activities and was 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.

In 2006, the Company tendered its 13.8 million Contact shares in conjunction with Stornoway Diamond Corporation’s (“Stornoway”) offer to acquire all of the outstanding shares of Contact. Under the terms of the offer, each share of Contact was exchanged for 0.36 of a Stornoway share, resulting in the receipt by the Company of 4,968,747 Stornoway shares. A \$4.4 million gain on the exchange of shares was recognized and a gain of \$2.9 million was recognized on the write-up of the loan to Contact during 2006. On February 12, 2007, Agnico-Eagle subscribed to a private placement of subscription receipts by Stornoway for a total cost of \$19.8 million. Stornoway acquired the debt in full by way of assignment of the note in consideration for the issuance to the Company of 3,207,861 common shares of Stornoway at a deemed value of C\$1.25 per share. In addition, on March 16, 2007, the Company purchased from Stornoway C\$5 million in unsecured Series A Convertible Debentures and C\$5 million in unsecured Series B Convertible Debentures. Both series of debentures matured two years after their date of issue and interest was payable under the debentures quarterly at 12% per annum. At the option of Stornoway, interest payments could be paid in cash or in shares of Stornoway. During 2008, the interest payments to the Company amounted to C\$0.7 million and consisted of 1,940,614 shares of Stornoway (2007 – C\$0.9 million and consisted of C\$0.6 million in cash and 302,450 shares of Stornoway).

On July 31, 2008, the Company purchased from treasury 12,222,222 common shares of Stornoway at a price of C\$0.90 per common share. Stornoway used the proceeds of the private placement to redeem the C\$10 million principal amount of convertible debentures held by the Company and to pay to the Company a C\$1 million amendment fee in connection with the amendment of the debentures to permit early redemption. The Company received an additional 527,947 common shares of Stornoway in satisfaction of accrued but unpaid interest on the debentures prior to their redemption. As a result of these transactions, the Company increased its holdings in Stornoway from 27,520,809 common shares (approximately 13.6% of the issued and outstanding common shares) to 40,270,978 common shares (approximately 15.8% of the issued and outstanding common shares).

Agnico-Eagle’s holdings in Stornoway as at December 31, 2009 remained unchanged at 40,270,978 common shares (approximately 15.3% of the issued and outstanding common shares).

On February 22, 2010 the Company purchased 5.0 million common shares of Stornoway at a price of C\$0.50 per common share. At December 31, 2010 the Company’s holdings in Stornoway was 45,270,978 common shares (approximately 12.8% of the issued and outstanding common shares).

12. COMMITMENTS AND CONTINGENCIES

As part of its ongoing business and operations, the Company has been required to provide assurance in the form of letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes. As at December 31, 2010, the total amount of these guarantees was \$111.3 million.

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

The Company has a royalty agreement with the Finnish government relating to the Kittila Mine. Starting 12 months after the mining operations commenced, the Company is required to pay 2% on net smelter returns, defined as revenue less processing costs. The royalty is paid on a yearly basis the following year.

The Company is committed to pay a royalty on future production from the Meadowbank Mine. The Nunavut Tunngavik-administered mineral claims are subject to production leases including a 12% net profits interest royalty from which annual deductions are limited to 85% of gross revenue. Production from Crown mining leases is subject to a royalty of up to 14% of adjusted net profits, as defined in the *Northwest Territories and Nunavut Mining Regulations under the Territorial Lands Act* (Canada).

The Company is committed to pay a royalty on production from certain properties in the Abitibi area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 0.5% to 5%.

The Company is committed to pay a royalty on production from certain properties in the Pinos Altos area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 2.5% to 3.5%.

In addition, the Company has the following purchase commitments:

	PURCHASE COMMITMENTS
2011	\$ 10,294
2012	7,798
2013	5,918
2014	4,466
2015	4,466
Subsequent years	28,862
Total	\$ 61,804

13. LEASES

(a) Capital leases

In 2010 and 2009, the Company entered into five sale-leaseback agreements each year with third-parties for various fixed and mobile equipment within Canada. These arrangements represent sale-leaseback transactions in accordance with ASC 840-40 – Sale-Leaseback Transactions. The sale-leaseback agreements have an average effective annual interest rate of 6.18% and the average length of the contracts is 4.5 years.

All of the sale-leaseback agreements have end of lease clauses that qualify as bargain purchase options that the Company expects to execute. The total gross amount of assets recorded under sale-leaseback capital leases amounts to \$33.6 million (2009 – \$21.0 million).

The Company has agreements with third-party providers of mobile equipment that are used in the Meadowbank and Kittila Mines. These arrangements represent capital leases in accordance with the guidance in ASC 840-30 – Capital Leases. The leases for mobile equipment at the Kittila Mine are for 5 years and the leases for mobile equipment at the Meadowbank Mine are for 5 years. The effective annual interest rate on the lease for mobile equipment at the Meadowbank Mine is 5.64%. The effective annual interest rate on the lease for mobile equipment at the Kittila Mine is 4.99%.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as at December 31, 2010:

Year ending December 31:	
2011	\$ 13,015
2012	13,015
2013	15,931
2014	8,907
2015	3,608
Thereafter	–
Total minimum lease payments	54,476
Less amount representing interest	5,865
Present value of net minimum lease payments	\$ 48,611

The Company's capital lease obligations at December 31 are comprised as follows:

	2010	2009
Total future lease payments	\$ 54,476	\$ 37,762
Less: interest	5,865	3,826
	48,611	33,936
Less: current portion	10,592	11,955
Long-term portion of capital leases	\$ 38,019	\$ 21,981

At the end of 2010, the gross amount of assets recorded under capital leases, including sale-leaseback capital leases was \$55.7 million (2009 – \$51.7 million; 2008 – \$30.7 million). The charge to income resulting from the amortization of assets recorded under capital leases is included in the “Amortization of property, plant and mine development” component of the Consolidated Statements of Income.

(b) Operating leases

The Company has a number of operating lease agreements involving office space. Some of the leases for office facilities contain escalation clauses for increases in operating costs and property taxes. Future minimum lease payments required to meet obligations that have initial or remaining non-cancellable lease terms in excess of one year as at December 31, 2010 are as follows:

	MINIMUM LEASE PAYMENTS
2011	\$ 1,506
2012	1,292
2013	748
2014	663
2015	663
Thereafter	4,891
Total	\$ 9,763

Total rental expense for operating leases was \$4.1 million in 2010 (2009 – \$3.7 million; 2008 – \$3.1 million).

14. RESTRICTED CASH

As part of the Company's insurance programs fronted by a third party provider and reinsured through the Company's internal insurance program, the third party provider requires that cash of \$2.5 million be restricted.

15. FINANCIAL INSTRUMENTS

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

In 2009 and 2010, financial instruments which have subjected Agnico-Eagle to market risk and concentration of credit risk consisted primarily of cash, cash equivalents and short-term investments. Agnico-Eagle places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

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

In 2008, to mitigate the risks associated with fluctuating foreign exchange rates, the Company entered into three zero cost collars to hedge the functional currency equivalent cash flows associated with the Canadian dollar denominated capital expenditures related to the Meadowbank Mine. In March 2009, the Company entered into another zero cost collar for the same purpose. The purchase of US dollar put options was financed through selling US dollar call options at a higher level such that the net premium payable to the different counterparties by the Company was nil. The hedged items represented monthly unhedged forecast Canadian dollar cash

outflows during 2009. At December 31, 2008, the three zero cost collars hedged \$180 million of 2009 expenditures and the additional zero cost collar entered in 2009 hedged \$45 million of 2009 expenditures. The cash flow hedging relationship met all requirements per ASC 815 to be perfectly effective, and unrealized gains and losses were recognized within other comprehensive income (“OCI”).

Gains and losses deferred in accumulated other comprehensive income (“AOCI”) were recognized into income as amortization (or depreciation) of the hedged capital asset occurred. Amounts transferred out of accumulated OCI were recorded in the “Property, plant and mine development” line item in the consolidated balance sheet and amortized into income over the same period as the hedged capital asset.

In 2009, all of the effective hedges matured and a total of \$7.4 million was reclassified from OCI to the balance sheet as a credit to “Property, plant, and mine development” line item. The total amount of unrealized loss on the hedges was nil as at December 31, 2009 (2008 – \$8.9 million). Approximately \$0.6 million was reclassified into the Consolidated Statement of Income in 2010 as the net gain was amortized in relation to the hedged capital asset.

The following table sets out the changes in the AOCI balances recorded in the consolidated financial statements pertaining to the foreign exchange hedging activities. The fair values, based on Black-Scholes calculated mark-to-market valuations, of recorded derivative related assets and liabilities and their corresponding entries to AOCI reflect the netting of the fair values of individual derivative financial instruments.

	2010	2009
AOCI, beginning of year	\$ –	\$ (8,888)
Gain reclassified from AOCI into project development costs	–	(7,399)
Gain (loss) recognized in OCI	–	16,287
AOCI, end of year	\$ –	\$ –

During the third quarter of 2010, the Company entered into an extendible foreign exchange flat forward transaction. At the end of each month beginning in August 2010 and ending in December 2010, the Company must exchange \$5 million for Canadian dollars at a rate of US\$1.0 = C\$1.1. The Company had a realized gain on these transactions of \$1.8 million. On December 31, 2010 and on June 30, 2011, at the option of the counterparty, the monthly exchange can be extended for another 6 months at each date. The counterparty has given notice to the Company that they will not extend their option for the 6 months following December 31, 2010. The counterparty, however, still has the second extension option to extend for the 6 months following June 30, 2011. The Company had an unrealized mark-to-market gain of \$0.1 million that was recorded through the “Gain on derivative financial instruments” line item within the Consolidated Statements of Income and Comprehensive Income relating to the extendible foreign exchange flat forward transaction.

In 2010, the Company entered into a zero cost collar contract whereby the purchase of US dollar put options was financed through selling US dollar call options at higher exercise prices such that the net premium payable to the different counterparties by the Company was nil. The risk hedged in 2010 was the variability in expected future cash flows arising from changes in foreign currency exchange below and above the levels of C\$1.05 and C\$1.07 per US dollar. The hedged items represented a portion of the unhedged forecast Canadian dollar denominated cash outflows arising from Canadian dollar denominated expenditures in 2010. In 2010, the zero cost collar hedged \$20 million of 2010 expenditures. As of December 31, 2010, all positions had expired and the strategy resulted in an overall realized gain of \$0.7 million which was recognized in the “Gain on derivative financial instruments” line item of the Consolidated Statements of Income and Comprehensive Income.

The Company's other foreign currency derivative strategies in 2010 consisted mainly of writing US dollar call options with short maturities to generate premiums that would, in essence, enhance the spot transaction rate received when exchanging US dollars to Canadian dollars. All of these derivative transactions expired prior to the year end such that no derivatives were outstanding on December 31, 2010. The Company's foreign currency derivative strategy generated \$4.9 million (2009 – \$4.5 million, 2008 – \$4.5 million) in call option premiums for the year ended December 31, 2010 that were recognized in the “Gain on derivative financial instruments” line item of the Consolidated Statements of Income and Comprehensive Income.

As at December 31, 2010, the Company had unmatured written covered call options on available-for-sale securities with a premium of nil (2009 – \$1.1 million) and a Black-Scholes calculated mark-to-market gain (loss) of nil (2009 – \$0.5 million). Premiums received on the sale of covered call options are recorded as a liability in the “Fair value of derivative financial instruments” component of the consolidated balance sheets until they mature or the position is closed. Gains or losses as a result of mark-to-market valuations are taken into income in the period incurred. The Company sold these call options against the shares and warrants of Goldcorp Inc. (“Goldcorp”) to reduce its price exposure to the Goldcorp shares and warrants it acquired in connection with Goldcorp's acquisition of Gold Eagle Mines Ltd. During 2010, the Company continued to write covered call options on the warrants of Goldcorp as they expired, or were repurchased.

During the third quarter of 2009, the Company sold its 0.8 million shares of Goldcorp shares but continued to write call options on the 0.8 million warrants it continues to hold. The warrants of Goldcorp were disposed of on December 22, 2010. The \$0.6 million recorded as a liability as at December 31, 2009, was recognized through the consolidated statements of income in 2010. As the warrants were disposed of in 2010, no further call options were written and no liability existed as at December 31, 2010.

During the year-ended December 31, 2010, the Company recognized a net gain of \$2.5 million (2009 – \$10.5 million) related to the written call options of Goldcorp shares and warrants in the “Interest and sundry income” component of the consolidated statements of income.

Cash provided by operating activities in the consolidated statements of cash flows is adjusted for gains realized on the consolidated statements of income through the loss (gain) on sale of securities component. Premiums received are a component of proceeds on sale of available-for-sale securities and other within the cash used in investing activities section of the consolidated statements of cash flows.

In the first quarter of 2010, to mitigate the risks associated with fluctuating zinc prices, the Company entered into a zero-cost collar to hedge the price of zinc associated with a portion of the LaRonde Mine’s 2010 production. The purchase of zinc put options has been financed through selling zinc call options at a higher level such that the net premium payable to the counterparty by the Company was nil.

A total of 15,000 metric tonnes of zinc call options were written at a strike price of \$2,500 per metric tonne with 1,500 metric tonnes expiring each month beginning March 31, 2010. A total of 15,000 metric tonnes of zinc put options were purchased at a strike price of \$2,200 per metric tonne with 1,500 metric tonnes expiring each month beginning March 31, 2010. While setting a minimum price, the zero-cost collar strategy also limits participation to zinc prices above \$2,500 per metric tonne. This represented approximately 21% of forecasted zinc production. These contracts did not qualify for hedge accounting under ASC 815 – Derivatives and Hedging. Gains or losses, along with mark-to-market adjustments are recognized in the “Gain on derivative financial instruments” component of the consolidated statements of income. During the year ended December 31, 2010, the Company recognized a realized gain of \$3.7 million. There were no zinc hedges outstanding at December 31, 2010.

In addition, the Company implemented a strategy to enhance the realized copper metal prices realized and mitigate the risks associated with fluctuating copper prices by occasionally writing copper call options. During 2010, four short-term copper call options were written and the realized loss net of premiums received amounted to \$0.6 million that was recognized in the “Gain on derivative financial instruments” line item of the Consolidated Statements of Income and Comprehensive Income.

As at December 31, 2010 and 2009, there were no metal derivative positions. The Company may from time-to-time utilize short-term (*intra* quarter) financial instruments as part of its strategy to minimize risks and optimize returns on its byproduct metal sales.

Other required derivative disclosures can be found in note 6(e), “Accumulated other comprehensive income (loss)”.

The following table provides a summary of the amounts recognized in the “Gain on derivative financial instruments” line item of the Consolidated Statements of Income.

	2010	2009	2008
Premiums realized on written foreign exchange call options	\$ 4,845	\$ 4,494	\$ 4,481
Realized gain on foreign exchange extendible flat forward	1,797	–	–
Realized gain on foreign exchange collar	711	–	–
Mark-to-market on foreign exchange extendible flat forward	142		
Realized gain on zinc financial instruments	3,733	(752)	–
Realized loss on copper financial instruments	(558)	(150)	–
Realized loss on silver financial instruments	(3,058)	–	–
	\$ 7,612	\$ 3,592	\$ 4,481

Agnico-Eagle’s exposure to interest rate risk at December 31, 2010 relates to its cash and cash equivalents, short-term investments and restricted cash totaling \$104.6 million (2009 – \$163.6 million) and the Credit Facility. The Company’s short-term investments and cash equivalents have a fixed weighted average interest rate of 0.56% (2009 – 0.59%).

The fair values of Agnico-Eagle’s current financial assets and liabilities approximate their carrying values as at December 31, 2010.

ASC 820 – Fair Value Measurement and Disclosure (Prior authoritative literature: FASB Statement No. 157, “Fair Value Measurements” defines fair value, establishes a framework for measuring fair value in US GAAP and expands required disclosures about fair value measurements.

Fair value is the value at which a financial instrument could be closed out or sold in a transaction with a willing and knowledgeable counterparty over a period of time consistent with the Company's investment strategy. Fair value is based on quoted market prices, where available. If market quotes are not available, fair value is based on internally developed models that use market-based or independent information as inputs. These models could produce a fair value that may not be reflective of future fair value.

The three levels of the fair value hierarchy under ASC 820 are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets out the Company's financial assets and liabilities measured at fair value within the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
FINANCIAL ASSETS:				
Cash equivalents and short-term investments ⁽¹⁾	\$ 7,820	\$ –	\$ 7,820	\$ –
Available-for-sale securities ⁽²⁾⁽³⁾	99,109	90,925	8,185	–
Trade receivables ⁽⁴⁾	112,949	–	112,949	–
	\$ 219,878	\$ 90,925	\$ 128,954	\$ –
FINANCIAL LIABILITIES:				
Derivative liabilities ⁽³⁾	\$ 142	\$ –	\$ 142	\$ –

⁽¹⁾ Fair value approximates the carrying amounts due to the short-term nature.

⁽²⁾ Recorded at fair value using quoted market prices.

⁽³⁾ Recorded at fair value based on broker-dealer quotations.

⁽⁴⁾ Trade receivables from provisional invoices for concentrate sales are included within Level 2 as they are valued using quoted forward rates derived from observable market data based on the month of expected settlement.

Both the Company's cash equivalents and short-term investments are classified within Level 2 of the fair value hierarchy because they are valued using interest rates observable at commonly quoted intervals. Cash equivalents are market securities with remaining maturities of three months or less at the date of purchase. The short-term investments are market securities with remaining maturities of over three months at the date of purchase.

The Company's available-for-sale equity securities are recorded at fair value using quoted market prices or broker-dealer quotations. The Company's available-for-sale equity securities that are valued using quoted market prices in active markets are classified as Level 1 of the fair value hierarchy. The Company's available-for-sale securities classified as Level 2 of the fair value hierarchy consist of equity warrants, which are recorded at fair value based broker-dealer quotations.

In the event that a decline in the fair value of an investment occurs and the decline in value is considered to be other-than-temporary, an impairment charge is recorded in the interim consolidated statement of income and a new cost basis for the investment is established. The Company assesses whether a decline in value is considered to be other-than-temporary by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the individual investment. New evidence could become available in future periods which would affect this assessment and thus could result in material impairment charges with respect to those investments for which the cost basis exceeds its fair value.

16. SEGMENTED INFORMATION

Agnico-Eagle operates in a single industry, namely exploration for and production of gold. The Company's primary operations are in Canada, Mexico, and Finland. The Company identifies its reportable segments as those operations whose operating results are reviewed by the Chief Executive Officer and Chief Operating Officer, and that represent more than 10% of the combined revenue, profit or loss or total assets of all reported operating segments. The following are the reporting segments of the Company and reflect how the Company manages its business and how it classifies its operations for planning and measuring performance:

Canada: LaRonde Mine, Lapa Mine, Goldex Mine, Meadowbank Mine and the Regional Office

Europe: Kittila Mine

Latin America: Pinos Altos Mine

Exploration: USA Exploration office, Europe Exploration office, Canada Exploration offices, Meliadine Mine Project and the Latin America Exploration office

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies. There are no transactions between the reported segments affecting revenue. Production costs for the reported segments are net of intercompany transactions. The goodwill of \$200.1 million on the Consolidated Balance Sheets relates to the Meliadine Mine Project that is a component of the Exploration segment.

Corporate Head Office assets are included in the Canada category and specific corporate income and expense items are noted separately below.

The Goldex Mine achieved commercial production on August 1, 2008. On May 1, 2009, both the Lapa Mine and the Kittila Mine achieved commercial production. The Pinos Altos Mine achieved commercial production on November 1, 2009. The Meadowbank Mine achieved commercial production on March 1, 2010.

Twelve Months Ended December 31, 2010	Revenues from Mining Operations	Production Costs	Amortization	Exploration & Corporate Development	Foreign Currency Translation Loss (Gain)	Segment Income (Loss)
Canada	\$ 1,086,744	\$ 499,621	\$ 140,024	\$ —	\$ 22,815	\$ 424,284
Europe	160,140	87,735	31,231	—	(2,780)	43,954
Latin America	175,637	90,116	21,134	—	(2,126)	66,513
Exploration	—	—	97	54,958	1,627	(56,682)
	\$ 1,422,521	\$ 677,472	\$ 192,486	\$ 54,958	\$ 19,536	\$ 478,069
Segment income						\$ 478,069
Corporate and Other						
Interest and sundry income						10,254
Gain on acquisition of Comaplex						57,526
Gain on sale of available-for-sale securities						19,487
Gain on derivative financial instruments						7,612
General and administrative						(94,327)
Provincial capital tax						6,075
Interest expense						(49,493)
Income before income, mining and federal capital taxes						\$ 435,203

Twelve Months Ended December 31, 2009	Revenues from Mining Operations	Production Costs	Amortization	Exploration & Corporate Development	Foreign Currency Translation Loss (Gain)	Segment Income (Loss)
Canada	\$ 538,123	\$ 252,035	\$ 60,028	\$ —	\$ 36,499	\$ 189,561
Europe	61,457	42,464	10,909	—	3,582	4,502
Latin America	14,182	11,819	1,524	—	(250)	1,089
Exploration	—	—	—	36,279	—	(36,279)
	\$ 613,762	\$ 306,318	\$ 72,461	\$ 36,279	\$ 39,831	\$ 158,873
Segment income						\$ 158,873
Corporate and Other						
Interest and sundry income						12,580
Gain on sale of available-for-sale securities						10,142
Gain on derivative financial instruments						3,592
General and administrative						(63,687)
Write-down on available-for-sale securities						
Provincial capital tax						(5,014)
Interest expense						(8,448)
Income before income, mining and federal capital taxes						\$ 108,038

Twelve Months Ended December 31, 2008	Revenues from Mining Operations	Production Costs	Amortization	Exploration & Corporate Development	Foreign Currency Translation Loss (Gain)	Segment Income (Loss)
Canada	\$ 368,938	\$ 186,862	\$ 36,133	\$ —	\$ (70,442)	\$ 216,385
Europe	—	—	—	—	(7,281)	7,281
Latin America	—	—	—	—	35	(35)
Exploration	—	—	—	34,704	—	(34,704)
	\$ 368,938	\$ 186,862	\$ 36,133	\$ 34,704	\$ (77,688)	\$ 188,927
Segment income						\$ 188,927
Corporate and Other						
Interest and sundry income						7,240
Gain on sale of available-for-sale securities						25,626
General and administrative						(47,187)
Write-down on available-for-sale securities						(74,812)
Gain on derivative financial instruments						4,481
Provincial capital tax						(5,332)
Interest expense						(2,952)
Income before income, mining and federal capital taxes						\$ 95,991

	CAPITAL EXPENDITURES		
	2010	2009	2008
Canada	\$ 1,004,129	\$ 435,098	\$ 548,555
Europe	67,894	84,955	190,188
Latin America	103,131	136,706	171,438
Exploration	97	—	55
	\$ 1,175,251	\$ 656,759	\$ 910,236

Corporate Governance

AEM's governance practices reflect the structure and processes we believe are necessary to improve company performance and enhance shareholder value. We follow the development of corporate governance standards in both Canada and the United States. As requirements and practices evolve, we respond in a positive and proactive way by assessing our practices and making modifications as needed.

BOARD OF DIRECTORS

The Board of Directors consists of 14 directors. All but two directors are independent of management and free from any interest or business that could materially interfere with their ability to act in the Company's best interests.

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

BOARD COMMITTEES

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

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

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

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

With the exception of the HSE Committee, the Board committees are composed entirely of outside directors who are unrelated to and independent from AEM. Committee charters are posted to the corporate website.

ETHICAL BUSINESS CONDUCT

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

Board of Directors



JAMES D. NASSO, Chairman of the Board
(Director since 1986) ^{1,3,4}

Mr. Nasso is now retired and is a graduate of St. Francis Xavier University (B.Comm.).



SEAN BOYD, Vice-Chairman
(Director since 1998)

Mr. Boyd is the Vice-Chairman and Chief Executive Officer and a director of Agnico-Eagle. Mr. Boyd has been with Agnico-Eagle since 1985. Prior to his appointment as Vice-Chairman and Chief Executive Officer in December 2005, Mr. Boyd served as President and Chief Executive Officer from 1998 to 2005, Vice-President and Chief Financial Officer from 1996 to 1998, Treasurer and Chief Financial Officer from 1990 to 1996, Secretary Treasurer during a portion of 1990 and Comptroller from 1985 to 1990. Prior to joining Agnico-Eagle in 1985, he was a staff accountant with Clarkson Gordon (Ernst & Young). Mr. Boyd is a graduate of the University of Toronto (B.Comm.).



LEANNE M. BAKER
(Director since 2003) ^{1,2}

Dr. Baker is Managing Director of Investor Resources LLC, which acts as a consultant to companies in the mining and financial services industries. Previously, Dr. Baker was employed by Salomon Smith Barney where she was one of the top-ranked mining sector equity analysts in the United States. Dr. Baker is a graduate of the Colorado School of Mines (M.S. and Ph.D. in mineral economics).



BERNARD KRAFT
(Director since 1992) ^{1,3}

Mr. Kraft is a retired senior partner of the Toronto accounting firm Kraft, Berger LLP, Chartered Accountants and now serves as a consultant to that firm. He is also a principal in Kraft Yabrov Valuations Inc. Mr. Kraft is recognized as a Designated Specialist in Investigative and Forensic Accounting by the Canadian Institute of Chartered Accountants. Mr. Kraft is a member of the Canadian Institute of Chartered Business Valuators, the Association of Certified Fraud Examiners and the American Society of Appraisers.



MEL LEIDERMAN
(Director since 2003) ^{1,2}

Mr. Leiderman is the managing partner of the Toronto accounting firm Lipton LLP, Chartered Accountants. He is a graduate of the University of Windsor (B.A.) and is a certified director of the Institute of Corporate Directors (ICD.D.).



SEAN RILEY
(Director since 2011)

Dr. Riley has served as President of St. Francis Xavier University since 1996. Prior to 1996, his career was in finance and management, first in corporate banking and later in manufacturing. Dr. Riley is a graduate of St. Francis Xavier University (B.A. Honours) and of Oxford University (M. Phil, D. Phil, International Relations).

¹ Audit Committee

² Compensation Committee

³ Corporate Governance Committee

⁴ Health, Safety and Environment Committee



DOUGLAS R. BEAUMONT
(Director since 1997) ^{2,3}

Mr. Beaumont, now retired, was most recently Senior Vice-President, Process Technology of SNC Lavalin. Prior to that, he was Executive Vice-President of Kilborn Engineering and Construction. Mr. Beaumont is a graduate of Queen's University (B.Sc.).



MARTINE CELEJ
(Director since 2011)

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



CLIFFORD J. DAVIS
(Director since 2008) ^{2,4}

Mr. Davis is a mining industry veteran and formerly a member of the senior management teams of New Gold Inc., Gabriel Resources Ltd. and TVX Gold Inc. Mr. Davis is a graduate of the Royal School of Mines, Imperial College, London University (B.Sc., Mining Engineering).



RON GEMMELL
(Director since 2011)

Mr. Gemmell, now retired, spent 25 years as an investment banker in the United States and in Canada. Most recently, he was President and Chief Executive Officer of Citigroup Global Markets Canada and its predecessor companies (Salomon Brothers Canada and Salomon Smith Barney Canada) from 1996 to 2008. In addition, he was a member of the Global Operating Committee of Citigroup Global Markets from 2006 to 2008. Mr. Gemmell is a graduate of Cornell University (B.A.), Osgoode Hall Law School (LL.B.) and The Schulich School of Business (MBA).



J. MERFYN ROBERTS, C.A.
(Director since 2008) ^{1,3}

Mr. Roberts has been a fund manager and investment advisor for more than 25 years and has been closely associated with the mining industry. Mr. Roberts is a graduate of Liverpool University (B.Sc., Geology) and Oxford University (M.Sc., Geochemistry) and is a member of the Institute of Chartered Accountants in England and Wales.



EBERHARD SCHERKUS
(Director since 2005) ⁴

Mr. Scherkus is the 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 President and Chief Operating Officer in December 2005, Mr. Scherkus served as Executive Vice-President and Chief Operating Officer from 1998 to 2005, as Vice-President, Operations from 1996 to 1998, as a manager of Agnico-Eagle LaRonde Division from 1986 to 1996 and as a project manager from 1985 to 1986. Mr. Scherkus is a graduate of McGill University (B.Sc.), a member of the Association of Professional Engineers of Ontario and past president of the Quebec Mining Association.



HOWARD STOCKFORD
(Director since 2005) ^{2,4}

Mr. Stockford is a retired mining executive with almost 50 years' experience in the industry. Most recently he was Executive Vice-President of Aur Resources Inc. ("Aur") and a director of Aur from 1984 until August 2007, when it was taken over by Teck Cominco Limited. Mr. Stockford has previously served as President of the Canadian Institute of Mining, Metallurgy and Petroleum and is a member of the Association of Professional Engineers of Ontario, the Prospectors and Developers Association of Canada and the Society of Economic Geologists. Mr. Stockford is a graduate of the Royal School of Mines, Imperial College, London University, U.K. (B.Sc., Mining Geology).



PERTTI VOUTILAINEN
(Director since 2005) ^{3,4}

Mr. Voutilainen is a mining industry veteran. Most recently, he was the Chairman of the board of directors of Ridrarhyttan Resources AB. Previously, Mr. Voutilainen was the Chairman of the board of directors and Chief Executive Officer of Kansallis Banking Group and President after its merger with Union Bank of Finland until his retirement in 2000. He was also employed by Outokumpu Corp., Finland's largest mining and metals company, for 26 years, including as Chief Executive Officer for 11 years. Mr. Voutilainen holds the honorary title of Mining Counselor (Bergsrad), which was awarded to him by the President of the Republic of Finland in 2003. Mr. Voutilainen is a graduate of Helsinki University of Technology (M.Sc.), Helsinki University of Business Administration (M.Sc.) and Pennsylvania State University (M.Eng.).

Officers



SEAN BOYD, C.A.
Vice-Chairman and Chief Executive Officer



EBERHARD SCHERKUS, P.Eng.
President and Chief Operating Officer



AMMAR AL-JOUNDI
Senior Vice-President Finance and
Chief Financial Officer



R. GREGORY LAING, B.A., LL.B.
General Counsel, Senior Vice-President,
Legal, and Corporate Secretary



DANIEL RACINE, Ing., P.Eng.
Senior Vice-President, Operations



JEAN ROBITAILLE
Senior Vice-President, Technical Services



PATRICE GILBERT
Vice-President, Human Resources



PAUL-HENRI GIRARD, Ing., P.Eng.
Vice-President, Canada



GUY GOSSELIN, M.Sc. Ing.
Vice-President, Exploration



DONALD G. ALLAN
Senior Vice-President, Corporate Development



ALAIN BLACKBURN, P.Eng.
Senior Vice-President, Exploration



LOUISE GRONDIN, M.Sc., Ing., P.Eng.,
Senior Vice-President, Environment and Sustainable Development



TIM HALDANE, P.Eng.
Senior Vice-President, Latin America



DAVID SMITH, M.Sc., P.Eng.
Senior Vice-President, Investor Relations



LINO CAFAZZO
Vice-President, Information Technology



PAUL COUSIN
Vice-President, Metallurgy



PICKLU DATTA, C.A.
Vice-President, Controller



INGMAR E. HAGA
Vice-President, Europe



MARC LEGAULT, P.Eng., Eng.
Vice-President, Project Development



LUIS FELIPE MEDINA AGUIRRE
Vice-President, Mexico



YVON SYLVESTRE
Vice-President, Technical Services and Construction

Shareholder Information

AUDITORS

Ernst & Young LLP

SOLICITORS

Davies Ward Phillips & Vineberg LLP
(Toronto and New York)

LISTINGS

The New York Stock Exchange and the
Toronto Stock Exchange
Stock Symbol: AEM

TRANSFER AGENT

Computershare Trust Company of Canada
1-800-564-6253

INVESTOR RELATIONS

(416) 947-1212

ANNUAL MEETING OF SHAREHOLDERS

Friday, April 29, 2011, 11:00 a.m.
Vanity Fair Ballroom
Le Méridien King Edward Hotel
37 King Street East
Toronto, Ontario, Canada
M5C 1E9

CORPORATE HEAD OFFICE

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



[facebook.com/agnicoeagle](https://www.facebook.com/agnicoeagle)
twitter.com/agnicoeagle

agnico-eagle.com

Key Targets and Achievements

For many years, AEM has followed a low-risk strategy for strengthening its gold mining business and creating shareholder value. Annual targets and activities are aligned with our corporate strategy, and keep us focused on our long-term goals.

2010 TARGETS	WHAT WE DELIVERED	2011 TARGETS
Reduce lost-time accident frequency at all operating mines to below 3.5	Achieved 3.32	Reduce lost-time accident frequency at all operating mines to below 3.4
No fines or penalties for environmental failures	No fines over \$1,000	No fines or penalties for environmental failures
Zero category 3, 4 or 5 environmental incidents	Achieved	Zero category 3, 4 or 5 environmental incidents
1.0 to 1.1 million ounces of gold production	987,609 ounces of gold production, lower largely due to the slower than anticipated ramp-up at the new Meadowbank mine	1.13 to 1.23 million ounces of gold production
Increase gold production per share	Achieved	Increase gold production per share
20 to 21 million ounces of gold reserves	21.3 million ounces of gold reserves	More than 22 million ounces of gold reserves
Increase gold reserves per share	Achieved	Increase gold reserves per share
Total cash costs of \$399 per ounce	Total cash costs of \$451 per ounce, higher primarily as a result of the slower than expected ramp-up of Kittila and Meadowbank	Total cash costs of \$420 to \$470 per ounce
Increase cash flow per share	Increased by more than 300%	Increase cash flow per share
Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities	Acquired the Meliadine gold project, 300 km from the Meadowbank mine	Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities





AGNICO-EAGLE MINES LIMITED

145 King Street East, Suite 400

Toronto, Canada M5C 2Y7