

QUARTERLY MANAGEMENT'S DISCUSSION AND ANALYSIS

UNITED STATES GAAP

(all figures are expressed in US dollars unless otherwise noted and
all units of measurement expressed in metric unless otherwise noted)

Results of Operations

Agnico-Eagle Mines Limited (“Agnico-Eagle” or the “Company”) reported second quarter net income of \$100.4 million, or \$0.64 per share, compared to net income of \$1.2 million, or \$0.01 per share, in the second quarter of 2009. In the second quarter of 2010, the operating margin increased 150% to \$180.9 million from \$72.1 million in the second quarter of 2009 due to an overall strong operating performance and the substantial increase in production by the Company’s newly operating mines. Gold production in the second quarter of 2010 more than doubled to 257,728 ounces from 119,053 ounces in the second quarter of 2009 due to the commencement of production at the Kittila, Lapa, Pinos Altos and Meadowbank Mines. Cash provided by operating activities was \$161.6 million in the second quarter of 2010 compared to cash provided from operating activities of \$26.4 million in the prior year’s second quarter. The substantial increase in cash provided by operating activities resulted from significantly higher gold production and higher prices for all metals.

The table below summarizes the key variances in net income for the second quarter of 2010 from the net income reported for the same period in 2009:

<u>(millions of dollars)</u>	<u>Second Quarter</u>	<u>Year to Date</u>
Increase in gold revenue	\$206.1	\$ 319.9
Increase in silver revenue	7.5	11.4
Increase in zinc revenue	3.9	15.5
Decrease in copper revenue	(3.2)	(0.7)
Higher production costs due to stronger Canadian dollar net of weaker Euro	(22.3)	(37.3)
Higher production costs (due to additional mines)	(83.3)	(136.8)
Increased depreciation & amortization (due to additional mines)	(28.5)	(46.9)
Higher non cash foreign currency translation gains	34.1	17.7
Lower income and mining taxes	3.2	(40.7)
Increased interest expense	(13.0)	(16.6)
Increased general & administrative	(10.0)	(19.6)
Increased corporate costs and other	(1.3)	(4.7)
Net variance	<u>\$ 93.2</u>	<u>\$ 61.2</u>

On March 1, 2010, the Meadowbank Mine achieved commercial production. During the second quarter, the Meadowbank Mine achieved an operating profit (before depreciation) of \$35.2 million compared to \$2.2 million during the first quarter of 2010.

In the second quarter of 2010, revenues from mining operations increased to \$347.5 million from \$133.1 million in the second quarter of 2009. This was mainly due to the increase in gold production by the Kittila, Lapa, Pinos Altos and Meadowbank Mines that were not in commercial production for all or part of the second quarter of 2009. These four mines produced an incremental 142,487 ounces during the second quarter of 2010 when compared to the second quarter of 2009. In addition, during the second quarter of 2010, there were higher realized prices for all metals when compared to the second quarter of 2009.

In the second quarter of 2010, total cash costs per ounce increased to \$487 per ounce of gold produced from \$326 per ounce in the second quarter of 2009. This increase in total cash costs is attributable to the fact that the Kittila, Lapa and Meadowbank Mines are only producing gold with no credits against production costs from byproduct revenue and that the Meadowbank Mine is ramping production up to design capacity since its commencement of commercial production in March 2010.

During the second quarter of 2010, production costs increased to \$166.6 million from \$61.0 million in the second quarter of 2009 due to the production at the Kittila, Lapa, Pinos Altos and Meadowbank Mines. Production costs also increased due to the strengthening of the Canadian dollar which was partially offset by the weakening of the Euro. Also during the second quarter of 2010, depreciation and amortization expense increased to \$44.0 million from \$15.5 million also due to the increased production at the Company's new mines.

In the second quarter of 2010, general and administrative expense increased to \$23.2 million from \$13.3 million in the second quarter of 2009 mainly due to an increase in stock option expense and the holding of the Meadowbank opening ceremony in Nunavut. Also during the second quarter, interest expense increased to \$15.3 million from \$2.3 million during the second quarter of 2009 due to the expensing of interest in 2010 versus capitalization of interest to the Company's construction projects in 2009.

During the second quarter of 2010, there was a non-cash foreign currency translation gain of \$17.4 million compared to a loss of \$16.7 million in the second quarter of 2009 due to the weakening of the Canadian dollar and the Euro against the US dollar. Also in the second quarter, income and mining taxes decreased to \$8.2 million from \$17.4 million in the second quarter of 2009. This was mainly due to the Company's election to commence using the US dollar as its functional currency for Quebec income tax purposes as the relevant tax legislation for the Province of Quebec was enacted in the second quarter of 2010.

The following tables provides a reconciliation of the total cash costs per ounce of gold produced and mine site costs per tonne to the interim consolidated financial statements for the LaRonde, Goldex, Lapa, Kittila, Pinos Altos and Meadowbank mines:

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
LaRonde	\$ 46,605	\$41,526	\$ 92,087	\$ 79,773
Goldex	16,469	12,479	30,269	23,950
Lapa	17,830	3,818	34,209	3,818
Kittila	18,100	3,190	41,118	3,190
Pinos Altos	18,537	—	32,386	—
Meadowbank	49,032	—	54,731	—
Total production costs per Consolidated Statements of Income	<u>\$166,573</u>	<u>\$61,013</u>	<u>\$284,800</u>	<u>\$110,731</u>

LaRonde Mine

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$ 46,605	\$ 41,526	\$ 92,087	\$ 79,773
Adjustments:				
Byproduct revenues	(39,252)	(37,031)	(77,643)	(58,857)
Inventory adjustment ⁽ⁱ⁾	4,203	2,138	4,967	1,109
Non-cash reclamation provision	(337)	(293)	(672)	(567)
Cash operating costs	<u>\$ 11,219</u>	<u>\$ 6,340</u>	<u>\$ 18,739</u>	<u>\$ 21,458</u>
Gold production (ounces)	<u>41,533</u>	<u>58,034</u>	<u>86,569</u>	<u>109,372</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 270</u>	<u>\$ 109</u>	<u>\$ 216</u>	<u>\$ 196</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$46,605	\$41,526	\$92,087	\$79,773
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	4,203	2,137	4,967	1,109
Non-cash reclamation provision	<u>(337)</u>	<u>(293)</u>	<u>(672)</u>	<u>(567)</u>
Minesite operating costs (US\$)	<u>\$50,471</u>	<u>\$43,370</u>	<u>\$96,382</u>	<u>\$80,315</u>
Minesite operating costs (C\$)	<u>\$52,125</u>	<u>\$48,602</u>	<u>\$99,202</u>	<u>\$95,096</u>
Tonnes of ore milled (000's tonnes)	<u>660</u>	<u>656</u>	<u>1,324</u>	<u>1,305</u>
Minesite costs per tonne (C\$) ^(iv)	<u>\$ 79</u>	<u>\$ 74</u>	<u>\$ 75</u>	<u>\$ 73</u>

Goldex Mine

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$16,469	\$12,479	\$30,269	\$23,950
Adjustments:				
Byproduct revenues	(8)	—	(14)	—
Inventory adjustment ⁽ⁱ⁾	(690)	586	1,411	1,329
Non-cash reclamation provision	<u>(54)</u>	<u>(50)</u>	<u>(108)</u>	<u>(96)</u>
Cash operating costs	<u>\$15,717</u>	<u>\$13,015</u>	<u>31,558</u>	<u>\$25,183</u>
Gold production (ounces)	<u>48,334</u>	<u>35,645</u>	<u>90,603</u>	<u>71,604</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 325</u>	<u>\$ 365</u>	<u>\$ 348</u>	<u>\$ 352</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$16,469	\$12,479	30,269	\$23,950
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	(690)	586	1,411	1,329
Non-cash reclamation provision	<u>(54)</u>	<u>(50)</u>	<u>(108)</u>	<u>(96)</u>
Minesite operating costs (US\$)	<u>\$15,725</u>	<u>\$13,015</u>	<u>\$31,572</u>	<u>\$25,183</u>
Minesite operating costs (C\$)	<u>\$16,197</u>	<u>\$14,887</u>	<u>\$32,510</u>	<u>\$30,079</u>
Tonnes of ore milled (000's tonnes)	<u>667</u>	<u>626</u>	<u>1,334</u>	<u>1,235</u>
Minesite costs per tonne (C\$) ^(iv)	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 24</u>

Lapa Mine

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$17,830	\$ 3,818	\$34,209	\$ 3,818
Adjustments:				
Byproduct revenues	(7)	—	(27)	—
Inventory adjustment ⁽ⁱ⁾	(2,038)	7,191	(2,964)	7,191
Non-cash reclamation provision	(14)	(7)	(28)	(7)
Cash operating costs	<u>\$15,771</u>	<u>\$11,002</u>	<u>\$31,190</u>	<u>\$11,002</u>
Gold production (ounces)	<u>28,927</u>	<u>11,603</u>	<u>60,480</u>	<u>11,603</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 545</u>	<u>\$ 948</u>	<u>\$ 516</u>	<u>\$ 948</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$17,830	\$ 3,818	\$34,209	\$ 3,818
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	(2,038)	7,191	(2,964)	7,191
Non-cash reclamation provision	(14)	(7)	(28)	(7)
Minesite operating costs (US\$)	<u>\$15,778</u>	<u>\$11,002</u>	<u>\$31,217</u>	<u>\$11,002</u>
Minesite operating costs (C\$)	<u>\$16,347</u>	<u>\$12,145</u>	<u>\$32,179</u>	<u>\$12,145</u>
Tonnes of ore milled (000's tonnes)	<u>139</u>	<u>81</u>	<u>267</u>	<u>81</u>
Minesite costs per tonne (C\$) ^(iv)	<u>\$ 118</u>	<u>\$ 149</u>	<u>\$ 120</u>	<u>\$ 149</u>

Kittila Mine

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$18,100	\$ 3,190	\$41,118	\$ 3,190
Adjustments:				
Byproduct revenues	(5)	—	(30)	—
Inventory adjustment ⁽ⁱ⁾	1,146	4,784	(3,702)	4,784
Non-cash reclamation provision	(65)	(62)	(164)	(62)
Cash operating costs	<u>\$19,176</u>	<u>\$ 7,912</u>	<u>\$37,222</u>	<u>\$ 7,912</u>
Gold production (ounces)	<u>31,593</u>	<u>12,018</u>	<u>56,140</u>	<u>12,018</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 607</u>	<u>\$ 658</u>	<u>\$ 663</u>	<u>\$ 658</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$ 18,100	\$ 3,190	\$ 41,118	\$ 3,190
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	1,146	4,784	(3,702)	4,784
Non-cash reclamation provision	<u>(65)</u>	<u>(62)</u>	<u>(164)</u>	<u>(62)</u>
Minesite operating costs (US\$)	<u>\$ 19,181</u>	<u>\$ 7,912</u>	<u>\$ 37,252</u>	<u>\$ 7,912</u>
Minesite operating costs (EUR)	<u>€ 14,111</u>	<u>€ 5,717</u>	<u>€ 28,026</u>	<u>€ 5,717</u>
Tonnes of ore milled (000's tonnes)	<u>220</u>	<u>132</u>	<u>437</u>	<u>132</u>
Minesite costs per tonne (EUR) ^(iv)	<u>€ 64</u>	<u>€ 43</u>	<u>€ 64</u>	<u>€ 43</u>

Pinos Altos Mine

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$18,537	\$ —	\$32,386	\$ —
Adjustments:				
Byproduct revenues	(4,885)	—	(8,572)	—
Inventory adjustment ⁽ⁱ⁾	(1,115)	—	378	—
Non-cash reclamation provision	<u>(214)</u>	<u>—</u>	<u>(428)</u>	<u>—</u>
Cash operating costs	<u>\$12,323</u>	<u>\$ —</u>	<u>\$23,764</u>	<u>\$ —</u>
Gold production (ounces)	<u>29,665</u>	<u>—</u>	<u>55,893</u>	<u>—</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 415</u>	<u>\$ —</u>	<u>\$ 425</u>	<u>\$ —</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended June 30, 2010</u>	<u>Three months ended June 30, 2009</u>	<u>Six months ended June 30, 2010</u>	<u>Six months ended June 30, 2009</u>
Production costs per Consolidated Statements of Income	\$18,537	\$ —	\$32,386	\$ —
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	(1,115)	—	378	—
Non-cash reclamation provision	<u>(214)</u>	<u>—</u>	<u>(428)</u>	<u>—</u>
Minesite operating costs (US\$)	<u>\$17,208</u>	<u>\$ —</u>	<u>\$32,336</u>	<u>\$ —</u>
Tonnes of ore processed (000's tonnes)	<u>553</u>	<u>—</u>	<u>1,004</u>	<u>—</u>
Minesite costs per tonne (US\$) ^(iv)	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ 32</u>	<u>\$ —</u>

Meadowbank Mine

(thousands of dollars, except where noted)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Production costs per Consolidated Statements of Income	\$49,032	\$ —	\$54,731	\$ —
Adjustments:				
Byproduct revenues	(232)	—	(258)	—
Inventory adjustment ⁽ⁱ⁾	3,031	—	12,192	—
Non-cash reclamation provision	(367)	—	(494)	—
Cash operating costs	<u>\$51,464</u>	<u>\$ —</u>	<u>\$66,171</u>	<u>\$ —</u>
Gold production (ounces)	<u>77,676</u>	<u>—</u>	<u>95,191</u>	<u>—</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ 663</u>	<u>\$ —</u>	<u>\$ 695</u>	<u>\$ —</u>

(thousands of dollars, except where noted)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Production costs per Consolidated Statements of Income	\$49,032	\$ —	\$54,731	\$ —
Adjustments:				
Inventory adjustment ⁽ⁱⁱⁱ⁾	3,031	—	12,192	—
Non-cash reclamation provision	(367)	—	(494)	—
Minesite operating costs (US\$)	<u>\$51,696</u>	<u>\$ —</u>	<u>\$66,429</u>	<u>\$ —</u>
Minesite operating costs (C\$)	<u>\$53,642</u>	<u>\$ —</u>	<u>\$68,759</u>	<u>\$ —</u>
Tonnes of ore milled (000's tonnes)	<u>570</u>	<u>—</u>	<u>733</u>	<u>—</u>
Minesite costs per tonne (C\$) ^(iv)	<u>\$ 94</u>	<u>\$ —</u>	<u>\$ 94</u>	<u>\$ —</u>

Notes:

- (i) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since total cash costs are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production for which revenue has not been recognized in the period.
- (ii) Total cash costs is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. As illustrated in the table above, this measure is calculated by adjusting Production Costs as shown in the Consolidated Statements of Income and Comprehensive Income for net byproduct revenues, inventory adjustments and asset retirement provisions. This measure is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management uses this measure to monitor the performance of the Company's mining operations. Since market prices for gold are quoted on a per ounce basis, using this per ounce measure allows management to assess the mine's cash generating capabilities at various gold prices. Management is aware that this per ounce measure of performance can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for the limitation inherent with this measure by using it in conjunction with the minesite costs per tonne measure (discussed below) as well as other data prepared in accordance with US GAAP. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.
- (iii) This inventory adjustment reflects production costs associated with unsold concentrates.
- (iv) Minesite costs per tonne is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. As illustrated in the table above, this measure is calculated by adjusting Production Costs as shown in the Consolidated Statements of Income and Comprehensive Income for inventory and hedging adjustments (if any) and asset retirement provisions and then dividing by tonnes processed through the mill. Since total cash costs data can be affected by fluctuations in byproduct metal prices and exchange rates, management believes minesite costs per tonne provides additional information regarding the performance of mining operations and allows management to monitor operating costs on a more consistent basis as the per tonne measure eliminates the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, in order to be economically viable the estimated revenue on a per tonne basis must be in excess of the minesite costs per tonne. Management is aware that this per tonne measure is impacted by fluctuations in production levels and thus uses this evaluation tool in conjunction with production costs

prepared in accordance with US GAAP. This measure supplements production cost information prepared in accordance with US GAAP and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

Liquidity and Capital Resources

At June 30, 2010, Agnico-Eagle's cash, cash equivalents, short-term investments and restricted cash totalled \$152.8 million, while working capital was \$459.2 million. At December 31, 2009, the Company had \$163.6 million in cash, cash equivalents, short-term investments and restricted cash and \$413.6 million in working capital. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to eliminate any risks associated with these investments. Such investments with remaining maturities at time of purchase greater than three months are classified as short-term investments and decisions regarding the length of maturities are based on cash flow requirements, rates of returns and various other factors.

Cash provided by operating activities was \$161.6 million in the second quarter of 2010 compared to cash provided by operating activities of \$26.4 million in the second quarter of 2009. In the second quarter of 2010, revenues from mining operations increased to \$347.5 million from \$133.1 million in the second quarter of 2009. This was mainly due to the increase in gold production by the Kittila, Lapa, Pinos Altos and Meadowbank Mines that were not in commercial production during the full second quarter of 2009 and the higher realized sales prices for all metals.

For the three months ended June 30, 2010, capital expenditures were \$117.0 million compared to \$155.0 million in the three months ended June 30, 2009. The significant capital expenditures during the second quarter of 2010 pertained to sustaining capital for the Company's six operating mines, the LaRonde depth extension project and the Creston Mascota project. The capital expenditures were significantly lower during the second quarter of 2010 when compared to the second quarter of 2009 due to the completion of construction activities at the Kittila, Lapa, Pinos Altos and Meadowbank Mines.

During the second quarter of 2010, the Company closed a private placement of notes consisting of \$600 million of guaranteed senior unsecured notes due 2017, 2020 and 2022 with a weighted average maturity of 9.84 years and weighted average yield of 6.59%. The net proceeds from the sale of the notes have been used to reduce amounts outstanding under the Company's credit lines during the quarter. Also during the second quarter, the Company increased and extended its credit facility to \$1.2 billion. The current facility has lower standby-fees and draw spreads and matures in June 2014. At June 30, 2010, the remaining outstanding balance owing on the bank facility amounts to \$135 million.

Subsequent to the second quarter of 2010, the Company and Meliadine Holdings Inc. (formerly Comaplex Minerals Corp.) ("Meliadine") jointly announced the completion of the acquisition of Meliadine by Agnico-Eagle. Agnico-Eagle acquired all of the shares of Meliadine (the "Meliadine Shares") that it did not already own pursuant to a plan of arrangement under the Business Corporations Act (Alberta). Pursuant to the terms of the arrangement, Agnico-Eagle issued a total of 10.2 million shares to the shareholders of Meliadine other than Agnico-Eagle.

Additionally, each Meliadine shareholder other than Agnico-Eagle and Perfora Investments S.a.r.l. ("Perfora") received one common share of Geomark Exploration Ltd. ("Geomark") for each Meliadine Share held prior to the acquisition of Meliadine by Agnico-Eagle. Pursuant to the arrangement, Meliadine transferred to Geomark all assets and related liabilities other than those relating to the Meliadine gold exploration properties and related assets in Nunavut. The Geomark assets include all of Meliadine's net working capital, the non-Meliadine mineral properties, all oil and gas properties and investments. Meliadine's 100% owned interest in the advanced stage Meliadine gold project located in Nunavut, Canada is approximately 300 kilometres from Agnico-Eagle's producing Meadowbank Mine. The Company believes the acquisition of Meliadine is consistent with its corporate strategy to "acquire small, think big." The Meliadine gold project is an early stage opportunity in a region that the Company believes is of low political risk and well matched to Agnico-Eagle's skills and abilities. The Company believes it will be able to leverage off its operations base in Quebec, Canada and create synergies with its current Arctic gold mining activities at the Meadowbank Mine.

Volatility remains high in global financial markets and weakness in the global economy continues to have a serious impact on the profitability and liquidity of many businesses. Although there are signs of stabilization, the timing of a return to historical market conditions is uncertain. Virtually all industries, including the gold mining

business, have been affected by weak economic conditions and volatile financial markets. Positive signs for the global economy include a relative easing of credit risk spreads, a reduction in financial systemic risk, lower levels of volatility in many markets and an improvement in investor confidence. However, economic data continues to show mixed signals for the likelihood of sustained near-term economic recovery, and the costs of funding for many businesses, especially for financial institutions with which we do business, remain high compared to historical levels. A prolonged global recession and continuation of volatility in world markets could have a significant impact on our business. In particular, the global credit/liquidity crisis could continue to affect the cost and availability of financing and our overall liquidity. The volatility in gold, silver, zinc and copper prices affects the amount of our revenues, and our earnings and cash flow. Volatile energy prices, commodity and consumables prices and currency exchange rates impact our production costs. The volatility of global stock markets impacts the valuation of our equity investments. The recent economic turmoil in Europe will compound the global volatility issues.

AGNICO-EAGLE MINES LIMITED
SUMMARY OF OPERATIONS KEY PERFORMANCE INDICATORS
(thousands of United States dollars, except where noted, US GAAP basis)

	Three months ended June 30,		Six months ended June 30,	
	2010 Actual	2009 Actual	2010 Actual	2009 Actual
Income Contribution Analysis				
LaRonde Mine	\$ 43,614	\$ 50,652	\$ 89,001	\$ 88,299
Goldex Mine	42,635	19,107	69,059	37,573
Lapa Mine	20,204	(833)	41,477	(833)
Kittila Mine	16,625	3,145	28,095	3,145
Pinos Altos Mine	22,626	—	35,257	—
Meadowbank Mine	35,179	—	37,350	—
Operating margin	180,883	72,071	300,239	128,184
Amortization	44,003	15,470	74,506	27,600
Corporate expenses	28,332	38,016	75,910	52,663
Income before tax	108,548	18,585	149,823	47,921
Tax provision	8,189	17,358	27,131	(7,647)
Net income for the period	\$ 100,360	\$ 1,227	\$ 149,823	\$ 55,568
Net income per share — basic	\$ 0.64	\$ 0.01	\$ 0.78	\$ 0.36
Net income per share — diluted	\$ 0.63	\$ 0.01	\$ 0.77	\$ 0.35
Cash flows				
Operating cash flow	\$ 161,574	\$ 26,369	\$ 236,065	\$ 75,192
Investing cash flow	\$(116,826)	\$(155,730)	\$(236,155)	\$(311,152)
Financing cash flow	\$ (10,422)	\$ 88,247	\$ (12,068)	\$ 304,694
Realized prices per sales volume (US\$)				
Gold (per ounce)	\$ 1,222	\$ 962	\$ 1,168	\$ 965
Silver (per ounce)	\$ 19.29	\$ 14.32	\$ 18.94	\$ 13.93
Zinc (per tonne)	\$ 1,890	\$ 1,698	\$ 2,057	\$ 1,421
Copper (per tonne)	\$ 6,581	\$ 5,832	\$ 6,934	\$ 5,058
Payable production (Note 1)				
Gold (ounces)				
LaRonde Mine	41,533	58,034	86,569	109,372
Goldex Mine	48,334	35,645	90,603	71,604
Kittila Mine	31,593	13,771	56,140	18,285
Lapa Mine	28,927	11,603	60,480	11,603
Pinos Altos Mine	29,665	—	55,893	—
Meadowbank Mine	77,676	—	96,275	—
	257,728	119,053	445,960	210,864
Silver (ounces in thousands)				
LaRonde Mine	860	1,034	1,735	2,063
Pinos Altos Mine	248	—	470	—
Meadowbank	12	—	14	—
	1,120	1,034	2,219	2,063
Zinc (LaRonde Mine) (tonnes)	18,465	14,928	32,689	28,219
Copper (LaRonde Mine) (tonnes)	1,056	2,066	2,108	3,748
Payable metal sold				
Gold (ounces)				
LaRonde Mine	41,666	59,608	86,906	110,203
Goldex Mine	48,310	33,501	86,173	66,965
Kittila Mine	28,588	6,780	59,262	6,780
Lapa Mine	31,920	3,167	66,113	3,167
Pinos Altos Mine	30,634	—	51,599	—
Meadowbank Mine	70,182	—	77,285	—
	251,300	103,056	427,338	187,115

AGNICO-EAGLE MINES LIMITED
SUMMARY OF OPERATIONS KEY PERFORMANCE INDICATORS (Continued)
(thousands of United States dollars, except where noted, US GAAP basis)

	Three months ended June 30,		Six months ended June 30,	
	2010 Actual	2009 Actual	2010 Actual	2009 Actual
Silver (ounces in thousands)				
LaRonde Mine	884	1,012	1,659	2,024
Pinos Altos Mine	267	—	487	—
Meadowbank Mine	14	—	14	—
	<u>1,165</u>	<u>1,012</u>	<u>2,160</u>	<u>2,024</u>
Zinc (LaRonde Mine) (tonnes)	15,437	12,804	29,966	29,861
Copper (LaRonde Mine) (tonnes)	1,043	2,066	2,090	3,752
Total cash costs per ounce of gold produced (Note 2)				
LaRonde Mine	\$ 270	\$ 109	\$ 216	\$ 196
Goldex Mine	325	365	348	352
Kittila Mine	607	658	663	658
Lapa Mine	545	948	516	948
Pinos Altos Mine	415	—	425	—
Meadowbank Mine	663	—	695	—
Weighted average	<u>\$ 487</u>	<u>\$ 326</u>	<u>\$ 469</u>	<u>\$ 320</u>

Notes:

- (1) Payable mineral production means the quantity of mineral produced during a period contained in products that are or will be sold by the Company, whether such products are sold during the period or held as inventory at the end of the period.
- (2) Total cash costs per ounce is a non-US GAAP measure of performance that the Company uses to monitor the performance of its operations. See "Results of Operations — Production Costs".

AGNICO-EAGLE MINES LIMITED
SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
Consolidated Financial Data								
<i>Income and cash flows</i>								
Revenues from mining operations	\$ 91,171	\$ 73,235	\$ 105,831	\$ 133,084	\$ 149,250	\$ 225,597	\$ 237,583	\$ 347,456
Production costs	50,525	46,645	49,718	61,013	88,652	106,935	118,227	166,573
Gross profit (exclusive of amortization shown below)	\$ 40,646	\$ 26,590	\$ 56,113	\$ 72,071	\$ 60,598	\$ 118,662	\$ 119,356	\$ 180,883
Amortization	9,049	12,538	12,130	15,470	23,200	21,661	30,503	44,003
Gross profit	<u>\$ 31,597</u>	<u>\$ 14,052</u>	<u>\$ 43,983</u>	<u>\$ 56,601</u>	<u>\$ 37,398</u>	<u>\$ 97,001</u>	<u>\$ 88,853</u>	<u>\$ 136,880</u>
Net income (loss) for the period	\$ 14,038	\$ 21,874	\$ 54,341	\$ 1,227	\$ (16,966)	\$ 47,936	\$ 22,332	\$ 100,360
Net income (loss) per share (basic)	\$ 0.10	\$ 0.15	\$ 0.35	\$ 0.01	\$ (0.11)	\$ 0.31	\$ 0.14	\$ 0.64
Net income (loss) per share (diluted)	\$ 0.10	\$ 0.15	\$ 0.35	\$ 0.01	\$ (0.11)	\$ 0.30	\$ 0.14	\$ 0.63
Cash provided by (used in) operating activities	\$ 20,239	\$ (46,443)	\$ 48,823	\$ 26,369	\$ (13,787)	\$ 53,701	\$ 74,491	\$ 161,574
Cash used in investing activities	\$(260,811)	\$(260,134)	\$(155,422)	\$(155,730)	\$(136,756)	\$(139,703)	\$(119,329)	\$(116,826)
Cash provided (used in) by financing activities	\$ 213,983	\$ 262,015	\$ 216,447	\$ 88,247	\$ 217,590	\$ 37,534	\$ (1,646)	\$ (10,422)
Weighted average number of common shares outstanding (basic — in thousands)	143,831	148,041	155,184	155,805	156,164	156,570	156,692	156,899

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED BALANCE SHEETS
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	<u>As at June 30, 2010</u>	<u>As at December 31, 2009</u>
ASSETS		
<i>Current</i>		
Cash and cash equivalents	\$ 147,807	\$ 160,280
Short-term investments	3,139	3,313
Restricted cash	1,840	—
Trade receivables	65,355	93,571
Inventories:		
Ore stockpiles	50,052	41,286
Concentrates and dore	49,491	31,579
Supplies	97,329	100,885
Available-for-sale securities (note 7)	150,707	111,967
Other current assets	82,419	61,159
Fair value of derivative financial instruments (note 10)	3,873	—
Total current assets	<u>652,012</u>	<u>604,040</u>
Other assets	77,652	33,641
Future income and mining tax assets	25,869	27,878
Property, plant and mine development	<u>3,739,239</u>	<u>3,581,798</u>
	<u>\$4,494,772</u>	<u>\$4,247,357</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current</i>		
Accounts payable and accrued liabilities	\$ 153,978	\$ 143,477
Dividends payable	—	28,199
Interest payable	9,889	1,666
Income taxes payable	19,196	4,501
Capital leases	8,125	11,955
Fair value of derivative financial instruments (note 10)	1,622	662
Total current liabilities	<u>192,810</u>	<u>190,460</u>
Long-term debt (note 8)	735,000	715,000
Reclamation provision and other liabilities	107,465	96,255
Future income and mining tax liabilities (note 9)	509,958	493,881
SHAREHOLDERS' EQUITY		
Common shares (note 5)	2,397,106	2,378,759
Stock options (note 6)	89,955	65,771
Warrants	24,858	24,858
Contributed surplus	15,166	15,166
Retained earnings	338,850	216,158
Accumulated other comprehensive income	83,604	51,049
Total shareholders' equity	<u>2,949,539</u>	<u>2,751,761</u>
	<u>\$4,494,772</u>	<u>\$4,247,357</u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(thousands of United States dollars except share and per share amounts, US GAAP basis)
(Unaudited)

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES				
Revenues from mining operations	\$347,456	\$133,084	\$585,039	\$238,915
COSTS, EXPENSES AND OTHER INCOME				
Production	166,573	61,013	284,800	110,731
Exploration and corporate development	12,955	9,735	20,459	15,984
Amortization of plant and mine development	44,003	15,470	74,506	27,600
General and administrative	23,240	13,253	51,670	32,053
Provincial capital tax	742	1,473	155	2,582
Interest	15,309	2,335	19,813	3,204
Gain on derivative financial instruments	(5,705)	—	(5,156)	—
Interest and sundry income (note 10)	(783)	(5,103)	(2,159)	(9,796)
Gain on sale of available-for-sale securities (note 7)	—	(341)	(346)	(535)
Foreign currency translation loss (gain)	(17,427)	16,664	(8,526)	9,171
Income before income, mining and federal capital taxes	108,549	18,585	149,823	47,921
Income and mining tax expense (recovery) (note 9)	8,189	17,358	27,131	(7,647)
Net income for the period	<u>\$100,360</u>	<u>\$ 1,227</u>	<u>\$122,692</u>	<u>\$ 55,568</u>
Net income per share — basic	<u>\$ 0.64</u>	<u>\$ 0.01</u>	<u>\$ 0.78</u>	<u>\$ 0.36</u>
Net income per share — diluted	<u>\$ 0.63</u>	<u>\$ 0.01</u>	<u>\$ 0.77</u>	<u>\$ 0.35</u>
Weighted average number of shares outstanding (in thousands)				
Basic	156,899	155,805	156,789	155,498
Diluted	159,920	157,763	159,585	157,432
Comprehensive income:				
<i>Net income for the period</i>	<u>\$100,360</u>	<u>\$ 1,227</u>	<u>\$122,692</u>	<u>\$ 55,568</u>
<i>Other comprehensive income:</i>				
<i>Unrealized gain on hedging activities</i>	—	12,106	—	9,258
<i>Unrealized gain on available-for-sale securities</i>	23,343	14,337	32,971	19,409
<i>Adjustments for derivative financial instruments maturing during the period</i>	—	(1,287)	—	1,450
<i>Adjustments for realized gain on available-for-sale securities due to dispositions and write-downs during the period</i>	—	—	(346)	—
<i>Amortization of unrecognized gain on pension liability</i>	(47)	7	(94)	14
<i>Tax effect of other comprehensive income items (note 9)</i>	12	(2,923)	24	(2,895)
<i>Other comprehensive income for the period</i>	<u>23,308</u>	<u>22,240</u>	<u>32,555</u>	<u>27,236</u>
<i>Comprehensive income for the period</i>	<u>\$123,668</u>	<u>\$ 23,467</u>	<u>\$155,247</u>	<u>\$ 82,804</u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Retained earnings				
Balance, beginning of period	\$238,490	\$211,882	\$216,158	\$157,541
Net income for the period	100,360	1,227	122,692	55,568
Balance, end of period	<u>\$338,850</u>	<u>\$213,109</u>	<u>\$338,850</u>	<u>\$213,109</u>
Accumulated other comprehensive income (loss)				
Balance, beginning of period	\$ 60,296	\$(15,612)	\$ 51,049	\$(20,608)
Other comprehensive income for the period	23,308	22,240	32,555	27,236
Balance, end of period	<u>\$ 83,604</u>	<u>\$ 6,628</u>	<u>\$ 83,604</u>	<u>\$ 6,628</u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Operating activities				
Net income for the period	\$ 100,360	\$ 1,227	\$ 122,692	\$ 55,568
Add (deduct) items not affecting cash:				
Amortization of plant and mine development	44,003	15,470	74,506	27,600
Future income and mining taxes	431	17,209	13,526	(7,929)
Gain on sale of available-for-sale securities and derivative financial instruments	(3,716)	(4,400)	(4,175)	(7,326)
Stock-based compensation	11,167	5,585	26,335	17,767
Foreign currency translation loss (gain)	(17,427)	16,664	(8,526)	9,171
Other	4,081	2,004	7,072	83
Changes in non-cash working capital balances				
Trade receivables	7,826	(17,314)	28,216	(32,511)
Income taxes payable	10,771	2,570	14,695	1,977
Other taxes recoverable	(8,985)	(3,962)	(10,181)	27,266
Inventories	(16,068)	(13,928)	(41,610)	(12,005)
Other current assets	(7,918)	(4,534)	(10,604)	(5,842)
Interest payable	8,562	(62)	8,223	340
Accounts payable and accrued liabilities	28,487	9,840	15,896	1,033
Cash provided by operating activities	<u>161,574</u>	<u>26,369</u>	<u>236,065</u>	<u>75,192</u>
Investing activities				
Additions to property, plant and mine development	(117,017)	(155,002)	(229,580)	(310,349)
Decrease (increase) in short-term investments	166	(516)	174	(4,543)
Net proceeds on sale of available-for-sale securities and other	916	3,151	1,381	6,393
Purchases of available-for-sale securities	(183)	(225)	(6,290)	(2,977)
Decrease (increase) in restricted cash	(708)	(3,138)	(1,840)	324
Cash used in investing activities	<u>(116,826)</u>	<u>(155,730)</u>	<u>(236,155)</u>	<u>(311,152)</u>
Financing activities				
Dividends paid	—	—	(26,830)	(27,132)
Repayment of capital lease obligations	(8,573)	(6,520)	(10,112)	(6,882)
Proceeds from long-term debt	1,101,000	70,000	1,201,000	285,000
Repayment of long-term debt	(1,101,000)	—	(1,181,000)	—
Sale-leaseback financing	—	10,888	3,005	10,888
Long-term debt financing costs	(12,488)	(4,572)	(12,488)	(4,572)
Proceeds from common shares issued	10,639	18,451	14,357	47,392
Cash provided by (used in) financing activities	<u>(10,422)</u>	<u>88,247</u>	<u>(12,068)</u>	<u>304,694</u>
Effect of exchange rate changes on cash and cash equivalents	(134)	2,990	(315)	1,571
Net increase (decrease) in cash and cash equivalents during the period	34,192	(38,124)	(12,473)	70,305
Cash and cash equivalents, beginning of period	113,615	176,811	160,280	68,382
Cash and cash equivalents, end of period	<u>\$ 147,807</u>	<u>\$ 138,687</u>	<u>\$ 147,807</u>	<u>\$ 138,687</u>
<i>Other operating cash flow information:</i>				
Interest paid during the period	\$ 4,708	\$ 1,987	\$ 13,430	\$ 3,509
Income, mining and capital taxes paid during the period	\$ —	\$ 1,112	\$ 1,497	\$ 2,859

See accompanying notes