AGNICO EAGLE MINES LTD
Form 20-F
March 29, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report_____

For the transition period from _____ to _____

Commission file number: 1-13422

AGNICO-EAGLE MINES LIMITED

(Exact name of Registrant as Specified in its Charter)

Not Applicable

(Translation of Registrant's Name into English)

Ontario, Canada

(Jurisdiction of Incorporation or Organization)

145 King Street East, Suite 400
Toronto, Ontario, Canada M5C 2Y7

(Address of Principal Executive Offices)

R. Gregory Laing
145 King Street East, Suite 400
Toronto, Ontario, Canada M5C 2Y7

Telephone: 416-947-1212 Fax: 416-367-4681
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares, without par value	**The Toronto Stock Exchange and the New York Stock Exchange**
(Title of Class)	*(Name of exchange on which registered)*

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

170,859,604 Common Shares as of December 31, 2011

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.

Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer ý Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ý	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes o No ý

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Omitted pursuant to General Instruction E(b) of Form 20-F.

**

Pursuant to General Instruction E(c) of Form 20-F, the registrant has elected to provide the financial statements and related information specified in Item 18.

PRELIMINARY NOTE

Currencies: Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") presents its consolidated financial statements in United States dollars. All dollar amounts in this Annual Report on Form 20-F ("Form 20-F") are stated in United States dollars ("U.S. dollars", "$" or "US$"), except where otherwise indicated. Certain information in this Form 20-F is presented in Canadian dollars ("C$") or European Union euros ("Euro" or "€"). See "Item 3 Key Information Currency Exchange Rates" for a history of exchange rates of Canadian dollars into U.S. dollars.

Generally Accepted Accounting Principles: Agnico-Eagle reports its financial results using United States generally accepted accounting principles ("US GAAP") due to its substantial U.S. shareholder base and to maintain comparability with other gold mining companies. Unless otherwise specified, all references to financial results herein are to those calculated under US GAAP.

Forward-Looking Information: Certain statements in this Form 20-F, 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 2012 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 Form 20-F are based, and which may prove to be incorrect, include, but are not limited to, the assumptions set out elsewhere in this 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 or man-made occurrences, mining or milling issues, political changes, title issues or otherwise; that permitting, development and

expansion at each of Agnico-Eagle's mines 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 U.S. dollar will be approximately consistent with current levels or as set out in this 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 Form 20-F reflect the Company's views as at the date of this Form 20-F 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". 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 Form 20-F 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. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in allowing year over year comparisons. Investors are cautioned that this information may not be suitable for other purposes.

NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESOURCES

The mineral reserve and mineral resource estimates contained in this Form 20-F have been prepared in accordance with the Canadian securities regulatory authorities' (the "CSA") National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). These standards are similar to those used by the United States Securities and Exchange Commission's (the "SEC") Industry Guide No. 7, as interpreted by Staff at the SEC ("Guide 7"). However, the definitions in NI 43-101 differ in certain respects from those under Guide 7. Accordingly, mineral reserve information contained or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. Under the requirements of the SEC, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC does not recognize measures of "mineral resource".

The metal grades reported in the mineral reserve and mineral resource estimates represent in-place grades and do not reflect losses in the recovery process, that is, the metallurgical losses associated with processing the extracted ore. The mineral reserve figures presented herein are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The Company does not include equivalent gold ounces for byproduct metals contained in mineral reserves in its calculation of contained ounces.

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

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

Cautionary Note to Investors Concerning Estimates of Inferred Mineral Resources

This 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 Form 20-F 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 "Item 5 Operating and Financial Review and Prospects 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, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. This Form 20-F 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.

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Pursuant to the instructions to Item 1 of Form 20-F, this information has not been provided.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

Selected Financial Data

The following selected financial data for each of the years in the five-year period ended December 31, 2011 are derived from the consolidated financial statements of Agnico-Eagle audited by Ernst & Young LLP. The selected financial data should be read in conjunction with the Company's operating and financial review and prospects set out in Item 5 of this Form 20-F, the consolidated financial statements and the notes thereto set out in Item 18 of this Form 20-F and other financial information included elsewhere in this Form 20-F.

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(in thousands of U.S. dollars, US GAAP basis, other than share and per share information)				
Income Statement Data					
Revenues from mining operations	1,821,799	1,422,521	613,762	368,938	432,205
Production costs	876,078	677,472	306,318	186,862	166,104
Exploration and corporate development	75,721	54,958	36,279	34,704	25,507
Equity loss in junior exploration company					
Amortization	261,781	192,486	72,461	36,133	27,757
General and administrative	107,926	94,327	63,687	47,187	38,167
Write-down of available-for-sale securities	8,569			74,812	
Loss (Gain) on derivative financial instruments	(3,683)	(7,612)			5,829
Provincial capital tax	9,223	(6,075)	5,014	5,332	3,202
Interest	55,039	49,493	8,448	2,952	3,294
Interest and sundry income	5,188	(10,254)	(16,172)	(11,721)	(25,142)
Loss on Goldex mine	302,893				

Impairment loss on Meadowbank mine	907,681				
Gain on acquisition of Comaplex, net of transaction costs		(57,526)			
Gain on sale of available-for-sale-securities	(4,907)	(19,487)	(10,142)	(25,626)	(4,088)
Foreign exchange (gain) loss	(1,082)	19,536	39,831	(77,688)	32,297
Income before income and mining taxes	(778,628)	435,203	108,038	95,991	159,278
Income and mining taxes (recoveries)	(209,673)	103,087	21,500	22,824	19,933
Net income	(568,955)	332,116	86,538	73,167	139,345
Attributed to non-controlling interest	(60)				
Attributed to common shareholders	(568,895)				
Net income per share basic	(3.36)	2.05	0.55	0.51	1.05
Net income per share diluted	(3.36)	2.00	0.55	0.50	1.04
Weighted average number of shares outstanding basic	170,275,475	162,342,686	155,942,151	144,740,658	132,768,049
Weighted average number of shares outstanding diluted	170,275,475	165,842,259	158,620,888	145,888,728	133,957,869
Dividends declared per common share	0.00	0.64	0.18	0.18	0.18

Balance Sheet Data (at end of period)

Mining properties (net)	3,895,355	4,564,563	3,581,798	2,997,500	2,123,397
Total assets	5,034,262	5,500,351	4,247,357	3,378,824	2,735,498
Long-term debt	920,095	650,000	715,000	200,000	
Reclamation provision and other liabilities	145,988	145,536	96,255	71,770	57,941
Net assets	3,215,163	3,665,450	2,751,761	2,517,756	2,058,934
Common shares	3,181,381	3,078,217	2,378,759	2,299,747	1,931,667
Shareholders' equity	3,215,163	3,665,450	2,751,761	2,517,756	2,058,934
Total common shares outstanding	170,859,604	168,720,355	156,625,174	154,808,918	142,403,379

Currency Exchange Rates

All dollar amounts in this Form 20-F are in U.S. dollars, except where otherwise indicated. The following tables set out, in Canadian dollars, the exchange rates for the U.S. dollar, based on the noon buying rate as reported by the Bank of Canada (the "Noon Buying Rate"). On March 12, 2012, the Noon Buying Rate was US$1.00 equals C$0.9935.

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
High	1.0604	1.0778	1.3000	1.2969	1.1853
Low	0.9449	0.9946	1.0292	0.9719	0.9170
End of Period	1.0170	0.9946	1.0466	1.2246	0.9881
Average	0.9891	1.0299	1.1420	1.0660	1.0748

	2012			2011			
	March (to March 12)	**February**	**January**	**December**	**November**	**October**	**September**
High	1.0015	1.10016	1.0272	1.0406	1.0487	1.0604	1.0389
Low	0.9849	0.9866	0.9986	1.0105	1.0126	0.9935	0.9752
End of Period	0.9935	0.9866	1.0052	1.0170	1.0197	0.9935	1.0389
Average	0.9929	0.9965	1.0134	1.0238	1.0258	1.0207	1.0026

On December 31, 2011 and March 12, 2012, US$1.00 equalled €0.7729 and €0.7623, respectively, as reported by the European Central Bank.

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Risk Factors

The Company's financial performance and results may fluctuate widely due to volatile and unpredictable commodity prices.

The Company's earnings are directly related to commodity prices, as revenues are derived from the sale of precious metals (gold and silver), zinc and copper. Gold prices, which have the greatest impact on the Company's financial performance, fluctuate widely and are affected by numerous factors beyond the Company's control, including central bank purchases and sales, producer hedging and de-hedging activities, expectations of inflation, investment demand, the relative exchange rate of the U.S. dollar with other major currencies, interest rates, global and regional demand, political and economic conditions, production costs in major gold-producing regions, speculative positions taken by investors or traders in gold and changes in supply, including worldwide production levels. The aggregate effect of these factors is impossible to predict with accuracy. In addition, the price of gold has on occasion been subject to very rapid short-term changes because of speculative activities. Fluctuations in gold prices may materially adversely affect the Company's financial performance or results of operations. If the market price of gold falls below the Company's total cash costs per ounce of production at one or more of its projects at that time and remains so for any sustained period, the Company may experience losses and/or may curtail or suspend some or all of its exploration, development and mining activities at such projects or at other projects. In addition, such fluctuations may require changes to the mine plan. Also, the Company's decisions to proceed with the operations at its current mines were based on a market price of gold between $400 and $450 per ounce. If the market price of gold falls below these levels, the mines may be rendered uneconomic and production may be suspended. Also, the Company's evaluation of the Meliadine project acquisition was based on an assumption of a market price of gold of $950 per ounce and the evaluation of the La India project acquisition was based on an assumption of a market price of gold of $1,150 per ounce. If the market price of gold falls below these respective levels, future activity at the Meliadine project or the La India project may be rendered uneconomic and activities may be suspended. In addition, the Company's current mine plans are all based on a gold price of $1,500 per ounce and reserve and resource estimates are based on a gold price of $1,255 per ounce; if the price of gold falls below these levels the mine plans may have to be changed, which may result in reduced production, higher costs than anticipated or both and estimates of reserves and resources may have to be reduced. Further, the prices received from the sale of the Company's byproduct metals produced at its LaRonde mine (zinc, silver, lead and copper) and its Pinos Altos mine (silver) affect the Company's ability to meet its targets for total cash costs per ounce of gold produced. These byproduct metal prices fluctuate widely and are also affected by numerous factors beyond the Company's control. The Company's policy and practice is not to sell forward its future gold production; however, under the Company's price risk management policy, approved by the Company's board of directors (the "Board"), the Company may review this practice on a project by project basis. See "Item 11 Quantitative and Qualitative Disclosures about Market Risk Derivatives" for more details on the Company's use of derivative instruments. The Company occasionally uses derivative instruments to mitigate the effects of fluctuating byproduct metal prices; however, these measures may not be successful.

The volatility of gold prices is illustrated in the following table which sets out, for the periods indicated, the high, low and average afternoon fixing prices for gold on the London Bullion Market (the "London P.M. Fix").

	2012 (to March 12)	2011	2010	2009	2008	2007
High price ($ per ounce)	1,781	1,895	1,421	1,212	1,011	841
Low price ($ per ounce)	1,598	1,319	1,058	810	712	608
Average price ($ per ounce)	1,698	1,572	1,125	972	872	695

On March 12, 2012, the London P.M. Fix was $1,698 per ounce of gold.

The assumptions that underlie the estimate of future operating results and the strategies used to mitigate the effects of risks of metal prices are set out herein and in "Item 5 Operating and Financial Review and Prospects Outlook Gold Production Growth" of this Form 20-F.

Based on 2012 production estimates, the approximate sensitivities of the Company's after-tax income to a 10% change in certain metal prices from 2011 market average prices are as follows:

	Income per share
Gold	$ 0.64
Silver	$ 0.06
Zinc	$ 0.02
Copper	$ 0.01

Sensitivities of the Company's after-tax income to changes in metal prices will increase with increased production.

The Company is largely dependent upon its mining and milling operations at its Meadowbank mine in Nunavut and at its LaRonde mine in Quebec, and any adverse condition affecting those operations may have a material adverse effect on the Company.

The Company's operations at the Meadowbank mine accounted for approximately 27% of the Company's gold production and are expected to account for approximately 30% of the Company's gold production in 2012 (using 912,500 ounces, being the midpoint of the Company's production guidance range of 875,000-950,000 ounces). The LaRonde mine in the Abitibi region of northern Quebec accounted for approximately 12.6% of the Company's gold production in 2011 and is expected to account for approximately 17% of the Company's gold production in 2012. In 2011, gold production at the Meadowbank mine was approximately 90,000 ounces below the Company's expectation as a result of issues that included a fire that destroyed the minesite's kitchen facilities and above anticipated dilution. For the year ended December 31, 2011, the Company performed a full review of the Meadowbank mine's operation and updated the related life of mine plan. The review considered the exploration potential of the area, the current mineral reserves and resources, the projected operating costs in light of persistently high operating costs experienced since the commencement of commercial operations, metallurgical performance and gold price. The updated life of mine plan contemplates a shorter mine life and reduced reserves and resources and required the Company to incur a pre-tax asset impairment charge of $907.7 million. At the LaRonde mine, the Company is now extracting ore from below Level 245, which was previously referred to as the LaRonde mine extension. The depth of these operations, as well as the new infrastructure required to extract this deeper ore, could pose significant challenges to the Company such as geomechanical risks and ventilation and air conditioning requirements, which could result in difficulties and delays in achieving gold production objectives. Any adverse condition affecting mining or milling conditions at the Meadowbank or LaRonde mines could be expected to have a material adverse effect on the Company's financial performance and results of operations. The Company also anticipates using revenue generated by its operations at these mines to finance a substantial portion of its capital expenditures in 2012, including new projects at the Pinos Altos mine and the Meliadine and La India projects.

The Kittila, Pinos Altos and Lapa mines commenced commercial production in 2009 and commercial production at the Creston Mascota deposit at Pinos Altos was achieved in the first quarter of 2011. However, unless the Company otherwise acquires significant gold-producing assets in other regions, the Company will continue to be dependent on its operations at the Meadowbank and LaRonde mines for a substantial portion of its gold production. Further, there can be no assurance that the Company's current exploration and development programs at the LaRonde or Meadowbank mines will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

The Company may experience difficulties operating its Meadowbank mine and developing the Meliadine project as a result of their remote location.

The Company's Meadowbank mine is located in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. The closest major city is Winnipeg, Manitoba, approximately 1,500 kilometres to the south. 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 unable 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, 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. For example, the February 2011 fire at the Meadowbank Mine's kitchen facilities required the mine to be on reduced operations which resulted in reduced gold production at the mine.

The Company's Meliadine project, 290 kilometres southeast of the Meadowbank mine, is also located in the Kivalliq District of Nunavut, approximately 25 kilometres northwest of the hamlet of Rankin Inlet on the west coast of Hudson Bay. Access to the property is by helicopter from Rankin Inlet year-round and by tracked vehicles overland on a winter road from approximately late December to mid-May. An all-weather access road between the project and Rankin Inlet is at the permitting stage. The Company's operations at the Meliadine project may be constrained by its remoteness and, prior to the completion of the all weather access road, lack of access if the winter road season is shortened by permit delays or unusually warm weather, or if construction of the all-weather road is delayed. Most of the materials that the Company requires to operate the advanced exploration program, and may require if it determines to build a mine in the future, must be transported through the port of Rankin Inlet during its six-week shipping season. If the Company cannot identify and procure suitable equipment and materials within a timeframe that permits transporting them to the project within this shipping season, this could result in delays and/or cost increases in the exploration program and, if the Company determines to build a mine, any construction or development on the property.

The remoteness of the Meadowbank mine and Meliadine project also necessitates the use of fly-in/fly-out camps for the accommodation of site employees and contractors, which may have an impact on the Company's ability to attract and retain qualified mining, exploration and construction personnel. If the Company is unable to attract and retain sufficient personnel or sub-contractors on a timely basis, the Company's operations at the Meadowbank mine and future development plans at the Meliadine project may be adversely affected.

The Company's recently opened mines, mine construction projects and expansion projects are subject to risks associated with new mine development, which may result in delays in the start-up of mining operations, delays in existing operations and unanticipated costs.

The Company's production forecasts are based on full production being achieved at all of its mines, and the Company's ability to achieve and maintain full production rates at these mines is subject to a number of risks and uncertainties. Production from these mines in 2012 may be lower than anticipated if the anticipated full production rate cannot be achieved.

The LaRonde mine extension, which commenced operation in late 2011, 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 Kittila and Pinos Altos mines requires the construction and operation of significant new underground mining operations. The construction and operation of underground mining facilities is subject to a number of risks, including unforeseen geological formations, implementation of new mining processes, delays in obtaining required construction, environmental or operating permits and engineering and mine design adjustments.

If the Company experiences mining accidents or other adverse conditions, the Company's mining operations may yield less gold than indicated by its estimated gold production.

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, autoclave, filter press or semi-autogenous grinding ("SAG") 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, dilution increases, electrical power is interrupted or heap leach processing results in containment discharge. In seven of the last nine 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; increased stress levels in a sill pillar requiring the temporary closure of production sublevels in 2005; and delays in the commissioning of the Goldex production hoist and the Kittila autoclave in 2008. 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, at the Pinos Altos mine resulting from problems in commissioning the dry tailings filter presses and at the Lapa mine resulting from dilution issues. In 2010, gold production of 987,607 ounces was below the initial anticipated range of 1 million to 1.1 million ounces primarily as a result of lower throughput at the Meadowbank mine mill due to a bottleneck in the crushing circuit and because there were autoclave issues at the Kittila mine in the first half of the year. In 2011, gold production of 985,460 ounces was below the initial anticipated range of 1.13 to 1.23 million ounces primarily as a result of suspension of mining operations at the Goldex mine due to suspected rock subsidence in the hanging wall above the main orebody, a fire in the Meadowbank mine kitchen complex which negatively impacted production and lower than expected grades at the Meadowbank and LaRonde mines. 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 total cash costs per ounce of gold production depend, in part, on external factors that are subject to fluctuation and, if such costs increase, some or all of the Company's activities may become unprofitable.

The Company's total cash costs per ounce of gold are dependent on a number of factors, including the exchange rate between the U.S. dollar and the Canadian dollar, Euro or Mexican peso, smelting and refining charges, production royalties, the price of gold and byproduct metals and the cost of inputs used in mining operations. At the LaRonde mine, the Company's total cash costs per ounce of production are primarily affected by the prices and production levels of byproduct zinc, silver and copper, the revenue from which is offset against the cost of gold production. Total cash costs per ounce from the Company's operations at the Pinos Altos mine are affected by the exchange rate between the U.S. dollar and the Mexican peso and the price and production level of byproduct silver, the revenue from which is offset against the cost of gold production. Total cash costs per ounce from the Company's operations at its mines in Canada and the Kittila mine are affected by changes in the exchange rates between the U.S. dollar and the Canadian dollar and the Euro, respectively. Total cash costs per ounce at all of the Company's mines are also affected by the costs of inputs used in mining operations, including labour (including contractors), steel, chemical reagents and energy. All of these factors are beyond the Company's control. If the Company's total cash costs per ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

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 uses this generally accepted industry measure in evaluating operating performance and believes it to be a realistic indicator of such performance and useful in allowing year over year comparisons. The data also reflects the Company's ability to generate cash flow and operating income at various gold prices. This additional information should be considered together with other data prepared in accordance with US GAAP and is not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. See "Item 5 Operating and Financial Review and Prospects Results of Operations Production Costs" for reconciliation of total cash costs per ounce and minesite costs per tonne to their closest US GAAP measure and "Note to Investors Concerning Certain Measures of Performance" for a discussion of these non-US GAAP measures.

The Company may experience operational difficulties at its mines in Finland and Mexico.

The Company's operations include a mine in Finland and a mine in northern Mexico. These operations are subject 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.

Changes, if any, in mining or investment policies or shifts in political attitude in Finland or Mexico may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to matters including restrictions on production, price controls, export controls, currency controls or restrictions, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

In addition, Finland and Mexico have significantly different laws and regulations than Canada and there exist cultural and language differences between these countries and Canada. Also, the Company faces challenges inherent in efficiently managing an increased number of employees over large geographical distances, including the challenges of staffing and managing operations in several international locations and implementing appropriate systems, policies, benefits and compliance programs. These challenges may divert management's attention to the detriment of the Company's operations in Canada. There can be no assurance that difficulties associated with the Company's foreign operations can be successfully managed.

Mineral reserve and mineral resource estimates are only estimates and such estimates may not accurately reflect future mineral recovery.

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. Mineral reserve and resource estimates are based on gold recoveries in small scale laboratory tests and may not be indicative of the mineralization in the entire orebody and the Company may not be able to achieve similar results in larger scale tests under on-site conditions or during production. 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 $1,255 per ounce gold price. Monthly average gold prices have been above $1,255 per ounce since September 2010; however, prior to that time, monthly average gold prices were below $1,255 per ounce. Prolonged declines in the market price of gold (or applicable byproduct metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should such reductions occur, the Company may be required to 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 may experience problems in executing acquisitions or managing and integrating any completed acquisitions with its existing operations.

The Company regularly evaluates opportunities to acquire securities or assets of other mining businesses. Such acquisitions may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial or geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms and integrate their

operations successfully with those of the Company. Any acquisition would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired businesses; the potential disruption of the Company's ongoing business; the inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired assets and businesses; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential unknown liabilities associated with acquired assets and businesses. In addition, the Company may need additional capital to finance an acquisition. Debt financing related to any acquisition may expose the Company to the risks related to increased leverage, while equity financing may cause existing shareholders to suffer dilution. The Company is permitted under the terms of its unsecured revolving bank credit facility and its $600 million of guaranteed senior unsecured notes referred to under the heading "Item 4 Information on the Company History and Development of the Company" to incur additional unsecured indebtedness, provided that it maintains certain financial ratios and meets financial condition covenants and, in the case of the bank credit facility, that it complies with certain covenants, including that no default under the bank credit facility has occurred and is continuing, or would occur as a result of the incurrence or assumption of such indebtedness, the terms of such indebtedness are no more onerous to the Company than those under the bank credit facility and such indebtedness does not require principal payments until at least 12 months following the then existing maturity date of the bank credit facility. There can be no assurance that the Company would be successful in overcoming these or any other problems encountered in connection with such acquisitions.

Fluctuations in foreign currency exchange rates in relation to the U.S. dollar may adversely affect the Company's results of operations.

The Company's operating results and cash flow are significantly affected by changes in the U.S. dollar/Canadian dollar exchange rate. All of the Company's revenues are earned in U.S. dollars but the majority of its operating costs at the LaRonde, Goldex, Lapa and Meadowbank mines, as well as the Meliadine project, are incurred in Canadian dollars. The U.S. dollar/Canadian dollar exchange rate has fluctuated significantly over the last several years. From January 1, 2007 to January 1, 2012, the Noon Buying Rate fluctuated from a high of C$1.3000 per $1.00 to a low of C$0.9170 per $1.00. Historical fluctuations in the U.S. dollar/Canadian dollar exchange rate are not necessarily indicative of future exchange rate fluctuations. Based on the Company's anticipated 2012 after-tax operating results, a 10% change in the U.S. dollar/Canadian dollar exchange rate from the 2011 market average exchange rate would affect net income by approximately $0.30 per share. To attempt to mitigate its foreign exchange risk and minimize the impact of exchange rate movements on operating results and cash flow, the Company has periodically used foreign currency options and forward foreign exchange contracts to purchase Canadian dollars; however, there can be no assurance that these strategies will be effective. See "Item 5 Operating and Financial Review and Prospects Outlook Gold Production Growth" for a description of the assumptions underlying the sensitivity and the strategies used to mitigate the effects of risks. In addition, the majority of the Company's operating costs at the Kittila mine are incurred in Euros and a portion of operating costs at the Pinos Altos mine and exploration and development costs at the La India project are incurred in Mexican pesos. Each of these currencies has fluctuated significantly against the U.S. dollar over the past several years. There can be no assurance that the Company's foreign exchange derivatives strategies will be successful or that foreign exchange fluctuations will not materially adversely affect the Company's financial performance and results of operations.

If the Company fails to comply with restrictive covenants in its debt instruments, the Company's ability to borrow under its unsecured revolving bank credit facility could be limited and the Company may then default under other debt agreements, which could harm the Company's business.

The Company's unsecured revolving $1.2 billion bank credit facility limits, among other things, the Company's ability to permit the creation of certain liens, make investments in a business or carry on business unrelated to mining, dispose of the Company's material assets or, in certain circumstances, pay dividends. In addition, the Company's $600 million guaranteed senior unsecured notes limit, among other things, the Company's ability to permit the creation of certain liens, carry on business unrelated to mining or dispose of the Company's material assets. The bank credit facility and the guaranteed senior unsecured notes also require the Company to maintain specified financial ratios and meet financial condition covenants. Events beyond the Company's control, including changes in general economic and business conditions, may affect the Company's ability to satisfy these covenants, which could result in a default under one of the bank credit facility or the notes. At March 12, 2012 there was approximately $320 million drawn under the bank credit facility, and the Company anticipates that it will continue to draw on the bank credit facility to fund part of the capital expenditures required in connection with its current development projects. If an event of default under the bank credit facility or the notes occurs, the Company would be unable to draw down further on the bank credit facility and the lenders

could elect to declare all principal amounts outstanding thereunder at such time, together with accrued interest, to be immediately due and it could cause an event of default under the notes. An event of default under either the bank credit facility or the notes may also give rise to an event of default under existing and future debt agreements and, in such event, the Company may not have sufficient funds to repay amounts owing under such agreements.

The exploration of mineral properties is highly speculative, involves substantial expenditures and is frequently unsuccessful.

The Company's profitability is significantly affected by the costs and results of its exploration and development programs. As mines have limited lives based on proven and probable mineral reserves, the Company actively seeks to replace and expand its mineral reserves, primarily through exploration and development as well as through strategic acquisitions. Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic orebodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. Substantial expenditures are required to pursue such exploration and development activities. Assuming discovery of an economic orebody, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and during such time the economic feasibility of production may change. Accordingly, there can be no assurance that the Company's current or future exploration and development programs will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

The mining industry is highly competitive, and the Company may not be successful in competing for new mining properties.

There is a limited supply of desirable mineral lands available for claim staking, leasing or other acquisitions in the areas where the Company contemplates conducting exploration activities. Many companies and individuals are engaged in the mining business, including large, established mining companies with substantial capabilities and long earnings records. The Company may be at a competitive disadvantage in acquiring mining properties, as it must compete with these companies and individuals, some of which have greater financial resources and larger technical staff than the Company. Accordingly, there can be no assurance that the Company will be able to compete successfully for new mining properties.

The success of the Company is dependent on good relations with its employees and on its ability to attract and retain employees and key personnel.

Production at the Company's mines and mine projects is dependent on the efforts of the Company's employees and contractors. The Company competes with mining and other companies on a global basis to attract and retain employees at all levels with appropriate technical skills and operating experience necessary to operate its mines. Relationships between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by relevant government authorities in the jurisdictions that the Company operates. Changes in applicable legislation or in the relationship between the Company and its employees or contractors may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is also dependent on a number of key management personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals.

The Company faces significant competition to attract and retain qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

The Company may have difficulty financing its additional capital requirements for its planned mine construction, exploration and development.

The sustaining capital required for operations (including potential expansions) and the development of the Meliadine and La India projects, and the exploration and development of the Company's properties, including continuing exploration and development projects in Quebec, Nunavut, Finland, Mexico and Nevada, will require substantial capital expenditures. The Company estimates that capital expenditures will be approximately $382.3 million in 2012 and $277.4 million in 2013. As at March 12, 2012, the Company had approximately $844.4 million available to be borrowed under its bank credit facility. Based on current funding available to the Company and expected cash from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures for all of its current properties. However, if cash from

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operations is lower than expected or capital costs at these mines or projects exceed current estimates, or if the Company incurs major unanticipated expenses related to exploration, development or maintenance of its properties, or if advances from the bank credit facility are unavailable, the Company may be required to seek additional financing to maintain its capital expenditures at planned levels. In addition, the Company will have additional capital requirements to the extent that it decides to expand its present operations and exploration activities, construct additional mining and processing operations at any of its properties or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may arise. Additional financing may not be available when needed or, if available, the terms of such financing may not be favourable to the Company and, if raised by offering equity securities, or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties, which may have a material adverse effect on the Company's business, financial condition and results of operations.

The continuing weakness in the global credit and capital markets could have a material adverse impact on the Company's liquidity and capital resources.

The credit and capital markets experienced significant deterioration in 2008, including the failure of significant and established financial institutions in the United States and abroad, and continues to show weakness and volatility. These unprecedented disruptions in the credit and capital markets have negatively impacted the availability and terms of credit and capital. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on the Company's liquidity, ability to raise capital and costs of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations.

Due to the nature of the Company's mining operations, the Company may face liability, delays and increased production costs from environmental and industrial accidents and pollution, and the Company's insurance coverage may prove inadequate to satisfy future claims against the Company.

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 incur significant costs that could have a material adverse effect on its financial performance and results of operations.

The Company's operations are subject to numerous laws and extensive government regulations which may cause a reduction in levels of production, delay or the prevention of the development of new mining properties or otherwise cause the Company to incur costs that adversely affect the Company's results of operations.

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.

Title to the Company's properties may be uncertain and subject to risks.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper

title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims on underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, although the Company believes that it has sufficient surface rights for its operations, the Company may be unable to operate its properties as permitted or to enforce its rights in respect of its properties.

Increased regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations.

The Company operates in a number of jurisdictions in which regulatory requirements have been introduced or are being contemplated to monitor, report and/or reduce greenhouse gas emissions. Under the Copenhagen Accord, Canada has committed to reducing greenhouse gas emissions by 17%, relative to 2005 levels, by 2020, but this commitment is subject to future alignment with reduction targets and regulatory requirements in the United States. Canada is also considering new regulatory requirements to address greenhouse gas emissions. Similarly, the Province of Quebec is a member of the Western Climate Initiative and has passed legislation enabling the establishment of a greenhouse gas emissions registry, greenhouse gas reduction targets and a cap-and-trade system to achieve Quebec's commitment to reduce greenhouse gas emissions by 20%, relative to 1990 levels, by 2020. The Company's operations in Quebec use primarily hydroelectric power and as a consequence are not large producers of greenhouse gases. The Meadowbank mine produces approximately 165,110 tonnes of carbon dioxide equivalent per year from its own production of electricity from diesel-power generation and it is expected that any mining operation at the Meliadine project would also produce some of its power from diesel-power generation. The Pinos Altos mine purchases electricity that is largely fossil-fuel generated. The Pinos Altos mine also generates electricity locally with a diesel-powered genset during "peak" periods. As a result, it is the Company's second highest greenhouse gas producer at 109,483 tonnes of carbon dioxide equivalent per year. None of the Company's other operations emit more than 30,400 tonnes of carbon dioxide equivalent per year. As a result, notwithstanding the ongoing uncertainty around the regulation of greenhouse gas emissions, new regulatory requirements in respect of greenhouse gasses and the additional costs required to comply are not expected to have a material effect on the Company's operations and financial condition.

The Company is subject to the risk of litigation, the causes and costs of which cannot be known.

The Company is subject to litigation arising in the normal course of business and may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations, such as in the litigation referred to in note 21 to the Financial Statements contained in Item 18 hereof. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company's ability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

The use of derivative instruments for the Company's byproduct metal production may prevent gains from being realized from subsequent byproduct metal price increases.

While the Company's general policy is not to sell forward its future gold production, the Company has used, and may in the future use, various byproduct metal derivative strategies, such as selling future contracts or purchasing put options. The Company continually evaluates the potential short- and long-term benefits of engaging in such derivative strategies based upon current market conditions. No assurance can be given, however, that the use of byproduct metal derivative strategies will benefit the Company in the future. There is a possibility that the Company could lock in forward deliveries at prices lower than the market price at the time of delivery. In addition, the Company could fail to produce enough byproduct metals to offset its forward delivery obligations, causing the Company to purchase the metal in the spot market at higher prices to fulfill its delivery obligations or, for cash settled contracts, make cash payments to counterparties in excess of byproduct revenue. If the Company is locked into a lower than market price forward contract or has to buy additional quantities at higher prices, its net income could be adversely affected. None of the current contracts establishing the byproduct metal derivatives positions qualified for hedge accounting treatment under US GAAP and therefore any year-end mark-to-market adjustments are recognized in the "Gain on derivative financial instruments" line item of the

consolidated statements of income and comprehensive income. See "Item 11 Quantitative and Qualitative Disclosures about Market Risk Derivatives".

The trading price for the Company's securities is volatile.

The trading price of the Company's common shares and, consequently, the trading price of securities convertible into or exchangeable for the Company's common shares, have been and may continue to be subject to large fluctuations which may result in losses to investors. The trading price of the Company's common shares and securities convertible into or exchangeable for common shares may increase or decrease in response to a number of events and factors, including:

- changes in the market price of gold or other byproduct metals the Company sells;
- events affecting the economic situation in Canada, the United States and elsewhere;
- trends in the mining industry and the markets in which the Company operates;
- changes in financial estimates and recommendations by securities analysts;
- acquisitions and financings;
- quarterly variations in operating results;
- the operating and share price performance of other companies that investors may deem comparable; and
- purchases or sales of large blocks of the Company's common shares or securities convertible into or exchangeable for the Company's common shares.

Wide price swings are currently common in the markets on which the Company's securities trade. This volatility may adversely affect the prices of the Company's common shares and the securities convertible into or exchangeable for the Company's common shares regardless of the Company's operating performance.

The Company may not be able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act.

Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting. Section 404 of SOX also requires an annual attestation report by the Company's independent auditors addressing the effectiveness of the Company's internal control over financial reporting. The Company has completed its Section 404 assessment and received the auditors' attestation as of December 31, 2011.

If the Company fails to maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, the Company may not be able to conclude that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares and securities convertible or exchangeable for common shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will prevent misstatement due to error or fraud or will detect or uncover all control issues or instances of fraud, if any. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in maintaining adequate internal control over financial reporting will increase and will require that the Company continue to improve its internal control over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in continuing to comply with Section 404 of SOX.

Potential unenforceability of civil liabilities and judgments.

The Company is incorporated under the laws of the Province of Ontario, Canada. A majority of the Company's directors and officers as well as the experts named in this Form 20-F are residents of Canada. Also, almost all of the Company's

assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for shareholders to initiate a lawsuit within the United States against these non-U.S. residents, or to enforce U.S. judgments against the Company or these persons. The Company's Canadian counsel has advised the Company that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot provide assurance that this will be the case. It is less certain that an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

ITEM 4 INFORMATION ON THE COMPANY

History and Development of the Company

The Company is an established Canadian-based international gold producer with mining operations in northwestern Quebec, northern Mexico, northern Finland and Nunavut and exploration activities in Canada, Europe, Latin America and the United States. The Company's operating history includes over three decades of continuous gold production primarily from underground operations. Since its formation on June 1, 1972, the Company has produced almost 7.5 million ounces of gold. For definitions of certain technical terms used in the following discussion, see " Property, Plant and Equipment Glossary of Selected Mining Terms".

The Company's strategy is to focus on the continued exploration, development and expansion of its properties, all of which are located in politically stable jurisdictions. The Company has spent approximately $2.7 billion on mine development over the last five years. Through this development program, the Company transformed itself from a regionally focused, single mine producer to a multi-mine international gold producer with five operating, 100% owned mines.

Since 1988, the LaRonde mine, in the Abitibi region of Quebec, has been the Company's flagship operation, producing approximately 4.3 million ounces of gold as well as valuable byproducts. The Lapa mine, the Company's highest grade metals mine, is 11 kilometres east of the LaRonde mine. The synergies between these sites contribute to the Company's efforts to reduce costs. The Kittila mine, in Finland, achieved commercial production in May 2009, has a long reserve life and has significant production expansion potential. The Pinos Altos mine, in Mexico, achieved commercial production in November 2009 and also has significant production expansion potential. The Company's fifth mine, Meadowbank, in Nunavut, achieved commercial production in March 2010 and is expected to produce the most gold (295,000 ounces) in 2012. In addition, the Company plans to pursue opportunities for growth in gold production and gold reserves through the prudent acquisition or development of exploration properties, development properties, producing properties and other mining businesses in the Americas and Europe.

In 2011, the Company produced 985,460 ounces of gold at total cash costs per ounce of $580 net of revenues from byproduct metals. For 2012, the Company expects to produce between 875,000 and 950,000 ounces of gold at a total cash costs per ounce of gold produced between $690 and $750 net of byproduct revenue. These expected higher total cash costs compared to 2011 reflect the closure of the Goldex mine, the Company's second lowest cost mine, in October 2011 due to suspected rock subsidence issues; the higher proportion of production coming from the Meadowbank mine, which is expected to have higher total cash costs per ounce compared to the Company's average; higher costs associated with the transition to underground mining operations at the Pinos Altos mine and the Kittila mine; and increased production from the Company's mines and mine projects that do not contain byproduct metals, revenue from which reduces total cash costs per ounce. In addition, the higher total cash costs per ounce also reflect the Canadian dollar strengthening against the U.S. dollar and continued escalations in labour, shipping and transportation costs. See "Note to Investors Concerning Certain Measures of Performance" for a discussion of the use of the non-US GAAP measure total cash costs per ounce. The Company has traditionally sold all of its production at the spot price of gold due to its general policy not to sell forward its future gold production.

The Company operates through four segments: Canada, Europe, Latin America and Exploration.

The Canadian Segment is comprised of the Province of Quebec and the Territory of Nunavut. The Company's Quebec properties include the LaRonde mine, the Goldex mine (mining operations suspended in October 2011) and the Lapa mine, each of which is held directly by the Company. In 2011, the Quebec properties accounted for 37.2% of the Company's gold production, comprised of 12.6% from the LaRonde mine, 13.7% from the Goldex mine and 10.9% from the Lapa mine. In 2012, the Company anticipates that its Quebec properties will account for 26.4% of the Company's gold production, of which 17.3% and 9.1% of the Company's gold production will come from the LaRonde mine and the Lapa mine, respectively.

The Company's Nunavut properties are comprised of the Meadowbank mine and the Meliadine project, which are both held directly by the Company. In 2011, the Meadowbank mine accounted for 27.5% of the Company's gold production and the Company anticipates that in 2012 the Meadowbank mine will account for approximately 32.3% of the Company's gold production.

The Company's operations in the European Segment are conducted through its indirect subsidiary, Agnico Eagle Finland Oy, which indirectly owns the Kittila mine in Finland. In 2011, the Kittila mine accounted for 14.6% of the Company's gold production and the Company anticipates that in 2012 the Kittila mine will account for approximately 16.9% of the Company's gold production.

The Company's mining operations in the Latin American Region are conducted through its subsidiary, Agnico Eagle Mexico S.A. de C.V., which owns the Pinos Altos mine, including the Creston Mascota deposit at Pinos Altos. The La India project is owned by the Company's indirect subsidiary, Resource Grayd De Mexico, S.A. de C.V.. In 2011, the Pinos Altos mine accounted for 20.7% of the Company's gold production and the Company anticipates that in 2012 the Pinos Altos mine will account for approximately 22.5% of the Company's gold production.

The Exploration Segment includes the Company's grassroots exploration operations in the United States, the European exploration office, the Canadian exploration offices and the Latin American exploration office. In addition, the Company has an international exploration office in Reno, Nevada.

Agnico-Eagle's expertise in acquiring mine projects and developing mines is shown through the launch of five operating mines. The following table sets out the date of acquisition, the date of commencement of construction and the date of achieving commercial production for the Company's mines and mine projects.

	Date of Acquisition	Date of Commencement of Construction	Date of achieving Commercial Production
LaRonde mine	1992[(1)]	1985	1988
Goldex mine (suspended in October, 2011)	December 1993[(1)]	July 2005	August 2008
Kittila mine	November 2005	June 2006	May 2009
Lapa mine	June 2003[(1)]	June 2006	May 2009
Pinos Altos mine	March 2006	August 2007	November 2009
Meadowbank mine	April 2007	Pre-April 2007	March 2010
Meliadine project	July 2010	2014[(2)]	2017 [(2)]
La India project	January 2012		

Notes:

(1) Date when 100% ownership was acquired.

(2) Anticipated.

The Company's exploration program focuses primarily on the identification of new mineral reserves and resources and new development opportunities in proven gold producing regions. Current exploration activities are concentrated in Canada, Europe, Latin America and the

United States. Several projects were evaluated during the year in other countries where the Company believes the potential for gold occurrences is excellent and which the Company believes to be politically stable and supportive of the mining industry. The Company currently manages 77 properties in Canada, 6 properties in the United States, three groups of properties in Finland, one property in Sweden, six projects in Mexico and one project in Argentina. Exploration activities are managed from offices in Val d'Or, Quebec; Reno, Nevada; Chihuahua, Mexico; Kittila, Finland; and Vancouver, British Columbia.

In addition, the Company continuously evaluates opportunities to make strategic acquisitions, such as the acquisition of Grayd Resource Corporation ("Grayd") completed in January 2012 that resulted in 100% ownership of the La India project. Five of the Company's new mines or projects came from relatively recent acquisitions.

In the second quarter of 2004, the Company acquired an approximate 14% ownership interest in Riddarhyttan Resources AB ("Riddarhyttan"), a Swedish precious and base metals exploration and development company that was at the time

listed on the Stockholm Stock Exchange. In November 2005, the Company completed a tender offer (the "Riddarhyttan Offer") for all of the issued and outstanding shares of Riddarhyttan that it did not own. The Company issued 10,023,882 of its common shares and paid and committed an aggregate of $5.1 million cash as consideration to Riddarhyttan shareholders in connection with the Riddarhyttan Offer. On March 28, 2011, Riddarhyttan was merged with Agnico-Eagle AB and Agnico-Eagle Sweden AB, with Agnico-Eagle Sweden AB as the continuing entity. The Kittila mine, located approximately 900 kilometres north of Helsinki near the town of Kittila in Finnish Lapland, is currently 100% owned by Agnico-Eagle Finland Oy, which is owned by Agnico-Eagle Sweden AB.

In the first quarter of 2005, the Company entered into an exploration and option agreement with Industrias Penoles S.A. de C.V. ("Penoles") to acquire the Pinos Altos property in northern Mexico. The Pinos Altos property is comprised of approximately 11,000 hectares in the Sierra Madre gold belt, approximately 225 kilometres west of the city of Chihuahua in the state of Chihuahua in northern Mexico. In February 2006, the Company exercised its option and acquired the Pinos Altos property on March 15, 2006. Under the terms of the exploration and option agreement, the purchase price of $66.8 million was comprised of $32.5 million in cash and 2,063,635 common shares of the Company.

In February 2007, the Company made an exchange offer for all of the outstanding shares of Cumberland Resources Ltd. ("Cumberland") not already owned by the Company. At the time, Cumberland was a pre-production development stage company listed on the Toronto Stock Exchange (the "TSX") and American Stock Exchange whose primary asset was the Meadowbank property. In May 2007, the Company acquired approximately 92% of the issued and outstanding shares of Cumberland that it did not previously own and, in July 2007, the Company completed the acquisition of all Cumberland shares by way of a compulsory acquisition. The Company issued 13,768,510 of its common shares and paid $9.6 million in cash as consideration to Cumberland shareholders in connection with its acquisition of Cumberland.

In April 2010, the Company entered into an agreement in principle with Comaplex Minerals Corp. ("Comaplex") whereby the Company would acquire all of the outstanding shares of Comaplex that it did not already own. At the time, Comaplex owned a 100% interest in the advanced stage Meliadine gold property, which is located approximately 300 kilometres southeast of the Company's Meadowbank mine. In May 2010, the Company executed the definitive agreements with Comaplex and, in July 2010 by plan of arrangement, the Company acquired 100% of the Meliadine gold property through the acquisition of Comaplex, which was renamed Meliadine Holdings Inc. ("Meliadine"). Pursuant to the arrangement, Comaplex transferred to Geomark Exploration Ltd. all assets and related liabilities other than those relating to the Meliadine project. In connection with the arrangement, the Company issued 10,210,848 of its common shares as consideration to Comaplex shareholders. On January 1, 2011, the Company amalgamated with Meliadine.

In September 2011, the Company entered into an acquisition agreement with Grayd, a Canadian-based natural resource company listed on the TSX Venture Exchange, pursuant to which the Company agreed to make an offer to acquire all of the issued and outstanding common shares of Grayd. At the time, Grayd held a 100% interest in the La India project located in the Mulatos Gold Belt of Sonora, Mexico and had recently discovered the Tarachi gold porphyry prospect located approximately ten kilometres north of the La India project. In October 2011, the Company made the offer by way of a take-over bid circular, as amended and supplemented, and, in November 2011, acquired approximately 95% of the outstanding common shares of Grayd. In January 2012, the Company completed a compulsory acquisition of the remaining outstanding common shares of Grayd and Grayd became a wholly-owned subsidiary of the Company. In aggregate, the Company issued 1,319,418 of its common shares and paid C$179.7 million in cash as consideration to Grayd shareholders in connection with the transaction.

In 2011, the Company's capital expenditures were $482.8 million. The 2011 capital expenditures included $90.7 million at the LaRonde mine (which included approximately $49.5 million of expenditures relating to the LaRonde mine extension), $42.2 million at the Goldex mine, $86.5 million at the Kittila mine, $18.4 million at the Lapa mine, $40.0 million at the Pinos Altos mine (which included approximately $7.6 million related to the Creston Mascota deposit), $116.9 million at the Meadowbank mine and $73.9 million at the Meliadine project and $14.2 million at other minor projects. In addition, the Company spent $11.0 million on mine site exploration and $64.7 million on exploration activities at the Company's grassroots exploration properties, including corporate development expenses.

Budgeted 2012 capital expenditures of $382.3 million include $74.8 million at the LaRonde mine, $10.2 million at the Lapa mine, $31.5 million at the Pinos Altos mine, $51.9 million at the Kittila mine, $88.5 million at the Meadowbank mine and $44.5 million in capitalized exploration expenditures. In addition, the Company plans exploration expenditures on grassroots exploration projects of approximately $80.4 million, including $52.0 million at the Meliadine project and $3.5 million at the La India project. Depending on the success of the exploration programs at these and other properties, the Company may be required to make additional capital expenditures for exploration, development and pre-production.

The financing for the expenditures set out above is expected to be from internally generated cash flow from operations, from the Company's existing cash balances and from drawdowns of the Company's bank credit facility. Please see "Item 10 Additional Information Material Contracts Credit Agreement". Based on current funding available to the Company and expected cash flows from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures for all its properties.

Capital expenditures by the Company in 2010 and 2009 were $512 million and $657 million, respectively. The 2010 capital expenditures included $97 million at the LaRonde mine (which included approximately $62 million of expenditures relating to the LaRonde mine extension), $24 million at the Goldex mine, $72 million at the Kittila mine, $33 million at the Lapa mine, $104 million at the Pinos Altos mine (which included approximately $43 million related to the Creston Mascota deposit at Pinos Altos) and $174 million at the Meadowbank mine and $8 million at the Meliadine project and other minor properties. In addition, the Company spent $35 million on exploration activities at the Company's grassroots exploration properties. The 2009 capital expenditures included $76 million at the LaRonde mine (which included approximately $39 million of expenditures relating to the LaRonde mine extension), $22 million at the Goldex mine, $90 million at the Kittila mine (which included $36 million of expenditures on construction of the underground mine), $47 million at the Lapa mine (which included $22 million on construction of the mine), $133 million at the Pinos Altos mine and $288 million at the Meadowbank mine. In addition, the Company spent $55 million on exploration activities at the Company's grassroots exploration properties.

The Company was formed by articles of amalgamation under the laws of the Province of Ontario on June 1, 1972, as a result of the amalgamation of Agnico Mines Limited ("Agnico Mines") and Eagle Gold Mines Limited ("Eagle"). Agnico Mines was incorporated under the laws of the Province of Ontario on January 21, 1953 under the name "Cobalt Consolidated Mining Corporation Limited". Eagle was incorporated under the laws of the Province of Ontario on August 14, 1945.

On December 19, 1989, Agnico-Eagle acquired the remaining 57% interest in Dumagami Mines Limited not already owned by it, as a consequence of the amalgamation of Dumagami Mines Limited with a wholly-owned subsidiary of Agnico- Eagle, to continue as one company under the name Dumagami Mines Inc. ("Dumagami"). On December 29, 1992, Dumagami transferred all of its property and assets, including the LaRonde mine, to Agnico-Eagle and was subsequently dissolved.

On December 8, 1993, the Company acquired the remaining 46.3% interest in Goldex Mines Limited not already owned by it, as a consequence of the amalgamation of Goldex Mines Limited with a wholly-owned subsidiary of the Company, to continue as one company under the name Goldex Mines Limited. On January 1, 1996, the Company amalgamated with two wholly-owned subsidiaries, including Goldex Mines Limited.

In October 2001, under a plan of arrangement, the Company amalgamated with an associated corporation, Mentor Exploration and Development Co., Limited ("Mentor"). In connection with the arrangement, the Company issued 369,348 of its common shares in consideration for the acquisition of all of the issued and outstanding shares of Mentor that it did not already own.

On August 1, 2007, the Company, Agnico-Eagle Acquisition Corporation, Cumberland and a wholly-owned subsidiary of Cumberland, Meadowbank Mining Corporation, amalgamated under the laws of the Province of Ontario and continued under the name of Agnico-Eagle Mines Limited.

On January 1, 2011, the Company and 1816276 Ontario Inc. (the successor corporation to Meliadine, which in turn was the successor corporation to Comaplex) amalgamated under the laws of the Province of Ontario and continued under the name of Agnico-Eagle Mines Limited.

The Company's executive and registered office is located at Suite 400, 145 King Street East, Toronto, Ontario, Canada M5C 2Y7; telephone number (416) 947-1212; website: http://www.agnico-eagle.com. The information contained on the website is not part of this Form 20-F. The Company's principal place of business in the United States is located at 8725 Technology Way, Suite B, Reno, Nevada 89521.

Business Overview

The Company believes that it has a number of key operating strengths that provide distinct competitive advantages.

Growth Profile. The Company has a proven track record of increasing production capacity at existing operations through a combination of acquisitions, operational improvements, expansions and development. The closure of the Goldex mine in October 2011 was an unanticipated event and has negatively impacted the growth profile. However, the Company

anticipates production of between 875,000 and 950,000 ounces of gold in 2012 with continued growth to 2014. In 2012, the Company expects production increases at the LaRonde, Meadowbank and Kittila mines. The Company's production growth in 2012 is expected to come principally from the Meadowbank Mine, as well as from the continued operational improvements at the Kittila and LaRonde mines. Over the last five years, the Company has spent over $2.7 billion on the development of five new mines, and its significant extension of the LaRonde mine at depth. With the large majority of mine development projects complete and with five mines having achieved steady state operational status, capital expenditures are expected to decline from 2011 onward, significantly increasing free cash flow. Future capital expenditures are expected to be primarily for incremental expansion projects and exploration and development of the Meliadine project.

Operations in Politically Stable, Mining-Friendly Regions. The Company and its predecessors have over three decades of continuous gold production experience and expertise in metals mining. The Company's operations and exploration and development projects are located in regions that the Company believes are supportive of the mining industry. Two of the Company's producing mines are located in northwestern Quebec, one of North America's principal gold-producing regions. The Company's Kittila mine in northern Finland, Pinos Altos mine in northern Mexico and Meadowbank mine in Nunavut are also located in regions which the Company believes are also supportive of the mining industry.

Strong Operating Base. Through its acquisition, exploration and development program, the Company has been transformed from a regionally focused, single mine producer to a multi-mine international gold producer with five operating, 100% owned mines. The Company's existing operations at the LaRonde mine provide a strong base for additional mineral reserve and production development at the property and in the Abitibi region of northwestern Quebec and for the development of its mines and projects in Nunavut, Finland and Mexico. The experience gained through building and operating the LaRonde mine has assisted with the Company's development of its other mine projects. In addition, the extensive infrastructure associated with the LaRonde mine supports the nearby Lapa mine.

Highly Experienced Management Team. The members of the Company's senior management team have an average of over 22 years of experience in the mining industry. Management's significant experience has underpinned the Company's historical growth and provides a solid base upon which to expand the Company's operations.

Based on these strengths, the Company's corporate strategy is to grow production and reserves in mining-friendly regions.

Optimize and Further Expand Operations. The Company continues to focus its resources and efforts on the exploration and development of its properties in Quebec, Nunavut, Finland and Mexico with a view to increasing annual gold production and gold mineral reserves.

Leverage Mining Experience. The Company believes it can benefit not only from the existing infrastructure at its mines but also from the geological knowledge that it has gained in mining and developing its properties. The Company's strategy is to capitalize on its mining expertise to exploit fully the potential of its properties.

Expand Gold Reserves. The Company is conducting drilling programs at all of its properties with a goal of further increasing its gold reserves. In 2011, on a contained gold ounces basis, the gold reserves of the Company decreased to 18.75 million ounces (157 million tonnes grading 3.71 grams of gold per tonne), a decrease from the 21.3 million ounces reported as at December 31, 2010, primarily as a result of the reclassification of reserves to resources at the Goldex mine due to the suspension of operations and a reduction of reserves at the Meadowbank mine due to a new mine plan.

Growth Through Primary Exploration and Acquisitions. The Company's growth strategy has been to pursue the expansion of its development base through the acquisition of additional properties in the Americas and Europe. Historically, the Company's producing properties have resulted from a combination of investments in advanced exploration companies and primary exploration activities. By investing in pre-development stage companies, the Company believes that it has been able to acquire control of projects at favourable prices and reasonable valuations.

Mining Legislation and Regulation

Canada

The mining industry in Canada operates under both federal and provincial or territorial legislation governing prospecting and the exploration, development, operation and decommissioning of mines and mineral processing facilities. Such legislation relates to the method of acquisition and ownership of mining rights, labour, occupational or worker health and safety standards, royalties, mining, exports, reclamation, closure and rehabilitation of mines and other matters.

The mining industry in Canada is also subject to extensive laws and regulations at both the federal and provincial or territorial levels concerning the protection of the environment. The primary federal regulatory authorities with jurisdiction

over the Company's mining operations in respect of environmental matters are the Department of Fisheries and Oceans (Canada) and Environment Canada. The construction, development and operation of a mine, mill or refinery requires compliance with applicable environmental laws and regulations and/or review processes, including obtaining land use permits, water permits, air emissions certifications, industrial depollution attestations, hazardous substances management and similar authorizations from various governmental agencies. Environmental laws and regulations impose high standards on the mining industry to reduce or eliminate the effects of waste generated by mining and processing operations and subsequently deposited on the ground or affecting the air or water. Laws and regulations regarding the decommissioning, reclamation and rehabilitation of mines may require approval of reclamation plans, provision of financial guarantees and long-term management of closed mines.

Quebec

In Quebec, mining rights are governed by the *Mining Act* (Quebec) and, subject to limited exceptions, are owned by the province. A mining claim entitles its holder to explore for minerals on the subject land. It remains in force for a term of two years from the date it is registered and may be renewed indefinitely subject to continued exploration works in relation thereto. In order to retain title to mining claims, in addition to paying a small bi-annual rental fee currently ranging from C$27 to C$123 per claim depending on its location and area (as set by Quebec government regulations), exploration work (or an equivalent value cash payment) has to be completed in advance (either on the claim or on adjacent mining claims, concessions or leases) and filed with the Ministry of Natural Resources and Wildlife (Quebec) prior to the date of expiry of the claim. The amount of exploration work required bi-annually currently ranges from C$48 to C$3,600 per claim depending on its location, area and period of validity (as set by Quebec government regulations). In 1966, the mining concession system set out for lands containing mineralized zones in the *Mining Act* (Quebec) was replaced by a system of mining leases, but the mining concessions sold prior to such replacement remain in force. A mining lease entitles its holder to mine and remove valuable mineral substances from the subject land, provided it pays the annual rent set by Quebec government regulations, which currently ranges from C$21 per hectare (on privately held land) to C$44 per hectare (on land owned by the province). Leases are granted initially for a term of 20 years and are renewable up to three times, each for a duration of ten years. After the third renewal, the Minister of Natural Resources and Wildlife (Quebec) may grant an extension thereof on the conditions, for the rental and for the term he or she determines.

Bill 14, *An Act respecting the development of mineral resources in keeping with the principles of sustainable development*, was introduced in the Quebec National Assembly in May 2011 and is currently being studied by a parliamentary commission. If adopted, Bill 14 will amend a number of rules relating to the mining regime in Quebec, including measures to stimulate exploration work on claims, to enhance the protection of the environment and to promote social acceptability of mining activities, all of which will likely impact the Company's activities in Quebec. Among other provisions of Bill 14, obligations respecting exploration work expenditures on claims will become more stringent; mine operators will be required to provide a financial guarantee respecting a broader scope of rehabilitation and restoration work and such financial guarantee will need to be provided within a shorter timeframe; public consultations will be required before commencing mining operations; in certain urban, residential, vacationing or recreational areas, exploration and mining activities may be restricted; and the Minister of Natural Resources and Wildlife will have an increased ability to withdraw land from mining activity or otherwise limit mining activities to avoid conflicts with other land uses. Bill 14 will also increase penalties for contraventions of the *Mining Act* (Quebec).

In Quebec, the primary provincial regulatory authorities with jurisdiction over the Company's mining operations in respect of environmental matters are the Ministry of Sustainable Development, Environment and Parks (Quebec) and the Ministry of Natural Resources and Wildlife (Quebec).

Nunavut

As a result of the Nunavut Land Claims Agreement (the "Land Claims Agreement") of July 1993, ownership of large tracts of land was granted to the Inuit. These Inuit-owned lands include areas with high mineral potential. Further, as a result of other rights granted to the Inuit in the Land Claims Agreement, Inuit organizations play an important role in the management of natural resources and the environment in Nunavut. These duties are shared among the federal and territorial governments and Inuit organizations. Under the Land Claims Agreement, the Inuit own surface rights to certain lands representing approximately 16% of Nunavut. For a portion of the Inuit-owned lands representing approximately 2% of Nunavut, the Inuit own mineral (subsurface) rights in addition to the surface rights.

In Nunavut, the Crown's mineral rights are administered by the Aboriginal Affairs and Northern Development Canada in accordance with the *Northwest Territories and Nunavut Mining Regulations* (the "Territorial Mining Regulations") under

the *Territorial Lands Act* (Canada). The Inuit mineral rights in subsurface Inuit-owned lands are owned and administered by Nunavut Tunngavik Incorporated ("Nunavut Tunngavik"), a corporation representing the Inuit people of Nunavut.

Future production from Nunavut Tunngavik-administered mineral claims is subject to production leases which include 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 Territorial Mining Regulations. Before the operation of a Major Development Project, as defined in the Land Claims Agreement, can begin, developers must also negotiate an Inuit impact benefits agreement with the regional Inuit Association.

The Kivalliq Inuit Association (the "KIA") is the Inuit organization that holds surface title to the Inuit-owned lands in the Kivalliq region and is responsible for administering surface rights on these lands on behalf of the Inuit of the region. In order to conduct exploration work on Inuit-owned lands, the Company is required to submit a project proposal or work plan. This proposal is subject to approval by the KIA for surface land tenure and to review by other boards established by the Land Claims Agreement to determine environmental effects and, if needed, to grant water rights. Federal and territorial government departments participate in the reviews conducted by these boards. For mine development, the Company requires a surface lease and water compensation agreement with the KIA and a licence under federal legislation for the use of water, including the deposit of waste.

During mine construction and operations, the Company is subject to additional Nunavut and federal government regulations related to environmental, safety, fire and other operational matters.

Finland

Mining legislation in Finland consists of the Mining Act, the Mining Safety Decree and the Mining Hoisting Equipment Decree. The new Mining Act was implemented on July 1, 2011 and replaced the previous Mining Act (503/1965) as a result of overall reform of mining legislation in Finland.

In Finland, subject to certain area restrictions, anyone has a right irrespective of land ownership to conduct survey work and take geological measurements and observations, with the right to take small samples from the soil provided that these measures do not cause other than only minor damage or inconvenience. However, before sampling, notice must be given to the owner of the respective land.

A prospecting permit is required for more comprehensive survey work and it entitles its holder to conduct necessary research and explorations in certain areas defined in the prospecting permit in order to discover the quality and extent of the deposit and to build or move temporary facilities and machinery onto the prospecting area. The prospecting permit does not grant a right to exploit a deposit, for which purpose a mining permit is required, but it grants its holder a priority to receive the mining permit on the prospecting area.

A mining permit entitles its holder to exploit all minerals found on the mining area defined in the permit as well as all organic and non-organic surface material and the soil and bedrock as considered necessary for the purposes of the mining work. In addition to the mining permit a mining safety permit regarding safety measures of the contemplated mining operations is required in order to build and operate a mine.

The mining area must either be owned or leased by voluntary agreements by the permit holder for mining work to commence in accordance with the terms of the permit. In certain cases, if the mining operator and the owner of the land cannot come to a voluntary agreement on the use of the land for mining purposes, the Council of State of Finland may grant a mining area redemption permit which entitles its holder the right to establish a mining area on the area owned by another landowner without consent, provided that the mining project is required by public interest.

The Finnish Safety and Chemicals Agency is responsible for granting prospecting permits, mining permits and mining safety permits upon an application provided that statutory requirements are fulfilled. Prospecting permits are issued for fixed periods of time (a maximum period of four years at a time which can be extended for three-year periods, up to a maximum of 15 years). Mining permits are generally granted without an expiry date. However, the Safety and Chemicals Agency investigates grounds for the continued existence of the permit at least once every ten years. In some cases, depending on the prevailing circumstances and the deposit, mining permits may only be granted for a fixed period of time (to a maximum period of ten years at a time).

Prospecting permits and mining permits may be cancelled if the holder of the permit does not perform mining operations in accordance with the permit and its terms or violates rules of the Mining Act.

Without specific permission of the National Board of Patents and Registrations of Finland a right to apply for and acquire a prospecting permit and mining permit is limited to Finnish corporations and individuals and foreign individuals and corporations domiciled in a state belonging to the European Economic Area.

All mining operations must be carried out in accordance with the permit terms and with laws and regulations concerning conservation and environmental protection issues. Under the Environmental Protection Act, mining activities require an environmental permit which may be issued either for a definite or indefinite period of time. The Environmental Protection Act is based on the principles of prevention and minimization of damages and hazards, application of the best available technology, application of the best environmental practice and the "polluter pays" principle.

The Act on Compensation for Environmental Damage includes provisions on the compensation for damage to a person or a property resulting from pollution of water, air, soil, noise, vibration, radiation, light, heat, smell or other similar nuisances, caused by an activity carried out at a fixed location. This act is based on the principle of strict liability.

In addition to the permits listed above, mining operators may require several other permits and may be subject to other obligations under Finnish legislation.

According to the Act on Environmental Impact Assessment Procedure, certain projects require compliance with an environmental impact assessment procedure. These include major projects with a considerable impact on the environment, such as the excavation, enrichment and handling of metals and other minerals in cases where the excavated material is estimated to exceed 550,000 tonnes annually. A permit authority may not give its approval to an activity covered by the scope of the Act on the Environmental Impact Assessment Procedure without having taken an environmental impact assessment report into consideration.

Mexico

Mining in Mexico is subject to the Mining Law, a federal law. Under the Mexican Constitution, all minerals belong to the Mexican Nation. Private parties may explore and extract minerals pursuant to mining concessions granted by the executive branch of the Mexican government, as a general rule to whoever first claims them. While the Mining Law touches briefly upon labour, occupational and worker health and safety standards, these are primarily dealt with by the Federal Labour Law. The Mining Law also briefly addresses environmental matters, which are primarily regulated by the General Law of Ecological Balance and Protection of the Environment, also of federal jurisdiction.

The primary agencies with jurisdiction over mining activities are the Ministry of the Economy, the Ministry of Labor and Social Welfare and the Ministry of the Environment and Natural Resources. The National Water Commission has jurisdiction regarding the granting of water rights and the Ministry of Defense with respect to the use of explosives.

Concessions are granted for 50 years, renewable once. The main obligations to keep concessions current are the semi-annual payment of mining duties (taxes), based on the surface area of the concession, and the performance of work in the areas covered by the concessions, which is evidenced by minimum expenditures or by the extraction of ore.

Organizational Structure

The Company's significant subsidiaries (all of which are directly or indirectly wholly-owned by the Company, unless otherwise indicated) are 1715495 Ontario Inc., Agnico-Eagle Mines Sweden Cooperatie U.A., which owns all of the shares of Agnico-Eagle Sweden AB, a Swedish company through which the Company holds its interest in Oijarvi Resources Oy, and Agnico-Eagle Finland Oy, a Finnish company through which the Kittila mine is held. In addition, the Company's interest in the Pinos Altos mine in northern Mexico is held through its indirect wholly-owned Mexican subsidiary, Agnico Eagle Mexico S.A. de C.V., which is owned, in part, by 1641315 Ontario Inc. and Tenedora Agnico Eagle Mexico S.A. de C.V., which is owned in part by Agnico-Eagle Mines Mexico Cooperatie U.A. and the Company's interest in the La India project in Mexico is held through its indirect wholly-owned Mexican subsidiary, Resource Grayd De Mexico, S.A. de C.V., which is owned by Grayd, which is directly wholly owned by the Company, and Tenedora Agnico Eagle Mexico S.A. de C.V. The LaRonde mine, the Lapa mine, the Goldex mine, the Meadowbank mine and the Meliadine project are owned directly by the Company.

The Company's wholly-owned subsidiaries, Servicios Agnico Eagle Mexico, S.A. de C.V., Servicios Pinos Altos, S.A. de C.V. and Minera Agave, S.A. de C.V. provide services in connection with the Company's operations in Mexico. The Company's operations in the United States are conducted through Agnico-Eagle (USA) Limited.

The following chart sets out the corporate structure of the Company, each of its significant subsidiaries and certain other subsidiaries, together with the jurisdiction of organization of the Company and each such subsidiary as at March 12, 2012:

Agnico-Eagle Organizational Chart

Property, Plant and Equipment

Location Map of the Abitibi Region

LaRonde Mine

The LaRonde mine is situated approximately halfway between the City of Rouyn-Noranda and the City of Val d'Or in northwestern Quebec (approximately 470 kilometres northwest of Montreal, Quebec) in the municipalities of Preissac and Cadillac. At December 31, 2011, the LaRonde mine was estimated to contain proven and probable mineral reserves of approximately 4.7 million ounces of gold comprised of 33.2 million tonnes of ore grading 4.40 grams per tonne. The Company's LaRonde mine consists of the LaRonde property and the adjacent El Coco and Terrex properties, each of which is 100% owned and operated by the Company. The LaRonde mine can be accessed either from Val d'Or in the east or from Rouyn-Noranda in the west, which are located approximately 60 kilometres from the LaRonde mine via Quebec provincial highway No. 117. The LaRonde mine is situated approximately two kilometres north of highway No. 117 on Quebec regional highway No. 395. The Company has access to the Canadian National Railway at Cadillac, Quebec, approximately six kilometres from the LaRonde mine.

The LaRonde mine operates under mining leases obtained from the Ministry of Natural Resources and Wildlife (Quebec) and under certificates of approval granted by the Ministry of Sustainable Development, Environment and Parks (Quebec). The LaRonde property consists of 35 contiguous mining claims and one provincial mining lease and covers in total 1,044.9 hectares. The El Coco property consists of 22 contiguous mining claims and one provincial mining lease and covers in total 356.7 hectares. The Terrex property consists of 21 mining claims that cover in total 424.4 hectares. The mining leases on the LaRonde and El Coco properties expire in 2018 and 2021, respectively, and are automatically renewable for three further ten-year terms upon payment of a small fee. The Company also has three surface rights leases that cover in total approximately 301.5 hectares that relate to the water pipeline right of way from Lake Preissac and the eastern extension of the LaRonde tailings pond #7 on the El Coco property. The surface rights leases are renewable annually.

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Location Map of the LaRonde Mine

The LaRonde mine includes underground operations at the LaRonde and El Coco properties that can both be accessed from the Penna Shaft, a mill, a treatment plant, a secondary crusher building and related facilities. The El Coco property is subject to a 50% net profits interest in favour of Barrick Gold Corporation ("Barrick") on future production from approximately 500 metres east of the LaRonde property boundary. The remaining 1,500 metres is subject to a 4% net smelter return royalty. This area of the property is now substantially mined out and the Company has not paid royalties since 2004 and does not expect to pay royalties in 2012. In 2003, exploration work started to extend outside of the LaRonde property onto the Terrex property where a down-plunge extension of Zone 20 North was discovered. The Terrex property is subject to a 5% net profits royalty to Delfer Gold Mines Inc. and a 2% net smelter return royalty to Barrick. The Company does not expect to pay royalties on this part of the property in 2012. In addition, the Company owns 100% of the Sphinx property immediately to the east of the El Coco property.

In 2012, payable gold production at the LaRonde mine is expected to increase to approximately 157,500 ounces, and total cash costs per ounce are expected to be approximately $570.

The Abitibi region has a continental climate with average annual rainfall of 64 centimetres and average annual snowfall of 318 centimetres. The average monthly temperatures range from a minimum of -23 degrees Celsius in January to a maximum of 23 degrees Celsius in July. Under normal circumstances, mining operations are conducted year-round without interruption due to weather conditions. The Company believes that the Abitibi region of northwestern Quebec has sufficient experienced mining personnel to staff its operations in the Abitibi region. The elevation is 337 metres above sea level. The LaRonde property is relatively flat with a maximum relief of approximately 40 metres. The topography gently slopes down from north to south and is characterized by boreal-type forest at LaRonde and the nearby properties. All of the LaRonde mine's power requirements are supplied by Hydro-Quebec through connections to its main power transmission grid. Water used in the LaRonde mine's operations is sourced from Lake Preissac and is transported approximately four kilometres to the minesite through a surface pipeline.

Mining and Milling Facilities

Surface Plan of the LaRonde Mine

The LaRonde mine was originally developed utilizing a 1,207-metre shaft (Shaft #1) and an underground ramp access system. The ramp access system is available down to Level 25 of Shaft #1 and continues down to Level 248 at the Penna Shaft. The mineral reserve accessible from Shaft #1 was depleted in September 2000 and Shaft #1 is no longer in use. A second production shaft (Shaft #2), located approximately 1.2 kilometres to the east of Shaft #1, was completed in 1994 to a depth of 525 metres and was used to mine Zones 6 and 7. Both ore zones were depleted in March 2000 and the workings were allowed to flood up to Level 6 (approximately 280 metres). A third shaft (the Penna Shaft), located approximately 800 metres to the east of Shaft #1, was completed down to a depth of 2,250 metres in March 2000. The Penna Shaft is used to mine Zones 20 North, 20 South, 6 and 7. In 2009, as part of the LaRonde mine extension, the Company completed construction of an 823-metre internal shaft from Level 203 to access the ore below Level 245, approximately 2,858 metres below surface.

Mining Methods

Four mining methods have historically been used at the LaRonde mine: open pit for the three surface deposits; sublevel retreat; longitudinal retreat with cemented rock backfill or paste backfill; and transverse open stoping with paste, cemented rock backfill or unconsolidated backfill. The primary source of ore at the LaRonde mine continues to be from underground mining methods. During 2011, two mining methods were used: longitudinal retreat with cemented rock backfill or paste backfill and transverse open stoping with cemented rock backfill, paste or unconsolidated backfill. In the underground mine, sublevels are driven at between 30-metre and 40-metre vertical intervals, depending on the

depth. Stopes are undercut in 15-metre wide panels. In the longitudinal method, panels are mined in 15-metre sections and backfilled with 100% cemented rock backfill or paste backfill. The paste backfill plant was completed in 2000 and is

located on the surface at the processing facility. In the transverse open stoping method, approximately 50% of the ore is mined in the first pass and filled with cemented rock backfill or paste backfill. On the second pass, the remainder of the ore is mined and filled with unconsolidated waste rock backfill or cemented paste backfill.

Surface Facilities

Surface facilities at the LaRonde mine include a processing plant with a daily capacity of 7,200 tonnes of ore, which has been expanded four times since 1987 from the original rate of 1,630 tonnes per day. Beginning in 1999, transition to the LaRonde mine poly-metallic massive sulphide orebody required several modifications to the processing plant which consisted of a new coarse ore handling system, new SAG and ball mill, the addition of a zinc flotation circuit and capacity increases to the existing copper flotation and precious metals circuits. In 2008, the installation of a limited copper/lead separation flotation circuit, following the copper flotation circuit, was completed. Also in 2008, operation of a small cyanidation plant, for the treatment of sulphide concentrate from the Goldex mine, began. A new carbon-in-leach circuit is under construction and will replace the existing LaRonde precious metal Merrill Crowe circuit by year end. The LaRonde mine is also the site for the Lapa mine ore processing plant (1,500 tonnes per day), which the Company commissioned in the second quarter of 2009.

The ore requires a series of grinding, copper/lead flotation and separation, zinc flotation and zinc tails precious metals leaching circuits, followed by a counter-current decantation circuit and Merrill Crowe precipitation. Paste backfill and cyanide destruction plants operate intermittently. The tailings area has a dedicated cyanide destruction and metals precipitation plant that water passes through prior to recirculating to the mill. A biological water treatment plant was commissioned in 2005 to address the build-up of thiocyanate in the tailings ponds at the LaRonde mine. This build-up was the result of the high sulphide content of the LaRonde mine ore and 90% recirculation of the process water. The plant uses bacteria to oxidize and destroy thiocyanate and removes phosphate from the water before it is released to the environment.

The Goldex concentrate circuit consists of pulp received from the Goldex mill via truck and subsequent leaching of the pulp with cyanide. The leached material is sent to the Lapa cyanide leach with carbon circuit ("CIL") for gold recovery with Lapa residual pulp. The Goldex circuit ceased to operate in November 2011 following the suspension of mining operations at Goldex on October 19, 2011. This circuit is currently on standby pending a decision regarding future production from the Goldex operations.

The Lapa process consists of a two-stage grinding circuit to reduce the granularity of the ore. A gravity recovery circuit that is incorporated into the grinding circuit recovers up to 45% of the available gold, depending on feed grades. The residual pulp is leached in a conventional CIL circuit to dissolve the balance of the precious metal. Prior to November 2011, when the Goldex circuit ceased operations, the leached slurry from the Goldex concentrate circuit was mixed with the Lapa pulp for carbon contact. A carbon strip circuit recovers the gold from the carbon which is recycled to the leach circuit.

2012 annual production at the LaRonde mill is expected to consist of approximately 2,100,000 ounces of silver, 4,800 tonnes of copper, up to 570 tonnes of lead and 33,000 tonnes of zinc. Gold recovery at the LaRonde mine is distributed approximately 73% in the copper concentrate, 1.5% in the lead concentrate, 4.25% in the zinc concentrate and 12.4% via leaching.

Mineral Recoveries

During 2011, gold and silver recovery averaged 89.6% and 88.3%, respectively. Zinc recovery averaged 86.9% with a concentrate quality of 56% zinc. Copper recovery averaged 77.1% with a concentrate quality of 8.66% copper. Approximately 2.4 million tonnes of ore were processed averaging 7,027 tonnes of ore per day at 93.8% of available time.

The following table sets out the metal recoveries, concentrate grades and contained metals for the 2.4 million tonnes of ore extracted by the Company at the LaRonde mine in 2011.

		Copper Concentrate (41,970 tonnes produced)		Zinc Concentrate (115,717 tonnes produced)		Lead Concentrate (4,006 tonnes produced)			
	Head Grades	Grade	Recovery	Grade	Recovery	Grade	Recovery	Overall Metal Recoveries	Payable Production
Gold	1.79 g/t	54.8 g/t	53.35%	1.7 g/t	4.68%	108.2 g/t	10.29%	89.64%	124,173 oz
Silver	54.42 g/t	1,226 g/t	39.30%	175 g/t	15.40%	3,319 g/t	10.39%	88.28%	3,196,496 oz
Copper	0.20%	8.66%	77.12%					77.10%	3,216 t
Lead	0.36%					60.33%	28.33%	28.33%	2,342 t
Zinc	3.09%			55.9%	86.87%			86.87%	54,894 t

Environmental Matters

Currently, water is treated at various facilities at the LaRonde mine operations. Water contained in the tailings to be used as underground backfill is treated to degrade cyanide using a sulphur dioxide and air process. The tailings entering the tailings pond are first decanted and the clear water subjected to natural cyanide degradation. This water is then transferred to sedimentation pond #1 to undergo a secondary treatment at a plant located between sedimentation ponds #1 and #2 that uses a peroxy-silicate process to destroy cyanide, lime and coagulant to precipitate metals. The tailings pond occupies an area of about 175 hectares. Waste rock that is not used underground for backfill is brought up to the surface and stored in close proximity to the tailings pond to be used to build coffer dams inside the pond. A waste rock pile containing approximately 500,000 tonnes of waste and occupying about nine hectares is located west of the mill.

Due to the high sulphur content of the LaRonde mine ore, the Company has had to address toxicity issues in the tailings ponds since the 1990s. Since introducing and optimizing a biological treatment plant in 2004, the treatment process is now stable and the effluent has remained non-toxic since 2006. In 2006, the Company commenced an ammonia stripping operation involving an effluent partially treated by the biological treatment plant which allowed an increase in treatment flow rate, while keeping the final effluent toxicity-free. In 2009, to further increase the treatment flow rate of the biological plant, the Company commenced construction of ammonia stripping towers, which became operational in June 2010. In addition, water from mine dewatering and drainage water are treated to remove metals prior to discharge at a lime treatment plant located at the LaRonde mill.

Capital Expenditures

In 2006, the Company initiated construction to extend the infrastructure at the LaRonde mine to access the ore below Level 245, referred to as the LaRonde mine extension. Hoisting from the LaRonde mine extension began in the fourth quarter of 2011 and commercial production was achieved in November 2011. The LaRonde mine extension infrastructure includes a 823-metre internal shaft (completed in November 2009) starting from Level 203, which provides a total depth of 2,858 metres. A ramp is used to access the lower part of the orebody up to 3,110 metres in depth. The internal winze system is used to hoist ore from depth to facilities on Level 215, approximately 2,150 metres below surface, where it is transferred to the Penna Shaft hoist.

Capital expenditures at the LaRonde mine during 2011 were approximately $93 million, which included $41 million on sustaining capital expenditures and $52 million comprised primarily of expenditures on the LaRonde mine extension. Budgeted 2012 capital expenditures at the LaRonde mine are $74 million, including $21 million on sustaining capital expenditures and capitalized exploration and $43 million on the LaRonde mine extension. Another $10 million will be added to the carbon-in-pulp ("CIP") / high density sludge ("HDS") project. Total capital expenditures for the LaRonde mine and the LaRonde mine extension are estimated at $366 million from 2012 to 2024 (including the CIP/HDS project).

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Development

In 2011, a total of 14,116 metres of lateral development was completed. Development was focused on stope preparation of mining blocks for production in 2011 and 2012, especially the preparation of the lower mine production horizon. A total of 4,925 metres of development work was completed for the LaRonde mine extension infrastructure and the ramp to access the LaRonde mine extension.

A total of 14,500 metres of lateral development is planned for 2012. The main focus of development work continues to be stope preparation. The Company plans to develop and prepare the access to Zone 20 South down to Level 245. For the LaRonde mine extension, a total of 6,370 metres of development is planned, mainly to develop the ramp access to the orebody and for future ventilation infrastructure. At the same time, development work will continue to prepare for mining below Level 245.

As the LaRonde mine extension has substantially been completed and will be the primary location of mining going forward, the "extension" designation will be dropped and the entire complex will be referred to as the LaRonde mine.

Geology, Mineralization and Exploration

Geology

The LaRonde property is located near the southern boundary of the Archean-age (2.7 billion years old) Abitibi Subprovince and the Pontiac Subprovince within the Superior Geological Province of the Canadian Shield. The most important regional structure is the Cadillac-Larder Lake ("CLL") fault zone marking the contact between the Abitibi and Pontiac Subprovinces, located approximately two kilometres to the south of the LaRonde property.

The geology that underlies the LaRonde mine consists of three east-west-trending, steeply south-dipping and generally south-facing regional groups of rock formations. From north to south, they are: (i) 400 metres (approximate true thickness) of the Kewagama Group, which is made up of a thick band of interbedded wacke; (ii) 1,500 metres of the Blake River Group, a volcanic assemblage that hosts all the known economic mineralization on the property; and (iii) 500 metres of the Cadillac Group, made up of a thick band of wacke interbedded with pelitic schist and minor iron formation.

Zones of strong sericite and chlorite alteration that enclose massive to disseminated sulphide mineralization (including the ore that is mined for gold, silver, zinc, copper and lead at the LaRonde mine) follow steeply dipping, east-west-trending, anastomosing shear zone structures within the Blake River Group volcanic units across the property. These shear zones are part of the larger Doyon-Dumagami Structural Zone that hosts several important gold occurrences (including the Doyon gold mine, the Westwood project and the former Bousquet mines) and has been traced for over ten kilometres within the Blake River Group, from the LaRonde mine westward to the Mouska gold mine.

Mineralization

The gold-bearing zones at the LaRonde mine are lenses of disseminated stringers through to massive, aggregates of coarse pyrite with zinc, copper and silver content. Ten zones that vary in size from 50,000 to 40,000,000 tonnes have been identified, of which four are (or are believed to be) economic. Gold content is not proportional to the total sulphide content but does increase with copper content. Gold values are also higher in areas where the pyrite lenses are crosscut by tightly spaced north-south fractures.

These historical relationships, which were noted at LaRonde Shaft #1's Main Zone, are maintained at the Penna Shaft zones. The zinc-silver (*i.e.*, Zone 20 North) mineralization with lower gold values, common in the upper mine, grades into gold-copper mineralization within the lower mine. Gold value enhancement associated with crosscutting north-south fractures also occurs within the LaRonde mine. The predominant base metal sulphides within the LaRonde mine are chalcopyrite (copper) and sphalerite (zinc).

The Company believes that Zone 20 North is one of the largest gold-bearing massive sulphide mineralized zones known in the world and one of the largest mineralized zones known in the Abitibi region of Ontario and Quebec. Zone 20 North contains the majority of the mineral reserves and resources at the LaRonde mine, including 33,113,000 tonnes of proven and probable mineral reserves grading 4.51 grams of gold per tonne, representing 94% of the total proven and probable mineral reserves at the LaRonde mine, 5,419,000 tonnes of indicated mineral resources grading 1.61 grams of gold per tonne, representing 75% of the total measured and indicated mineral resources at the LaRonde mine, and 9,297,000 tonnes of inferred mineral resources grading 4.00 grams of gold per tonne, representing 82% of the total inferred mineral resources at LaRonde.

The depth of Zone 20 North extends between 700 metres below surface and 3,500 metres below surface, and possibly lower. With increased access on the lower levels of the mine (*i.e.* from Level 215 to Level 255), the transformation from a "zinc/silver" orebody to a "gold/copper" deposit is expected to continue during 2012.

Zone 20 North can be divided into an upper zinc/silver-enriched gold-poor zone and a lower gold/copper-enriched gold-rich zone. The zinc zone has been traced over a vertical distance of 1,700 metres and a horizontal distance of 570 metres, with thicknesses approaching 40 metres. The gold zone has been traced over a vertical distance of over 2,200 metres and a horizontal distance of 900 metres, with thicknesses varying from three to 40 metres. The zinc zone consists of massive zinc/silver mineralization containing 50% to 90% massive pyrite and 10% to 50% massive light brown sphalerite. The gold zone mineralization consists of 30% to 70% finely disseminated to massive pyrite containing 1% to 10% chalcopyrite veinlets, minor disseminated sphalerite and rare specks of visible gold. Gold grades are generally related to the chalcopyrite or copper content. At depth, the massive sulphide lens becomes richer in gold and copper. During 2011, 2.2 million tonnes of ore grading 1.72 grams of gold per tonne, 57.18 grams of silver per tonne, 3.27% zinc, 0.20% copper and 0.39% lead were mined from Zone 20 North.

Exploration

The combined tonnage of proven and probable mineral reserves at the LaRonde mine for year-end 2011 is 33.2 million tonnes which represents a 4% decrease in the amount compared to year-end 2010 (34.7 million tonnes). This mineral reserve includes the replacement of 2.4 million tonnes of ore that were mined in 2011. The reduction in reserves is principally associated with the tonnes mined during 2011.

Diamond drilling is used for exploration on the LaRonde property. In 2011, a total of 181 holes were drilled on the LaRonde property for a total length of 16,190 metres, compared to 212 holes for a total length of 19,188 metres in 2010. Of the drilling in 2011, 165 holes (8,181 metres) were for production stope delineation, 12 holes (2,614 metres) were for definition drilling and 4 holes (5,396 metres) were for exploration. In 2010, 187 holes (5,397 metres) were for production stope delineation, 21 holes (6,016 metres) were for definition drilling and 4 holes (5,403 metres) were for exploration. Expenditures on diamond drilling at the LaRonde mine during 2011 were approximately $2.41 million, including $0.97 million in definition and delineation drilling expenses charged to operating costs at the LaRonde mine. Expenditures on exploration in 2011 were $1.44 million, and are expected to be $1.15 million in 2012.

The main focus of the 2011 exploration program was continuing the investigation of Zone 20 North at depth. This program was conducted from the Level 215 exploration drift, approximately 2,150 metres below the surface. The first hole of the program was completed at the end of 2009 to a final length of 1,852 metres. This hole intersected Zone 20 North at a depth of 3,520 metres below surface, which is approximately 410 metres below the current reserve envelope. The intersection returned 14.3 metres (true width) grading 3.03 grams of gold per tonne. In 2010, a second branch was drilled from this mother hole and returned 4.1 metres grading 1.77 grams of gold per tonne at a depth of 3,595 metres below surface. Another hole was initiated in 2011 and drilling was still in progress at the end of the year. The drilling will continue in 2012. Another important focus of 2011 drilling was to start the deep exploration campaign to the east of the current reserves from the 086 level exploration drift. The purpose of this campaign is to explore stratigraphy to the east at a depth of 2,000 to 2,500 metres below surface which is similar to structures at the LaRonde mine that often contain mineralisation. In 2011, two holes were completed with no significant values and another hole was in progress at year end.

In addition, definition and delineation drilling was undertaken in the 20 North and 20 South Zones to assist in finalizing mining stope designs. Zone 20 North was the main focus of the definition drilling in 2011. Infill drilling from Level 260 to Level 236 confirmed the previous Zone 20 North reserves with a significant gain of 16,000 ounces mainly located in the western edge of the orebody.

Bousquet and Ellison Properties

The Bousquet property is located immediately west of the LaRonde mine and consists of two mining leases covering 80.0 hectares and 31 claims covering 384.9 hectares. The property, along with various equipment and other mining properties, was acquired from Barrick in September 2003 for $2.9 million in cash, $1.1 million in common shares of the Company and the assumption of specific reclamation and other obligations related to the Bousquet property. The property is subject to a 2% net smelter return royalty interest in favour of Barrick.

From 2004 to 2007, the Company recovered 108,407 tonnes of ore grading 2.33 grams of gold per tonne from Zone 4 in a small open pit. In 2006 and 2007, the Company recovered 99,342 tonnes of ore grading 7.02 grams of gold per tonne from two small ore blocks underground at Bousquet. There has been no mining of this property since 2007.

In 2011, the Company completed a diamond drilling program consisting primarily of twinning and resampling historic holes to evaluate the production potential of an open pit at Bousquet Zone 5. This work led to a new resource estimate for Zone 5 and an internal feasibility study has been conducted for a resumption of production in the Zone 5 open pit. This study led to a positive scenario and a final estimate of new probable reserves of approximately 0.2 million ounces of gold comprised of 3.2 million tonnes of ore grading 1.88 grams per tonne. For the whole Bousquet property, including Zone 5, the December 31, 2011 indicated mineral resource is approximately 9.8 million tonnes grading 2.44 grams of gold per tonne. The inferred mineral resource is 4.6 million tonnes grading 4.04 grams of gold per tonne. Expenditures on exploration in 2011 were $2.40 million, which includes the cost of drilling 18,616 metres in 70 holes. In 2012, the Company expects to spend $1.5 million in exploration including $0.3 million in drilling of 3,000 metres at Bousquet and continue optimisation of the feasibility study.

The Ellison property is located immediately west of the Bousquet property and consists of eight claims covering 101.0 hectares. The property was acquired in August 2002 for $0.32 million in cash and a commitment to spend $0.49 million in exploration over four years. The commitment was fulfilled in 2004 and the property is 100% owned by the Company. The property is subject to a net smelter return royalty interest in favour of Yorbeau Resources Inc. that varies between 1.5% and 2.5% depending on the price of gold. Should commercial production from the Ellison property commence, the Company will be required to pay Yorbeau Resources Inc. an additional C$0.5 million in cash.

From 2009 to 2011, the Company conducted drilling for a total of 12,465 metres on the deep exploration program on the Ellison property, at a cost of $7.4 million in order to better define the mineralization at depth, interpreted to be in the Westwood horizon. The potential exists for a large gold resource with similar geology to the LaRonde mine extension.

The December 31, 2011 indicated mineral resource at Ellison is approximately 0.4 million tonnes grading 5.68 grams of gold per tonne, and the inferred resource is 0.8 million tonnes grading 5.81 grams of gold per tonne. A follow-up exploration program was approved for Ellison in 2012, including 3,600 metres of drilling at a budget of $1.0 million.

Goldex Mine

The Goldex mine, which achieved commercial production in August 2008, is located in the City of Val d'Or, Quebec, approximately 60 kilometres east of the LaRonde mine. On October 19, 2011, the Company suspended mining operations and gold production at Goldex, following the receipt of recommendations from independent consultants to halt underground mining operations during the investigation into ground stability issues. As a result, the Company wrote off substantially all of its investment in the Goldex mine (approximately $254 million), took a closure provision of approximately $44 million and reclassified all of the remaining 1.6 million ounces of proven and probable gold reserves (approximately 0.9 million ounces of gold in proven reserves (14.8 million tonnes grading 1.87 grams of gold per tonne) and approximately 0.7 million ounces of gold in probable reserves (13.0 million tonnes grading 1.6 grams of gold per tonne) estimated as of December 31, 2010), other than the ore stockpiled on surface, as mineral resources in the third quarter of 2011. The surface stockpile was processed in the Goldex mill by October 30, 2011. The Goldex property is now considered an advanced exploration project with significant measured, indicated and inferred mineral resources in several zones, but no mineral reserves.

At the present time, development work continues underground on the M-Zone (as defined below) and the exploration ramp into the D-Zone (as defined below), and exploration continues, with diamond drilling from surface and underground.

Location Map of the Goldex Mine

The Goldex property is accessible by provincial highway. The elevation is approximately 302 metres above sea level. All of the Goldex mine's power requirements were supplied by Hydro-Quebec through connections to its main power transmission grid. All of the water that was required at the Goldex mine was sourced directly by aqueduct from the Thompson River immediately adjacent to the minesite or through recirculation of water from the surface pond and the auxiliary tailings pond. For additional information regarding the Abitibi region in which the Goldex mine is located, including information with respect to climate, topography, vegetation and mining personnel, see " Property, Plant and Equipment LaRonde Mine".

The Goldex mine operated under a mining lease obtained from the Ministry of Natural Resources and Wildlife (Quebec) and under certificates of approval granted by the Ministry of Sustainable Development, Environment and Parks (Quebec). The Goldex property, in which the Company has a 100% working interest, consists of 22 contiguous mining claims and, since April 2006, one provincial mining lease (98.6 hectares), covering an aggregate of 331.2 hectares. The property is made up of three blocks: the Probe block (130.7 hectares); the Dalton block (10.4 hectares); and the Goldex Extension block (190.1 hectares). The claims are renewable every second year upon payment of a small fee. The mining lease expires in 2028 and is automatically renewable for three further ten-year terms upon payment of a small fee. The Company also has one lease covering 418.5 hectares of surface rights that are used for the auxiliary tailings pond. This lease is renewable annually upon payment of a small fee.

The Goldex mine includes underground operations that can be accessed from two shafts, a processing plant, an ore storage facility and other related facilities. The Goldex Extension Zone ("GEZ"), which was the gold deposit on which the Company was focusing its production efforts

before production was suspended indefinitely on October 19, 2011, was discovered in 1989 on the Goldex Extension block (although the Company believes a small portion of the GEZ occurs on the Probe block). Probe Mines Ltd. holds a 5% net smelter return royalty interest on the Probe block. In 2011, exploration and development work continued on the zone located on the Probe block 150 metres above the western end of the GEZ (the "M-Zone").

In late 1997, the Company completed a mining study that indicated the deposit was not economically viable to mine at the then-prevailing gold price (approximately $323 per ounce of gold) using the mining approach chosen and drill-hole-indicated grade. The property was placed on care and maintenance and the workings were allowed to flood. In February 2005, a new mineral reserve and resource estimate was completed for the GEZ which, coupled with a feasibility study, led to a probable mineral reserve estimate of 1.6 million ounces of gold contained in 20.1 million tonnes of ore grading 2.54 grams of gold per tonne. The GEZ resource model was revised and, in March 2005, the Company approved a feasibility study and the construction of the Goldex mine. The mine achieved commercial production on August 1, 2008 and consistently operated at or above the designed rate of 6,900 tonnes per day until its operations were suspended in October 2011.

Based on the results of a scoping study completed in July 2009, the Company determined to expand the mine and mill operations at the Goldex mine to 8,000 tonnes per day. This project was completed in 2010. Capital costs in connection with the expansion totalled $10 million. The crusher for the expansion was commissioned at the end of the first quarter of 2010 at a rate of 7,811 tonnes per day.

The Goldex mine produced 135,478 ounces of gold in 2011 at total cash costs of $472 per ounce. The Goldex mine is not expected to produce more gold until the suspected rock stability issues are resolved.

Mining and Milling Facilities

Surface Plan of the Goldex Mine

At the time the Company commenced construction of the Goldex mine, the surface facilities included a headframe, a hoistroom, a surface building containing a mechanical shop, a warehouse and an office. In addition, the Goldex property had a 790-metre deep shaft (Shaft #1), which provided access to underground workings. Shaft #1 is predominantly used to hoist waste rock from development activities.

The sinking of a new production shaft was completed in 2007. This shaft (Shaft #2) is a 5.5-metre diameter shaft with a 50-centimetre thick concrete lining and is used for ventilation as well as hoisting services. Shaft #2 is 865 metres deep and includes five stations. A refurbished friction hoist was installed for production and service duties, and an auxiliary hoist was installed for emergency and personnel service. The production hoist is equipped with one cageskip. Each skip has a 21.5-tonne capacity and the shaft can hoist an average of 7,000 to 8,000 tonnes of ore per day.

Mining Method

Prior to the suspension of mining operations on October 19, 2011, the Goldex mine used a high volume bulk mining method, which was made possible through the use of large mining stopes. Drilling and blasting of 165-millimetre production holes was used to obtain a muck size large enough to be economically efficient. Using this method required a percentage of the broken ore to be kept in the stope to reduce the backfilling cost and to reduce sloughing on the walls. Little ore and waste development was necessary to mine out the deposit. Following the suspension of mining on October 19, 2011, future mining methods, if any, are under evaluation.

Surface Facilities

Plant construction at the Goldex mine commenced in the second quarter of 2006 and was completed in the first quarter of 2008. The plant reached design capacity in the second quarter of 2009. Grinding at the Goldex mill was done through a two-stage circuit comprised of a SAG mill and a ball mill. As part of the expansion project commenced in 2009, a surface crusher was added to reduce the size of ore transferred to the surface from 150 millimetres to 50 millimetres. A lamellar decanter was also added to recover small particles present in the water overflow of the concentrate thickener. The underflow pump of this thickener was upgraded following flotation circuit modification to increase the pull rate of the small particles. Approximately two-thirds of the gold was recovered through a gravity circuit, passed over shaking tables and smelted on site. The remainder of the gold and pyrite was recovered by a flotation process. The concentrate was then thickened and trucked to the mill at the LaRonde mine where it was further treated by cyanidation. Gold recovered was consolidated with precious metals from the LaRonde and Lapa mines. The Company reached an average gold recovery of 93.38% in 2011, prior to the suspension of mining.

In addition, surface facilities at the Goldex property include an electrical sub-station, a compressor building, a service building for administration and changing rooms, a warehouse building, a concrete headframe above Shaft #2, a hazardous waste storage facility and a dome covering the ore stockpile.

Mineral Recoveries

Prior to the suspension of mining operations on October 19, 2011, the Goldex mill processed approximately 2.48 million tonnes of ore, averaging approximately 8,173 tonnes of ore treated per day and operating at approximately 95% of available time. The following table sets out the metal recoveries at the Goldex mine in 2011.

	Head Grades	**Gravity Recovery**	**Flotation-Cyanidation Recovery**	**Global Recovery**	**Payable Production**
Gold	1.82 g/t	67.76%	25.63%	93.38%	135,478 oz

Environmental Matters

Environmental permits for the construction and operation of an ore extracting infrastructure at the Goldex mine were received from the Ministry of Sustainable Development, Environment and Parks (Quebec) in October 2005. The permits also covered the construction and operation of a sedimentation pond for mine water treatment and sewage facilities, and these facilities have been built at the Goldex mine site. In June 2009, the permits were revised to allow the expansion of the mine and mill operations to 8,500 tonnes per day.

In November 2006, the Company and the Quebec government signed an agreement permitting the Company to dispose of the Goldex tailings at the Manitou minesite, a tailings site formerly used by an unrelated third party and abandoned to the Quebec government. The Manitou tailings site has issues relating to acid drainage and the construction of tailings facilities by the Company and the deposit of tailings from the Goldex plant on the Manitou tailings site was accepted by the Ministry of Sustainable Development, Environment and Parks (Quebec) as a valid rehabilitation plan to address the acid generation problem at Manitou. Under the agreement, the Company managed the construction and operation of the tailings facilities and the Quebec government paid all additional costs above the Company's budget for tailings facilities set

out in the Goldex feasibility study. The Quebec government retains responsibility for all environmental contamination at the Manitou tailings site and for final closure of the facilities. In addition, the Company has built a separate tailings deposit area (auxiliary tailings pond) near the Goldex mine. Environmental permits for the construction and operation of the auxiliary tailings pond at the Goldex mine were received in March 2007. In 2011, 237,615 tonnes of Goldex tailings were discharged to the auxiliary pond for a total to date of 764,077 tonnes. At the Manitou site, 2.20 million tonnes of Goldex tailings were discharged for a total to date of 8.095 million tonnes.

A new dyke was built in the summer of 2011 in the auxiliary tailings pond to create a second polishing basin to reduce total suspended solids in the discharged water during spring time. Construction of this dyke was necessary following a notice of infraction received in 2011 from the Quebec Ministry of Environment for exceeding of the permitted total suspended solids.

Following suspension of mining operations at the Goldex property, the mine closure costs were revised to account for the change in conditions at the site. The estimated total for the closure costs of the Goldex mine is approximately $51.4 million, comprised of the following: $1.2 million for demolition, $1 million for engineering, $0.45 million for site preliminary works, $5.4 million for mining site rehabilitation (primarily for backfilling of the zone with high subsidence), $23.2 million for rock grouting and soil improvement, $0.26 million for revegetation of the site, $0.06 million to rehabilitate the sedimentation pond, $0.2 million to rehabilitate the waste rock pile, $1.03 million to rehabilitate the South Tailings basin area, $0.7 million for geotechnical and environmental monitoring; $17.6 million for property purchases and $0.3 million for Baie-Dorée road rehabilitation. In addition, a separate provision of approximately $4.6 million exists for the remaining participation of the Company in the rehabilitation of the Manitou site.

Capital Expenditures

Prior to the suspension of mining operations on October 19, 2011, capital expenditures at the Goldex mine in 2011 were approximately $48.4 million, which included $7.8 million on sustaining capital expenditures, $7.1 million on the construction of facilities in the M-Zone and water management, $10.7 million in deferred development expenses, $16.3 million for remediation work at the surface and $5.3 million in exploration expense. For 2012, an interim budget of $69.8 million has been approved to further develop the M-Zone, complete remediation work, perform crown pillar investigations and explore the D-Zone.

Development

During 2011, approximately 4,256 metres of lateral and vertical development were completed at a cost of $15.3 million, including development following the suspension of mining operations on October 19, 2011. At the present time, development work continues underground on the M-Zone and the exploration ramp into the D-Zone, and exploration continues with diamond drilling. For 2012, 900 metres of development at a cost of $6.1 million is planned to develop the M-Zone and for exploration of the D-Zone.

Geology, Mineralization and Exploration

Geology

Geologically, the Goldex property is similar to the LaRonde property and is located near the southern boundary of the Archean-age (2.7 billion years old) Abitibi Subprovince, a typical granite-greenstone terrane located within the Superior Province of the Canadian Shield. The southern contact of the Abitibi Subprovince with the Pontiac Subprovince is marked by the east-southeast trending CLL Fault Zone, the most important regional structural feature. The Goldex deposit is hosted within a quartz diorite sill, the "Goldex Granodiorite", located in a succession of mafic to ultramafic volcanic rocks that are all generally oriented west-northwest.

The GEZ extends from 500 to 800 metres below the surface and is entirely hosted by the Goldex Granodiorite. The limits of the zone are defined by the intensity of the quartz vein stockwork envelope and by gold assays. The zone is almost egg-shaped; it is over 300 metres tall by 450 metres long (in a west-northwest direction) and its thickness increases rapidly from 25 metres along the east-west edges to almost 150 metres in the centre.

In 2011, exploration efforts at Goldex were focused on the satellite M-Zone and D-Zone. These satellite zones are defined by quartz tourmaline veins and gold assays that are similar to the GEZ. The M-Zone has been defined as having a length of 160 metres, a height of 120 metres and a thickness of 115 metres. The D-Zone is approximately 150 metres below the GEZ and close to 1,350 metres below the surface. It appears to have an approximate length of 500 metres.

Mineralization

Gold mineralization at Goldex corresponds to the quartz-tourmaline vein deposit type. The Goldex gold-bearing quartz-tourmaline-pyrite veins and veinlets have strong structural control. The most significant structure directly related to mineralization is a discrete shear zone, the Goldex Mylonite, that is up to five metres wide and occurs within the Goldex Granodiorite, just south of the GEZ and most other gold occurrences. The quartz-tourmaline-pyrite vein mineralization is controlled by minor fracture zones that are oriented west-northwest and dip steeply north or south. The fractures are parallel to, but north of, the Goldex Mylonite. Within the GEZ are three vein sets, the most important of which are extensional-shear veins dipping 30 degrees south and usually less than 10 centimetres thick. The vein sets and associated alteration combine to form stacked envelopes up to 30 metres thick.

Strong albite-sericite alteration of the host-rock quartz diorite surrounds the quartz-tourmaline-pyrite veins and covers almost 80% of the mineralized zone; outside of the envelopes, prior chlorite alteration affects the quartz diorite and gives it a darker grey-green colour. Occasionally, enclaves of relatively unaltered medium grey-green-coloured quartz diorite (with no veining or gold) are found within the GEZ; they are included exceptionally as internal waste to allow for a smooth shape, required for mining purposes.

Most of the gold occurs as microscopic particles that are almost always associated with pyrite, generally adjacent to grains and crystals but also 20% included within the pyrite. The gold-bearing pyrite occurs in the quartz-tourmaline veins and in narrow fractures in the sericite-albite-altered quartz diorite (generally immediately adjacent to the veins). Less than 1.5% of the gold occurs as the mineral calaverite, a gold telluride.

Exploration

In 2011, $7.8 million was spent on exploration at Goldex. A total of 107 holes were drilled using diamond drilling methods at the Goldex mine for a total length of approximately 47 kilometres, compared to 122 holes for a total length of 44 kilometres in 2010. The expenses include an exploration ramp drifted on a length of 475 metres from Level 86 to explore the D-Zone at depth. Three different zones in the Goldex Granodiorite intrusive were drilled in 2011. The main exploration focus (83%) with 38.8 kilometres of drilling was for the D-Zone, the remaining 7.4 kilometres (16%) were drilled for the top of the M-Zone and 750m (1%) for the sector to the East of the GEZ.

The 2012 exploration program is budgeted to include 8,000 metres of diamond drilling at a cost of $1.2 million. The primary target is the D-Zone.

Kittila Mine

The Kittila mine, which commenced commercial production in May 2009, is located approximately 900 kilometres north of Helsinki and 50 kilometres northeast of the town of Kittila in northern Finland. At December 31, 2011, the Kittila mine was estimated to contain proven and probable mineral reserves of 5.2 million ounces of gold comprised of 34.6 million tonnes of ore grading 4.66 grams per tonne. The Kittila mine is accessible by paved road from the village of Kiistala, which is located on the southern portion of the main claim block. The gold deposit is located near the small village of Rouravaara, approximately ten kilometres north of the village of Kiistala, accessible via a paved road. The property is close to infrastructure, including hydro power, an airport and the town of Kittila. The project also has access to a qualified labour force, including mining and construction contractors.

The total landholdings surrounding and including the Kittila mine comprise one mining licence covering an area of approximately 847 hectares, 120 individual tenements (prospecting permits) covering approximately 10,652 hectares and 168 prospecting permit applications covering approximately 14,910 hectares. The mineral titles form a continuous block around the Kittila mining licence. The block has been divided into the Suurikuusikko area, the Suurikuusikko West area and the Kittila mining licence centred at 25.4110 degrees longitude east and 67.9683 degrees latitude north.

The boundary of the mining licence is determined by ground-surveyed points whereas the boundaries of the other tenements are not required to be surveyed. All of the tenements in the Kittila mine are registered in the name of Agnico-Eagle Finland Oy, an indirect, wholly-owned subsidiary of the Company. According to the Finnish government's land tenure records, all tenements are in good standing. The expiry dates of the tenements vary from May 2012 up to June 2015. Tenements are initially valid for four years, provided exploration work in the area is reported annually and a small annual fee is paid to maintain title; extensions for titles can be granted for 11 additional years on payment of a slightly higher fee and active exploration in the area. Agnico-Eagle Finland Oy also holds the mining licence in respect of the Kittila mine. The mine is subject to a 2.0% net smelter return royalty payable to the Republic of Finland.

The Kittila mine area is sparsely populated and is situated between 200 and 245 metres above sea level. The topography is characterized by low rolling forested hills separated by marshes, lakes and interconnected rivers. The gold deposit is situated on an area of land that has no special use at present and there is sufficient land available for tailings facilities. Water requirements for the Kittila mine are sourced from the nearby Seurujoki River, recirculation of water from pit dewatering and tailings pond water. The Kittila region is located within the South-West Lapland zone of the northern boreal vegetation zone characterized by spruce forests, marshes and bogs.

The mine is located within the Arctic Circle but the climate is moderated by the Gulf Stream off the coast of Norway such that northern Finland's climate is comparable to that of eastern Canada. Winter temperatures range from -10 to -30 degrees Celsius, whereas summer temperatures range from 10 degrees Celsius to the mid-20s. Exploration and mining work can be carried out year-round. Because of its northern latitude, winter days are extremely short with a brief period of 24-hour darkness around the winter solstice. Conversely, summer days are very long with a brief period of 24-hour daylight in early summer around the summer solstice. Annual precipitation varies between five and 50 centimetres, one-third of which falls as snow. Snow accumulation usually begins in November and remains until March or April.

Location Map of the Kittila Mine

The Company acquired its 100%, indirect interest in the Kittila mine through the acquisition of Riddarhyttan completed in November 2005. See " History and Development of the Company". In June 2006, on the basis of an independently reviewed feasibility study, the Company approved construction of the Kittila mine. The Kittila mine is currently an open pit mining operation with underground mining via ramp access. The current open pits will be mined out by the end of 2012 and from 2013 onward all mining will be from the underground portion of the mine. The initial underground stope was

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mined in early 2010. Ore is processed in a 3,000-tonne per day surface processing plant that was commissioned in late 2008. Limited gold concentrate production started in September 2008 and gold dore bar production commenced in January 2009. During 2010 throughput at the Kittila mine approached design levels and gold recoveries continued to improve. The Kittila mine is anticipated to produce approximately 155,000 ounces of gold in 2012 at estimated total cash costs per ounce of approximately $650. Over the period of 2012 to 2038, total annual average gold production of approximately 150,000 ounces is anticipated. A scoping study is underway to assess the feasibility of significantly increasing the annual gold production.

Mining and Milling Facilities

Surface Plan of the Kittila Mine

The orebodies at Kittila are being mined initially from two open pits, followed by underground operations to mine the deposits at depth. Additional, smaller open pits will be used to mine any remaining mineral reserves close to the surface in the future. Open pit mining started in May 2008 and the extracted ore was stockpiled. As of December 2011, a total of 2.8 million tonnes of ore have been processed, 0.4 million tonnes of ore have been stockpiled and 31.5 million tonnes of waste rock have been excavated. Work on the ramp to access the underground reserves continued throughout 2011 and total underground development to date is approximately 14,521 metres. Underground mining commenced in the fourth

quarter of 2010 and, as of December 2011, a total of 0.45 million tonnes of ore have been mined from the underground portions of the mine.

Mining Methods

The Kittila mine currently mines the Suurikuusikko orebody with a 160-metre deep open pit. Ore is mined in 7.5-metre benches together with waste rock using buffer blasting techniques and is loaded selectively to minimize dilution and maximize ore recovery. Hydraulic excavators load ore into 100-tonne trucks that haul the ore to the crusher and the waste rock to the waste disposal area. Approximately 3,000 tonnes of ore per day are fed to the concentrator. Surface mining is expected to continue through 2012. Underground development continued throughout the year and ore production from the underground started at a steady rate in the fourth quarter of 2011.

The underground mining method is open stoping with delayed backfill. Stopes are between 25 and 40 metres high and yield approximately 10,000 tonnes of ore per stope. To ensure sufficient ore production is available to supply the mill, approximately 6,000 metres of tunnels will be developed each year. After extraction, stopes will be filled with cemented backfill or paste backfill to enable the safe extraction of ore in adjacent stopes. Ore will be trucked to the surface crusher via the ramp access system.

Surface Facilities

Construction of the processing plant and associated equipment was completed in 2008 and facilities on site include an office building, a maintenance facility for the open pit equipment, a warehouse, a maintenance shop, an oxygen plant, a processing plant, a tank farm, a crusher, conveyor housings and an ore bin. In addition, some temporary structures house contractor offices and work areas.

The ore at Kittila is treated by grinding, flotation, pressure oxidation and carbon-in-leach circuits. Gold is recovered from the carbon in a Zadra elution circuit and is recovered from the solution using electrowinning and then poured into dore bars using an electric induction furnace.

Mineral Recoveries

In 2011, the Kittila mill processed 1.1 million tonnes of ore with an availability of 84% for an average throughput of 2,824 tonnes per day. Low mill availability was caused by maintenance issues associated with the autoclave and scrubber, mainly related to leaking mechanical seals, brick lining failures in the autoclave and blocked pipelines on the autoclave and the scrubber.

The following table sets out the gold production at the Kittila mine in 2011:

	Head Grade	Overall Metal Recovery	Payable Production
Gold	5.11 g/t	84.6%	143,560 oz

Ore processing at Kittila consists of two stages. In the first stage, ore is enriched by flotation and in the second stage the gold is extracted by pressure oxidation and cyanide-in-leach processes. Flotation recoveries were stable during 2011 and flotation recovery averaged 93% during the year. Trials are still in progress with the aim to try to further increase the flotation recovery. An in-house metallurgical laboratory was built in 2011 and will allow further flotation test work to be undertaken to attempt to optimize flotation recoveries.

Recoveries in the second stage of the process were also relatively stable in 2011. Lower recoveries in the second quarter of 2011 were related to mechanical failures and operating difficulties in the autocalve. Modifications inside the autoclave allowed for better oxygen distribution management, which resulted in better sludge flow and oxidation within the autoclave, leading to better recovery availability. Also, further optimizing and improved control of the process enabled continuous improvement in recoveries.

A large amount of test work was done in 2011 and the testing and optimization of the process will continue in 2012. Large-scale test-work is ongoing to find optimized pressure oxidation and results are expected in 2012.

Environmental Matters

The Company currently holds a mining licence, an environmental permit and operational permits in respect of the Kittila mine. All permits necessary to begin production were received during 2008.

The construction of the first phase of the tailings dam and waterproof bottom layer was completed in the fall of 2008. This first phase is sufficient to hold tailings from three years of production. Work began on the second phase in 2009 and continues according to plans and permit requirements. Water from dewatering the mine and water used in the mine and mill is collected and treated by sedimentation. Emissions and environmental impact are monitored in accordance with the comprehensive monitoring program that has been approved by the Finnish environmental authorities. To further improve environmental performance, scrubbing of mill-off gas will be enhanced and this work was initiated in the fourth quarter of 2011. There are no material environmental liabilities related to the Kittila mine.

Capital Expenditures

Capital expenditures at the Kittila mine during 2011 were approximately $92 million, which included paste backfill plant construction, mill modification costs, underground mine development costs, exploration and conversion drilling costs within the mining licence area and sustaining capital costs. The Company expects capital expenditures at the Kittila mine to be approximately $67 million in 2012, most of which will be used for mill scrubber improvements, mining equipment for underground mining, development and construction of underground mining infrastructure, construction of the paste backfill plant and exploration and conversion drilling.

Development

Mining at the Suurikuusikko and Roura open pits progressed throughout 2011 with a total of 650,000 tonnes of ore and 5.7 million tonnes of waste mined from the open pit. The Company expects that 600,000 tonnes of ore and 1.6 million tonnes of waste will be mined from the Suurikuusikko and Roura pits during 2012. Total costs for open pit development in 2011 were $2.8 million.

In 2011, underground development progressed in both the Rouravaara and Suurikuusikko zones with 6,440 metres of ramp and sublevel access development completed during the year. A total of 103,000 tonnes of ore from development and 280,000 tonnes of stope ore were mined in 2011. The Company expects to complete 6,000 metres of lateral development and 400 metres of vertical development during 2012.

Geology, Mineralization and Exploration

Geology

The Kittila mine is situated within the Kittila Greenstone belt, part of the Lapland Greenstone belt in the Proterozoic-age Svecofennian geologic province. The appearance and geology of the area is similar to that of the Abitibi region of the Canadian Shield. In northern Finland, the bedrock is typically covered by a thin but uniform blanket of unconsolidated glacial till. Bedrock exposures are scarce and irregularly distributed.

The mine area is underlain by mafic volcanic and sedimentary rocks metamorphosed to greenschist assemblages and assigned to the Kittila group. The major rock units trend north to north-northeast and are near-vertical. The volcanics are further sub-divided into iron-rich tholeiitic basalts (Kautoselka Formation) located to the west and magnesium-rich tholeiitic basalt, coarse volcaniclastic units, graphitic schist and minor chemical sedimentary rocks (Vesmajarvi Formation) located to the east. The contact between these two rock units consists of a transitional zone (the Porkonen Formation) varying between 50 and 200 metres in thickness. This zone is strongly sheared, brecciated and characterized by intense hydrothermal alteration and gold mineralization, features consistent with major brittle-ductile deformation zones. It includes the north-northeast-oriented Suurikuusikko Trend.

Mineralization

The Porkonen Formation hosts the Kittila gold deposit, which contains multiple mineralized zones stretching over a strike length of more than 25 kilometres. Most of the work has been focused on the 4.5-kilometre stretch that hosts the known gold reserves and resources. From north to south, the zones are Rimminvuoma ("Rimpi-S"), North Rouravaara ("Roura-N"), Central Rouravaara ("Roura-C"), depth extension of Rouravaara and Suurikuusikko ("Suuri/Roura Deep"), Suurikuusikko ("Suuri"), Etela and Ketola. The Suuri and Suuri/Roura Deep zones include several parallel sub-zones that have previously been referred to as Main East, Main Central and Main West. The Suuri zone hosts approximately 34% of the current probable gold reserve estimate on a contained-gold basis, while Suuri Deep has approximately 20%, Roura-C

approximately 11%, Roura Deep approximately 25%, Roura-N approximately 2%, Rimpi-S approximately 6%, Ketola approximately 1% and Etela approximately 0.1%.

Gold mineralization in these zones is associated with intense hydrothermal alteration (carbonate-albite-sulphide), and is almost exclusively refractory, locked inside fine-grained sulphide minerals: arsenopyrite (approximately 73%) or pyrite (approximately 23%). The rest is "free gold", which is manifested as extremely small grains of gold in pyrite.

Exploration

In 1986, the discovery of coarse visible gold in quartz-carbonate veining along a road cut near the village of Kiistala alerted the Geological Survey of Finland ("GTK") to the gold exploration potential of the area. Following this discovery, GTK initiated regional exploration over the area and deployed a wide range of indirect exploration tools to explore this relatively unexplored area. Over the period from 1987 to 2005, GTK and later Riddarhyttan undertook drilling programs and other testing on the property. After it acquired the property in 1998, Riddarhyttan continued to investigate the metallurgical properties of the refractory gold mineralization with the objective of demonstrating its recoverability and assessing suitable processing scenarios and initiated engineering and environmental studies to assess the feasibility of a mining project.

Diamond drilling is used for exploration on the Kittila property. Most of the work on the mining licence area has focused on the Suuri and Roura zones. Up to the end of December 2011, a total of 2,315 drill holes, totalling 639,774 metres, have been completed on the property. In 2011, between six and eight drill machines worked on the Kittila property: two drills on underground infill drilling; three to six drills on mine exploration; and one to two drills on resource-to-reserve conversion drilling. A total of 445 holes were completed for a length of 82,377 metres. Of these drill holes, 353 drill holes (30,197 metres) were for definition drilling, 44 drill holes (20,535 metres) were for conversion drilling and 48 drill holes (31,645 metres) were related to mine exploration. Total expenditures for diamond drilling in 2011 were $17.5 million, including $3.7 million for definition and delineation drilling.

Exploration during 2011 increased proven and probable gold reserves to 5.2 million ounces (34.6 million tonnes of ore grading 4.66 grams per tonne). Most of the increase came from the Roura Deep zone (239,002 ounces) and the Rimpi zone (119,753 ounces). Indicated mineral resources decreased by 2.4 million tonnes to 13.0 million tonnes of ore grading 2.46 grams per tonne. Inferred mineral resources tonnage decreased by 0.4 million tonnes to 8.0 million tonnes of ore grading 4.55 grams per tonne, but because of higher gold grades the contained gold ounces in this category increased by 74%.

The decrease in indicated mineral resources reflects the successful conversion of resources to reserves, especially in the Roura Deep and Rimpi zones.

The successful deep drilling program in 2011 at the Roura Deep zone, which is located immediately below the Roura zone and north of the Suuri Deep zone, has confirmed that most of the Roura ore lenses are present in the Roura Deep zone and most of the ore lenses in the Suuri Deep zone continue north to the Roura Deep zone. The gold mineralization is open at depth and to the north.

A resource-to-reserve conversion drilling campaign was carried out at Suuri, Roura and Roura-N in 2011. As a result of this work, probable reserves increased by 119,753 ounces from Rimpi, but drilling at Suuri did not increase reserves significantly. Suuri will be the main target for resource-to-reserve conversion drilling in 2012.

Outside of the Kittila mining licence area, systematic geochemical sampling and diamond drilling continued on targets along the Suurikuusikko Trend, and a number of new targets were tested by diamond drilling. Encouraging results were received from a new gold zone in the Kuotko area located approximately ten kilometres north of the mine construction site. A total of 68 diamond drill holes totalling 19,948 metres were drilled on exploration targets outside of the mining licence area in 2011.

The 2012 exploration budget for the Kittila mine is approximately $13.5 million ($10.3 million for minesite exploration, $1.2 million for resource-to-reserve conversion and $2.0 million for 400 metres of development in an exploration ramp at the 600-metre mine level), and includes over 39,700 metres in diamond drilling (32,200 metres for minesite exploration and 7,500 metres for resource-to-reserve conversion), using up to five drills throughout the year to help further identify the gold reserve and resource potential of the Kittila property. In addition, $2.9 million of exploration expenditures, including an estimated 10,900 metres of diamond drilling, is planned for exploration along the 25-kilometre Suurikuusikko Trend.

Lapa Mine

The Lapa mine, which achieved commercial production in May 2009, is located approximately 11 kilometres east of the LaRonde mine near Cadillac, Quebec. At December 31, 2011, the Lapa mine was estimated to contain proven and probable mineral reserves of 0.5 million ounces of gold comprised of 2.38 million tonnes of ore grading 6.54 grams per tonne. The Lapa property is made up of the Tonawanda property, which consists of 43 contiguous mining claims and one provincial mining lease covering an aggregate of 702.4 hectares, and the Zulapa property, which consists of one mining concession of 93.5 hectares.

Location Map of the Lapa Mine

The Company's initial interest in the Lapa property was acquired in 2002 through an option agreement with Breakwater Resources Ltd. ("Breakwater"). The Company undertook an aggressive exploration program and discovered a new gold deposit almost 300 metres below the surface. In 2003, the Company purchased the Lapa property from Breakwater for a payment of $8.9 million, a 1% net smelter return royalty on the Tonawanda property and a 0.5% net smelter return royalty on the Zulapa property. In 2008, the Company purchased all royalties from Breakwater for C$6.35 million. In addition, both the Zulapa and Tonawanda properties are subject to a 5% net profit royalty payable to Alfer Inc. and René Amyot. In 2004, an additional claim of 9.4 hectares was added to the Company's holdings at the Lapa mine. In January 2009, a mining lease covering 66.8 hectares was entered into with the Ministry of Natural Resources and Wildlife (Quebec).

The Lapa mine is accessible by provincial highway. The elevation varies between approximately 320 and 390 metres above sea level. All of the Lapa mine's power requirements are supplied by Hydro-Quebec through connections to its main power transmission grid. All of the water required at the Lapa mine is sourced from the Heva river located 3.5 kilometres to the south of the mine. The water is pumped into an existing open pit nearby the property that has been allowed to flood and from which the mine is supplied. The topography slopes relatively gently from north to south. The property is generally covered by a boreal-type forest consisting mainly of black spruce and white pine with minor amounts of birch and poplar.

For additional information regarding the Abitibi region in which the Lapa mine is located, see " Property, Plant and Equipment LaRonde Mine".

Gold production during 2012 at the Lapa mine is expected to be approximately 100,000 ounces at estimated total cash costs per ounce of approximately $750.

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Mining and Milling Facilities

Surface Plan of the Lapa Mine

The Lapa site hosts an underground mining operation and the ore is trucked to the processing facility at the LaRonde mine, which has been modified to treat the ore, recover the gold and store the residues. Tailings from the Lapa mine are deposited in the tailings pond at the LaRonde mine.

In July 2004, the Company initiated the sinking of an 825-metre deep shaft at the Lapa property. In April 2006, 2,800 tonnes of ore development was extracted at Lapa and was estimated to contain on average 10.65 grams of gold per tonne. These results and results from other sampling methods were incorporated into a feasibility study and in June 2006, the Company accelerated construction of the Lapa mine. This construction included extending the shaft to a depth of 1,369 metres, which was completed in October 2007. Significant additional construction was required in order for the Lapa mine to achieve commercial production in May 2009, including the construction of the mill.

Mining Methods

Two underground mining methods are used at the Lapa mine: longitudinal retreat with cemented backfill and locally transverse open stoping with cemented backfill. Sublevels are driven at 30-metre vertical intervals. Stopes are mined in 12-metre sections and backfilled with 100% cemented rock backfill. Excavated ore from the Lapa site is trucked via provincial highway to the processing facility at the LaRonde mine.

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Surface Facilities

The infrastructure on the Lapa property includes the refurbished former LaRonde Shaft #1 headframe and shafthouse, service buildings, offices, a settling pond for waste water, dry facilities, an ore bin, a diesel reservoir and a water treatment plant. In November 2007, lateral development began on three horizons. A backfill plant was commissioned in December 2008 and the sedimentation pond was extended in 2007 to control suspended solids from underground dewatering discharge.

Ore at the Lapa mine is processed through grinding, gravity and leaching circuits. Dedicated milling facilities have been integrated into the mill at the LaRonde mine. Based on an average ore head grade of 6.63 grams per tonne, gold recovery averaged 81% in 2011. With an average production in excess of 1,700 tonnes per day in 2011, the mine operated consistently above its design rate of 1,500 tonnes per day. The Company is attempting to reduce the mining dilution caused by weaker than expected rock conditions in the south wall, which is mainly composed of talc chlorite schist.

Mineral Recoveries

In 2011, the Lapa mine produced 598,464 tonnes of ore grading 6.63 grams of gold per tonne. The Lapa processing facility treated 620,712 tonnes of ore in 2011 (approximately 1,700 tonnes per day) and operated at about 96% of available time.

	Head Grades	Overall Metal Recoveries	Payable Production
Gold	6.63 g/t	81.04%	107,068 oz

Environmental Matters

Water used underground at the Lapa mine was initially re-circulated from mine dewatering after settling in the sedimentation pond. The re-circulation led to ammonia concentration in the water, and the Company experienced occasional toxicity problems in the water pond in 2008 and 2009. To address the ammonia content in the water, the Company built a 3.5-kilometre pipeline to obtain fresh water from the Heva River. The pipeline was commissioned in November 2009. The Company also commissioned a water treatment plant on site in 2010, which was completed in the fourth quarter of 2010, to reduce the ammonia from mine dewatering. Output is currently within the target range at approximately eight parts per million of ammonia and average efficiency is at approximately 70%. Optimization of the plant is ongoing.

A sedimentation pond is used to remove suspended solids from the dewatering water before either release to the environment or re-use in the underground mining operation. The waste rock pile naturally drains towards the sedimentation pond. A waste rock sampling program implemented during the shaft sinking phase verified the non-acid generating nature of the waste rock. Water effluent from the sedimentation pond is being sampled as required under the Quebec mining effluent guidelines, and is expected to comply with the water quality criteria. The mill residues will be sent to the LaRonde mine tailings area.

There are no known environmental liabilities associated with the Lapa site. The Certificates of Authorization to proceed with mine production and with mill construction were issued by the Ministry of Sustainable Development, Environment and Parks (Quebec) in October and December 2007, respectively. The Certificate of Authorization for mill and tailings production was received in 2008.

Capital Expenditures

The Company incurred approximately $18.0 million in capital expenditures at the Lapa mine in 2011 and expects to incur approximately $13.8 million in 2012, of which $8.9 million relates to deferred development, $2.8 million to sustaining capital expenditures (including underground construction and mining equipment) and $3.0 million for exploration.

Development

In 2011, a total of 5,685 metres of lateral development was completed. Development focused on permanent drifts (ramps and haulage way), stope preparation of mining blocks set for production in 2011 and 2012, and access to the newly