



RATINGS REVISION | COMMENT

JUNE 2, 2010

Agnico-Eagle Mines Ltd. (NYSE: AEM; TSX: AEM)
 Revised Gold Price Forecasts Suggest Attractive Entry Point

Outperform (prev: Sector Perform)
Average Risk

Price:	57.85	Price Target:	76.00 ↑ 74.00
Shares O/S (MM):	166.9	Implied All-In Return:	32%
Dividend:	0.18	Market Cap (MM):	9,655
Float (MM):	166.9	Yield:	0.3%
Debt to Cap:	21%	Avg. Daily Volume (MM):	3.97
Strategic Ownership: None			

Event

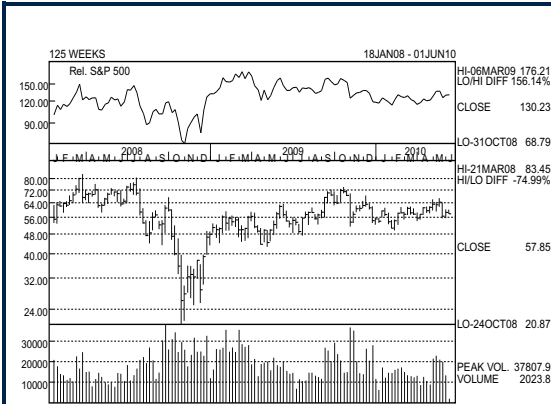
We are upgrading our rating from Sector Perform to Outperform on the back of our revised gold price forecasts

Investment Highlights

Revised Commodity Price Forecasts - We have increased our short-term outlook for average gold prices by \$100/oz, from \$1,100 to **\$1,200/oz** for 2010, and from \$1,000 to **\$1,100/oz** in 2011. We have also increased our forecast for 2012, from \$1,000 to **\$1,200/oz**, and kept our long-term gold price forecast at \$1,000/oz. We have also revised our short-term outlook for silver (higher) and the base metals (lower for both lead and zinc).

Growth Phase Still Underway - 2010 is expected to be Agnico's second consecutive high growth year, with gold production forecast to double from 500Koz in 2009, to just over 1.0MMoz. We expect quarterly increases in gold output for another 3 to 5 quarters (including Q2/10), as the new mines achieve full ramp up to steady state production. As we enter 2011, we also expect Agnico to make decisions on expansion opportunities (adding shafts, expanding processing plants, etc.) at several of the new mines, none of which we currently include in our valuation of AEM shares.

Revised Target Multiples For AEM - Agnico shares have traded above 3.0x NAV for most of the past year, within a range 3.0x to 3.7x, averaging 3.32x NAV. We consider the current level of just under 3.0x NAV an attractive entry point, as it has served as the floor for AEM shares several times over the past 9 months (see Exhibit 1 on page 2). With several quarters of forecasted increases in production, EPS, and CFPS (through to early 2011), we expect Agnico shares to be able to sustain premium valuation multiples for the next few quarters. As a result, we have increased our target P/NAV multiple for Agnico towards the recent average, from 3.0x to 3.25x. With CF multiples still relatively low for AEM, we have lowered our target multiple from 30x to 27.5x.



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FY Dec	2008A	2009A	2010E	2011E
CFPS - Basic	0.86	1.49	3.39	3.59
Prev.			3.09	2.99
P/CFPS	67.3x	38.8x	17.1x	16.1x
EPS (Op) - Basic	0.50	0.73	2.16	2.35
Prev.			1.89	1.77
P/E	NM	79.2x	26.8x	24.6x
Revenue (MM)	368.9	613.8	1,348.3	1,482.6
Prev.			1,284.4	1,354.9
CFPS - Basic	Q1	Q2	Q3	Q4
2008	0.45A	0.21A	0.17A	0.03A
2009	0.21A	0.36A	0.25A	0.63A
2010	0.60A	0.74E	0.84E	0.90E
EPS (Op) - Basic				
2008	0.23A	0.09A	0.06A	0.06A
2009	0.13A	0.15A	0.08A	0.37A
2010	0.32A	0.44E	0.53E	0.59E

Forecasts assume successful acquisition of Complex Minerals by mid-2010

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

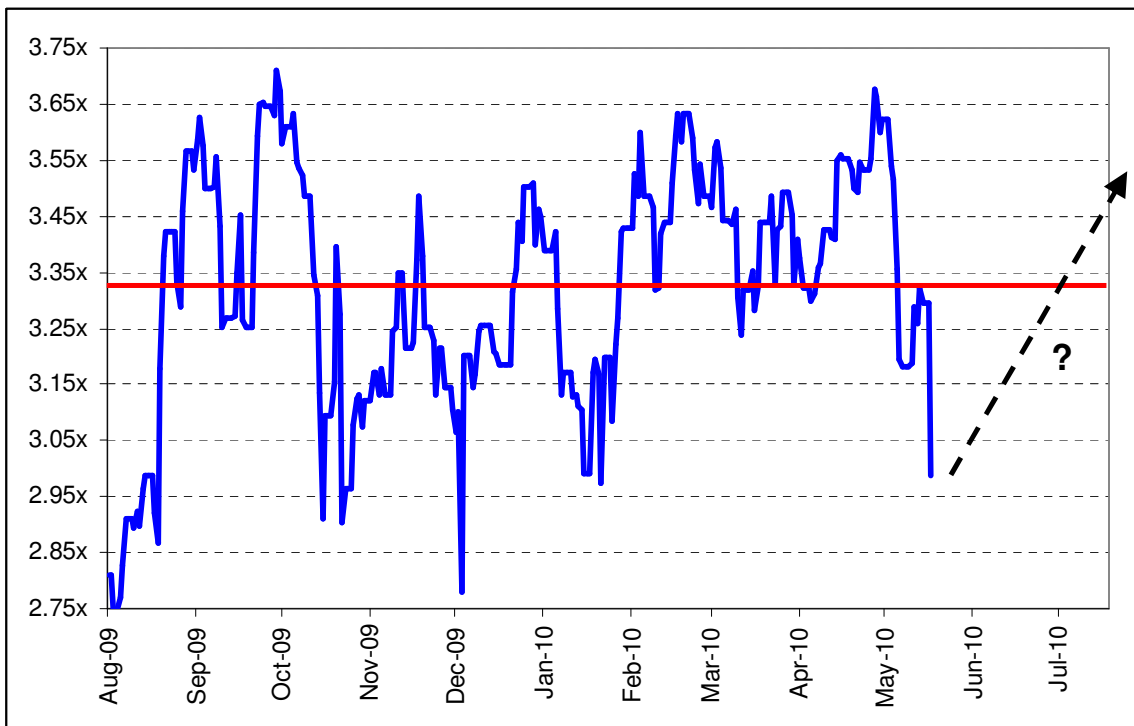
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Investment Thesis - Growth Phase In Full Swing, We Think Reward Now Outweighs Risk

With new mines ramping up and other mines approaching start up, Agnico is poised for a second year of doubling gold output in 2010 (from under 500Koz in 2009 to just over 1.0MMoz in 2010), and further grow the company’s annual output to 1.4MMoz by 2014. We expect this above-average growth to allow AEM shares to retain premium trading multiples versus their Tier II peers, as improved operating results from the new mines lead to record production, EPS, and CFPS for the next several quarters. Combined with our bullish outlook for the gold price over the next few quarters, we now believe Agnico shares can outperform the peer group.

Agnico-Eagle shares are currently trading at a P/NAV multiple of 2.95x our 2010 NAV, a significant premium to the North American Tier II gold producer average at 2.30x. However, we see that this level has served as a floor for the trading range of 3.0-3.7x NAV over the past 10 months (Exhibit 1 below). With our revised gold price forecasts and target multiples for AEM, the implied return of just over 30%, suggests to us that the current share price level is an attractive entry point (assuming the successful delivery of growth over the next 3-5 quarters), and we are upgrading our rating of AEM shares from **Sector Perform** to **Outperform**.

Exhibit 1: P/NAV Multiples - AUG 2009-MAY 2010: Agnico-Eagle Mines



Source: RBC Capital Markets estimates

Valuation Methodology

Our favored valuation method for precious metals producers is a price-to-net-asset-value (P/NAV) multiple based on a discounted cash flow (DCF) model constructed using our estimates of the parameters of existing or potential mining operations. Our gold price forecast is \$1,200/oz for 2010, \$1,100/oz for 2011, \$1,200/oz for 2012, and \$1,000/oz long-term. Future year cash flows are then discounted using a base rate of 5%, to which a **risk premium** is added, depending on the currency and/or political risk which we consider the company’s operating assets to be most exposed to. In the case of Agnico-Eagle, the significant exposure of the company’s asset base to Quebec, Finland, and Mexico causes us to employ a risk premium rate of 2%, for both discounting and mining cost inflation purposes.

Exhibit 2: Net Asset Value (NAV) Breakdown: Agnico-Eagle Mines

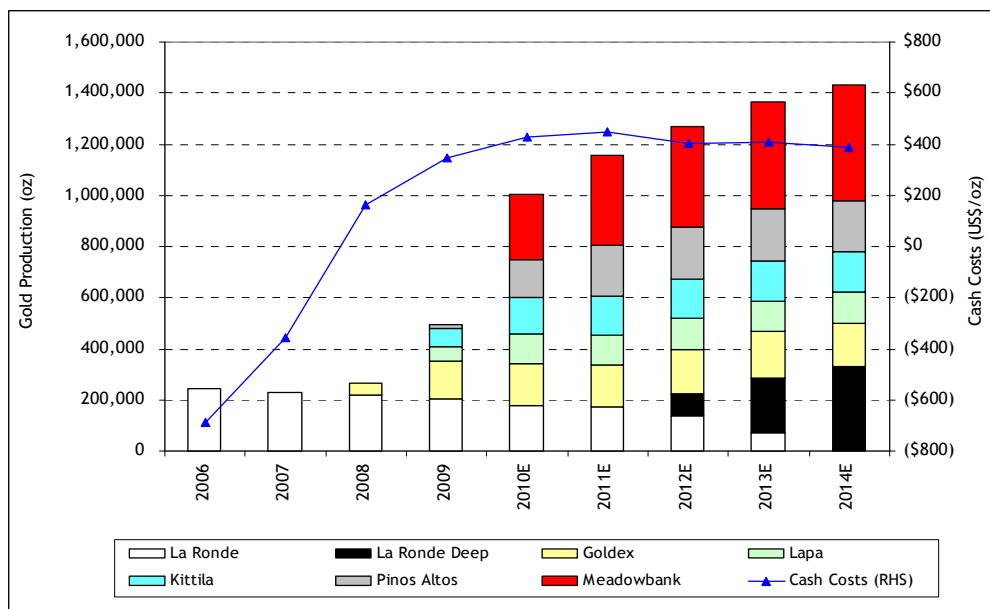
Projects	Discount Rate	Ownership	Value US\$MM	Per Share (US\$/sh)		
				2010E	2011E	2012E
LaRonde (Quebec)	7.0%	100%	\$338	\$1.98	\$1.35	\$0.78
LaRonde Deep (Quebec)	7.0%	100%	\$1,079	\$6.33	\$5.82	\$7.44
Lapa (Quebec)	7.0%	100%	\$261	\$1.53	\$1.35	\$1.13
Goldex (Quebec)	7.0%	100%	\$546	\$3.20	\$2.93	\$2.62
Kittila (Finland)	7.0%	100%	\$396	\$2.32	\$2.37	\$2.14
Pinos Altos (Mexico)	7.0%	100%	\$356	\$2.09	\$2.15	\$1.83
Meadowbank (Nunavut)	7.0%	100%	\$554	\$3.25	\$3.45	\$3.14
Creston Mascota (Mexico)	7.0%	100%	\$13	\$0.07	\$0.37	\$0.36
Exploration potential			\$25	\$0.15	\$0.15	\$0.15
OPERATING ASSETS			\$3,567	\$20.93	\$19.94	\$19.59
Meliadine (Nunavut)			\$330	\$1.94	\$1.94	\$1.94
Working capital			\$443	\$2.60	\$2.43	\$2.66
Corporate G&A (after tax)			(\$167)	(\$0.98)	(\$0.89)	(\$0.79)
Hedge and Reclamation liability			(\$28)	(\$96)	(\$0.56)	(\$0.44)
LT Debt			(\$735)	(\$4.31)	(\$3.31)	(\$2.73)
CORPORATE ASSETS			(\$225)	(\$1.32)	(\$0.27)	\$0.61
NET ASSET VALUE			\$3,342	\$19.61	\$19.66	\$20.21

Source: RBC Capital Markets estimates

In Exhibit 2 above, we provide forward-looking NAV/sh estimates to show whether the company’s NAV is expected to decline or grow over the next few years. Using our 3.25x target P/NAV multiple (increased from 3.0x previously) for Agnico on our 2010 NAV estimate of \$19.61/sh, suggests a fair value of \$67/sh (using the target multiple on operating assets only and a 1.0x multiple on corporate assets of the company).

Using a forward-looking P/CF multiple analysis, we forecast cash flow of \$3.39/sh for Agnico-Eagle in 2010. Employing a 27.5x forward P/CF multiple (lowered from 30x previously) suggests a fair value of \$85/sh. The 27.5x forward P/CF multiple used for Agnico-Eagle is above our typical target range for the Tier II group (10-25x), reflecting our view that Agnico has one of the better growth stories and a lower political risk profile compared to the peer group. Using the two valuation methods described above, we are increasing our 12-month target price from \$74 to \$76 per Agnico share.

Exhibit 3: Actual/Forecast Operations: Agnico-Eagle Mines



Source: Company reports, RBC Capital Markets estimates

Valuation

Our 2010E NAV for Agnico is \$19.61/sh, using our revised commodity price forecasts and a 7% discount rate. We are increasing our 12-month target price from \$74 to \$76/sh, which reflects the midpoint of fair values generated using P/NAV and forward-looking P/CF multiples. For Agnico-Eagle, we employ 3.25x NAV (previously 3.0x) and 27.5x forward P/CF (previously 30x) target multiples, which represent premium multiples to our normal target ranges for the Tier II golds (1-2.5x P/NAV, and 10-25x forward P/CF), reflecting the above-average growth profile and the below-average geo-political risk for Agnico's assets.

Price Target Impediment

Impediments to our target price include fluctuations in commodity prices, greater than expected mine operating and new project construction costs and increasing energy, material and manpower costs. In a very competitive environment, Agnico-Eagle, as with all gold mining companies, faces challenges finding and replacing mined gold reserves. Our *Average* (A) risk qualifier reflects the reduced execution risk as new gold mines achieve commercial production, improving the cash flow generating capability of the company.

Company Description

Agnico-Eagle is a Canadian-based, established Tier II gold producer with current production from the LaRonde, Goldex, Lapa, and Meadowbank mines in Canada, Kittila in Finland, and the Pinos Altos mine in Mexico. The company's gold production in 2009 was 493Koz at a cash cost of \$345/oz. Agnico-Eagle added three new mines in 2009 and has added another mine Q1/10. Agnico holds equity investments in several early-staged explorers, including Comaplex Minerals (CMF-TSX) and Stornoway Diamonds (SWY-TSX).

Agnico-Eagle Mines	Symbol	AEM (NYSE, TSX)			01-Jun-10
RBC Capital Markets Michael Curran, (416) 842 3770	Share Price	\$57.85	Stock Rating:	Outperform	Risk Qualifier
			Price Target:	\$76.00	NAV
			Market Cap (MM)	9,653	Discount Rate
					Average
					\$19.61
					7.0%

All US\$ unless noted

	For Fiscal Year Ended Dec 31			
RATIO ANALYSIS	2008	2009	2010E	2011E
Net Income	\$MM 73.2	86.5	304.9	383.5
EPS (reported)	\$/sh \$0.51	\$0.55	\$1.88	\$2.29
P/E Multiple	x n.m.	n.m.	30.7	25.2
Operating Cash Flow	\$MM 124.1	231.9	549.4	600.5
CFPS before working cap.	\$/sh \$0.86	\$1.49	\$3.39	\$3.59
Price/CF	x 67.5	38.9	17.0	16.1
Dividends Per Share	\$/sh \$0.12	\$0.18	\$0.18	\$0.18
Dividend Yield	% 0.2%	0.3%	0.3%	0.3%
LTD/(Total Cap)	%			

	2008	2009	2010E	2011E
INCOME STATEMENT				
Sales Rev. incl. Royalties	\$MM 368.9	613.8	1,348.3	1,482.6
Operating Costs	\$MM 186.9	306.3	568.1	617.3
EBITDA	\$MM 125.2	236.5	661.8	752.2
DD&A	\$MM 36.1	72.5	162.0	190.2
EBIT	\$MM 80.3	171.4	548.1	605.1
Interest Expense	\$MM (8.8)	7.4	48.3	43.1
EBT	\$MM 89.1	164.0	499.8	562.1
Non-Recurring Items/Other	\$MM (6.8)	56.0	45.0	10.0
Taxes/Recovery	\$MM 22.8	21.5	150.0	168.6
Net Income (operating)	\$MM 72.2	114.0	349.9	393.5
Shares o/s	\$MM 144.7	155.9	161.9	167.2
EPS (operating)	\$/sh \$0.50	\$0.73	\$2.16	\$2.35

	2008	2009	2010E	2011E
CASH FLOW				
Cash Flow From Operations				
Net Income	\$MM 73.2	86.5	304.9	383.5
DD&A	\$MM 36.1	72.5	162.0	190.2
Deferred Taxes	\$MM 16.7	20.3	37.5	16.9
Non Recurring/Other	\$MM 5.5	53.2	30.0	10.0
Working Cap. Changes	\$MM (13.4)	(117.4)	-	-
	\$MM 118.2	115.1	534.4	600.5

Cash Flow From Investing				
Capital Expenditure (net)	\$MM (908.9)	(657.2)	(415.5)	(141.5)
Acquis./Investments	\$MM (58.9)	41.9	-	-
Other	\$MM -	-	-	-
	\$MM (967.8)	(615.3)	(415.5)	(141.5)

Cash Flow From Financing				
Equity Issues (net of costs)	\$MM 376.3	68.5	-	-
Net Borrowings	\$MM 200.0	501.8	(50.0)	(100.0)
Dividends Paid & Other	\$MM (15.1)	(10.5)	(29.1)	(30.1)
	\$MM 561.2	559.8	(79.1)	(130.1)
Net Inc.(Dec.) incl For. Ex	\$MM (296.6)	64.1	39.7	328.9
Cash at End of Year	\$MM 99.4	163.6	203.4	532.3

	2008	2009	2010E	2011E
BALANCE SHEET				
Cash & Equivalents	\$MM 99.4	163.6	203.4	532.3
Total Current Assets	\$MM 351.3	604.1	643.8	972.7
PP&E & Mining Interests	\$MM 2,997.5	3,581.8	3,834.4	3,805.8
Other	\$MM 30.0	61.5	61.5	61.5
Total Assets	\$MM 3,378.8	4,247.4	4,539.7	4,840.1
Current Liabilities	\$MM 173.1	189.8	189.8	189.8
Long Term Debt	\$MM 200.0	715.0	665.0	565.0
Other Long Term Liabilities	\$MM 475.2	590.1	627.6	644.5
Total Liabilities	\$MM 861.1	1,495.6	1,483.1	1,399.9
S/Holder Equity	\$MM 2,517.8	2,751.8	3,056.7	3,440.1
Total Liab. & S/Holder Equity	\$MM 3,378.8	4,247.4	4,539.7	4,840.1
Working Capital	\$MM 178.2	414.3	454.0	782.9

All US\$ unless noted

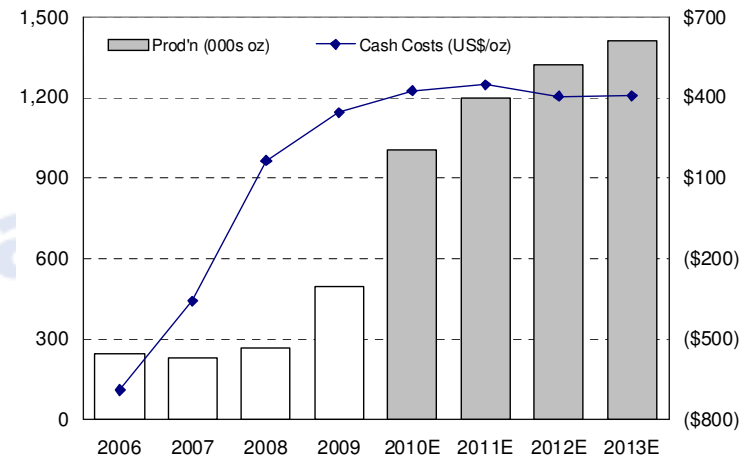
	For Fiscal Year Ended Dec 31			
PRICES/EXCHANGE RATES	2008	2009	2010E	2011E
Gold Price	\$/oz \$872	\$972	\$1,200	\$1,100
Realized Gold Price	\$/oz \$872	\$1,024	\$1,200	\$1,100
Realized Zinc Price	\$/oz \$0.85	\$0.82	\$0.90	\$0.85
Exchange Rate	C\$/US\$ \$0.95	\$0.88	\$0.96	\$0.96

	2008	2009	2010E	2011E
MINE/EQUITY PRODUCTION				
Production	000 oz 264	493	1,003	1,197
Total Cash Costs	\$/oz \$165	\$345	\$426	\$448

Share of Reserves, Resources		2008	2009	2010E	2011E
Reserves	MM oz	18.4			
Adj. Market Cap/oz**	\$/oz	541			
Resources (incl. Reserves)	MM oz	24.7			
Adj. Market Cap/oz**	\$/oz	403			

** Market Cap + LTD - Net Current Assets - Non Gold Assets
 *** Resources include measured and indicated resources only

OTHER DATA				
Issued Shares	MM	166.9	12-month High	\$74.00
Issued Shares (fully diluted)	MM	170.5	12-month Low	\$47.31
Hedged Gold Prod'n in 2010	nil		Total Hedged Gold Prod'n	nil



ESTIMATED NET ASSET VALUE (NAV)/SHARE - 2010E					
	Status	Own'ship	\$MM	\$/Sh	%NAV
La Ronde	mine	100%	\$338	\$1.98	9%
Goldex	devo	100%	\$546	\$3.20	15%
Kitilla	devo	100%	\$396	\$2.32	11%
Lapa	devo	100%	\$261	\$1.53	7%
P.Altos/Creston	devo.	100%	\$369	\$2.16	10%
LaRonde Deep	devo	100%	\$1,079	\$6.33	30%
Meadowbank	devo.	100%	\$554	\$3.25	16%
Other	explor.	var.	\$25	\$0.15	1%
Total Operating NAV			\$3,567	\$20.93	100%
Meliadine (pending)	explor.	100%	\$330	\$1.94	
Working capital			\$443	\$2.60	
Corporate G&A (after tax)			(\$167)	(\$0.98)	
Hedge and Reclamation liability			(\$96)	(\$0.56)	
LT Debt			(\$735)	(\$4.31)	
NAV at 7.0%			\$3,342	\$19.61	
Current P/NAV				2.95	

Source: Company Reports, RBC Capital Markets

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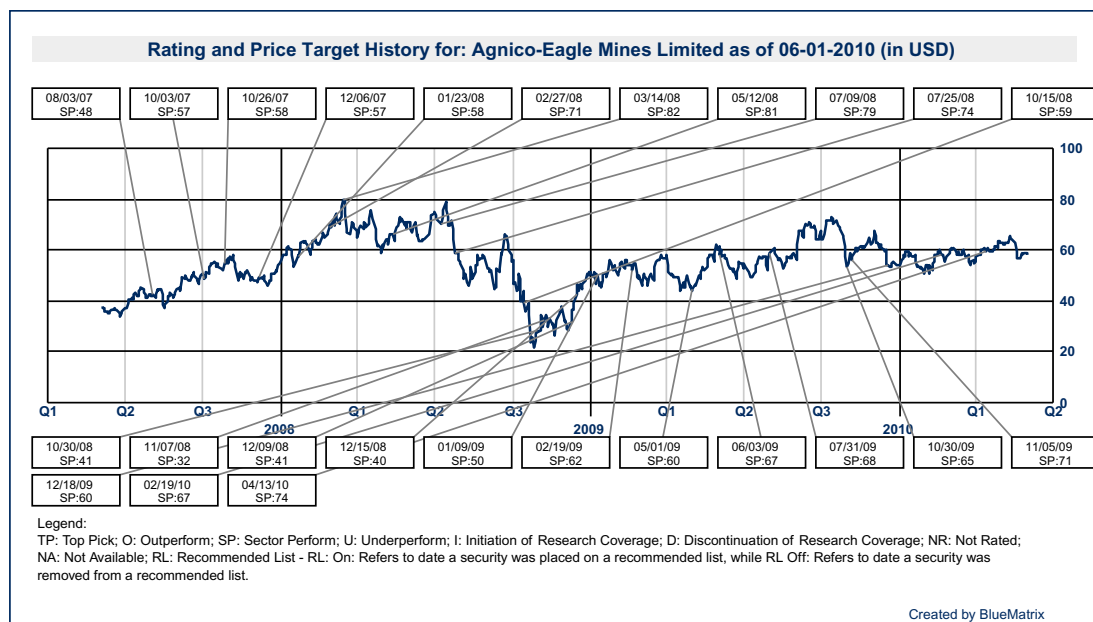
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			Count	Percent
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HOLD[SP]	559	44.90	132	23.61
SELL[U]	59	4.70	10	16.95





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