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# Preparing for the Future

**ANNUAL REPORT 2017**  
Agnico Eagle Mines Limited



**AGNICO EAGLE**

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## AGNICO EAGLE

### Corporate Profile

Agnico Eagle Mines Limited is a senior Canadian gold mining company that has produced precious metals since 1957. Our eight mines are located in Canada, Finland and Mexico, with exploration and development activities in each of these regions, as well as in the United States and Sweden. The Company employs approximately 9,200 people.

Agnico Eagle and our shareholders have full exposure to gold prices due to our long-standing policy of no forward gold sales. We have declared a cash dividend every year since 1983.

### Online Annual Report

We strive to provide our stakeholders with timely, accurate and accessible information about our business activities. To learn more about our commitments, achievements and progress, view our online annual report at [www.agnicoeagle.com/English/investor-relations](http://www.agnicoeagle.com/English/investor-relations)

### On the Cover

Work began in late 2017 on excavation of a portal and underground ramp at the Amaruq Whale Tail project in Nunavut. Approximately 1,210 metres of underground development is planned for 2018.

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## **We are preparing for the future.**

**We are building a long term, sustainable and self-funding business. A high-quality business with a solid production base, long-life assets and a proven business strategy. We will relentlessly pursue this strategy, guided by our mission and principles, and anchored in our values. We will remain a company that people want to work for, invest in and partner with in the future.**

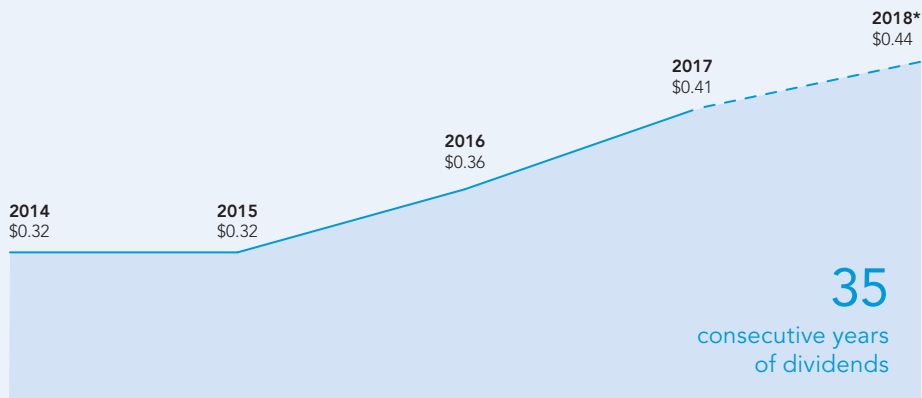


## A Consistent Outperformer

### ANNUAL DIVIDEND DECLARED<sup>1</sup>

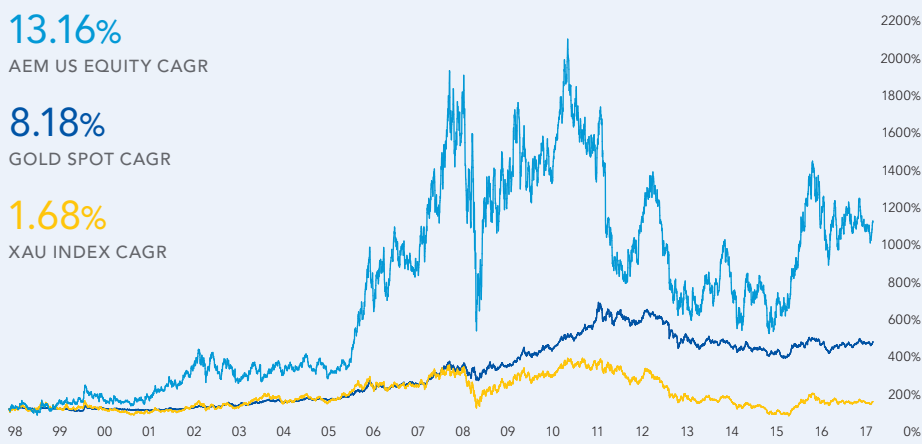
(per share)

\*Assuming the Board of Directors continues to declare dividends of \$0.11 per quarter.



### GROWING VALUE ON A PER SHARE BASIS

— AEM US Equity — Gold Spot — XAU Index



### OPERATING AND FINANCIAL HIGHLIGHTS

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

Operating	2017	2016	2015
Payable gold production (ounces) <sup>2</sup>	1,713,533	1,662,888	1,671,340
Total cash costs per ounce <sup>3</sup>	\$ 558	\$ 573	\$ 567
Average realized gold price per ounce	1,261	1,249	1,156

### Financial (millions, except per share amounts)

	2017	2016	2015
Revenue from mining operations	\$ 2,242.6	\$ 2,138.2	\$ 1,985.4
Net income for the year	243.9	158.8	24.6
Net income per share — basic	1.06	0.71	0.11
Annualized dividend declared per share	0.41	0.36	0.32

<sup>1</sup> Agnico Eagle has now declared a cash dividend every year since 1983.

<sup>2</sup> Payable production of a mineral means the quantity of mineral produced during a period contained in products that are sold by the Company, whether such products are shipped during the period or held as inventory at the end of the period.

<sup>3</sup> Total cash costs per ounce is a Non-GAAP measure and unless otherwise specified is reported on a by-product basis. For further information see "Note Regarding Certain Measures of Performance".

# How does a company successfully grow from one mine to eight, employ 9,200 people worldwide, and still respect its mission to be a high-quality, profitable and easy-to-understand business that is also a great place to work?



“We had another strong year of operating performance exceeding our production forecast and cost guidance for the sixth consecutive year.”

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## SEAN BOYD

Vice-Chairman and Chief Executive Officer

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Respecting our mission remains key to Agnico Eagle’s success. Even as the mining industry and our business become increasingly more complex, we continue to make the tough choices that have helped Agnico Eagle become one of the world’s 100 best-performing companies.<sup>1</sup>

Agnico Eagle will continue to invest in the future steadily over time. We will relentlessly pursue our business strategy, guided by our mission and business principles, and anchored in our values. Our disciplined approach and resilient workforce have consistently delivered strong results. We will remain a company that people want to work for, invest in and partner with in the future.

### High-quality Business

Agnico Eagle posted our best year for safety performance and gold production in 2017.

Our safety performance is a noteworthy achievement because it marks the seventh year in a row we have recorded our lowest number of accidents, even as our workforce grew by almost 10%. Two of our sites, La India and Lapa, recorded triple zero performance — meaning no lost-time accidents, light-duty assignments or fatalities during the year.

We achieved record production during the year of 1.71 million ounces of gold with lower total cash costs, exceeding our production forecast and beating our cost guidance for the sixth consecutive year.

Agnico Eagle continues to have one of the highest mineral reserve grades amongst our North American peers. In 2017, our gold reserves grew by 3% while our grades increased by almost 8%.

### Measured Responsible Growth

Our operations posted strong performances in 2017, culminating in record gold production and strong cash flow generation. This allowed us to increase our production guidance during the year and increase our dividend by 10% starting in the fourth quarter. It also positions us well to grow output beyond 2020 and more importantly increasing cash flow per share.

We made great progress in advancing our Nunavut platform during the year. The development of Meliadine is slightly ahead of schedule, with production now expected in the second quarter of 2019, while drilling at Amaruq yielded significant results and extended the Whale Tail mineralization.

These results underscore, once again, that exploration remains a core competency of our business. Our geological expertise allows us to identify and grow new deposits “in-house”, transfer them into our business and nurture them until they generate meaningful cash flow. This enables us to better manage risk and control the pace of our business and supports our goal of delivering measured and responsible growth.

<sup>1</sup> Harvard Business Review, Best Performing CEOs in the World, 2016, 2017.

Agnico Eagle's mission is to build a high-quality, easy-to-understand business — one that generates superior long-term returns for our shareholders, creates a great place to work for our employees, and contributes positively to the communities in which we operate.

While 2018 is expected to be a year of peak capital expenditures as we finalize development of Meliadine and Amaruq, capex will drop significantly in 2019, as benefits begin to flow from the substantial investments we have made in Nunavut.

#### **New Market Players, Old Market Realities**

While new players and marketing concepts edged into the gold space in 2017, the smart money eventually decided that gold stands the test of time and increased its exposure to the metal, which helped stabilize the price during the year. In 2018, gold is well positioned to counteract uncertainty about inflation and other economic factors. Gold continues to be valued by investors for its ability to protect portfolios and preserve wealth over time.



Our Lapa mine stands as a testament to the spirit and resiliency of our employees and it underscores our commitment to doing things the *Agnico Eagle Way*.

#### **Preparing for the Future the Agnico Eagle Way**

To ensure the long-term sustainability of our business we must execute our near-term growth plans. In 2018, we will pursue key drivers that are critical to our success. These drivers are to:

- Safely meet our production and cost targets; promote and improve profitable production at our mines; and, develop our Meliadine and Amaruq projects on schedule and on budget.
- Improve our asset base by advancing innovation and optimization projects at our sites; and, make informed decisions about how we allocate our human and capital resources.
- Build mineral reserve and mineral resource life in our pipeline by testing new concepts and employing innovative exploration techniques in order to maintain production levels.
- Ensure our next generation of leaders can deliver industry-leading performance by advancing strong succession plans through internal promotions.

In the long term, we are proactively managing other areas of our business to create future value for our company.

Innovation has the potential to optimize every aspect of our business while automation has the power to increase our operations' productivity and safety.

Environmentally, we continue to reduce our footprint and lower our operating costs — constantly exploring opportunities to reduce our consumption of energy and scarce water resources.

Agnico Eagle's social license to operate depends on good relations with our many stakeholders. These relationships are a privilege that require ongoing efforts to maintain. The increasing complexity of the permitting process and the constantly evolving regulatory framework make this a priority across all regions. We will continue to reach out to governments and to our host communities to foster support for our activities. We will also seek to proactively engage local Indigenous groups to build community trust and support.

#### **Culture Remains Key**

As our industry and the world around us become more complex, we remain focused on balancing our investments in the future with generating returns for our shareholders. We will continue to be guided by our mission and business strategy, anchored in our values and engaged in clear and simple business practices that are based on common sense and what is right for Agnico Eagle.

I want to acknowledge Howard Stockford and Pertti Voutilainen who have decided to retire from our Board of Directors. On behalf of everyone at Agnico Eagle, I would like to thank both Howard and Pertti for their more than 13 years of guidance and support to the Board and to our senior management team.

I want to close by also acknowledging the great work of our employees in delivering record performance in 2017. In particular, I want to thank the team at Lapa, who worked hard to extend the mine's life two years beyond what we ever anticipated. Lapa stands as a testament to the spirit and resiliency of all our employees and underscores our commitment to doing things the *Agnico Eagle Way*.

**SEAN BOYD**

Vice-Chairman and Chief Executive Officer  
March 12, 2018

## Solid Track Record of Meeting Expectations

2017 TARGETS	WHAT WE DELIVERED	2018 TARGETS
1,555,000 ounces of gold production.	✔ <b>Achieved.</b> Annual gold production of 1,713,533 ounces.	1,525,000 ounces of gold production.
Maintain gold reserves at approximately 10 to 15 times annual gold production rate.	✔ <b>Achieved.</b> Gold reserves increased by 3.1% to 20.6 million ounces, which remains in the range of approximately 10 to 15 times annual gold production.	Maintain gold reserves at approximately 10 to 15 times annual gold production rate.
Total cash costs per ounce of gold produced of \$595 to \$625.	✔ <b>Achieved.</b> Total cash costs per ounce of gold produced of \$558.	Total cash costs per ounce of gold produced of \$625 to \$675.
All-in sustaining costs per ounce of gold produced of \$850 to \$900. <sup>1</sup>	✔ <b>Achieved.</b> All-in-sustaining costs per ounce of gold produced of \$804 per ounce.	All-in sustaining costs per ounce of gold produced of \$890 to \$940.
Increase operating cash flow per share before changes in non-cash component of working capital.	✔ <b>Achieved.</b> Annual cash flow from operations of \$3.33 per share (\$3.65 per share before changes in non-cash components of working capital) as compared to \$3.50 per share (\$3.21 per share before changes in non-cash components of working capital) in 2016.	Increase operating cash flow per share before changes in non-cash component of working capital.
Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities.	✔ <b>Achieved.</b> We agreed to acquire the exploration assets of Canadian Malartic Corporation, including the Kirkland Lake and Hammond Reef Gold projects.	Search out acquisition opportunities in low-risk regions that are well matched to our skills and abilities.
Combined accident frequency below a rate of 1.25 for Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and leading performance indicators.	✔ <b>Achieved.</b> 0.89 combined accident frequency, a 14% reduction from our performance in 2016.	Combined accident frequency below a rate of 1.1 for Agnico Eagle workforce; shifting to aspirational Zero Harm safety targets and leading performance indicators.
No fines or penalties for environmental failures.	✘ <b>Not achieved.</b> <sup>2</sup>	No fines or penalties for environmental failures.
Zero category 3, 4 or 5 environmental incidents.	✘ <b>Not achieved.</b> <sup>3</sup>	Zero category 3, 4 or 5 environmental incidents.

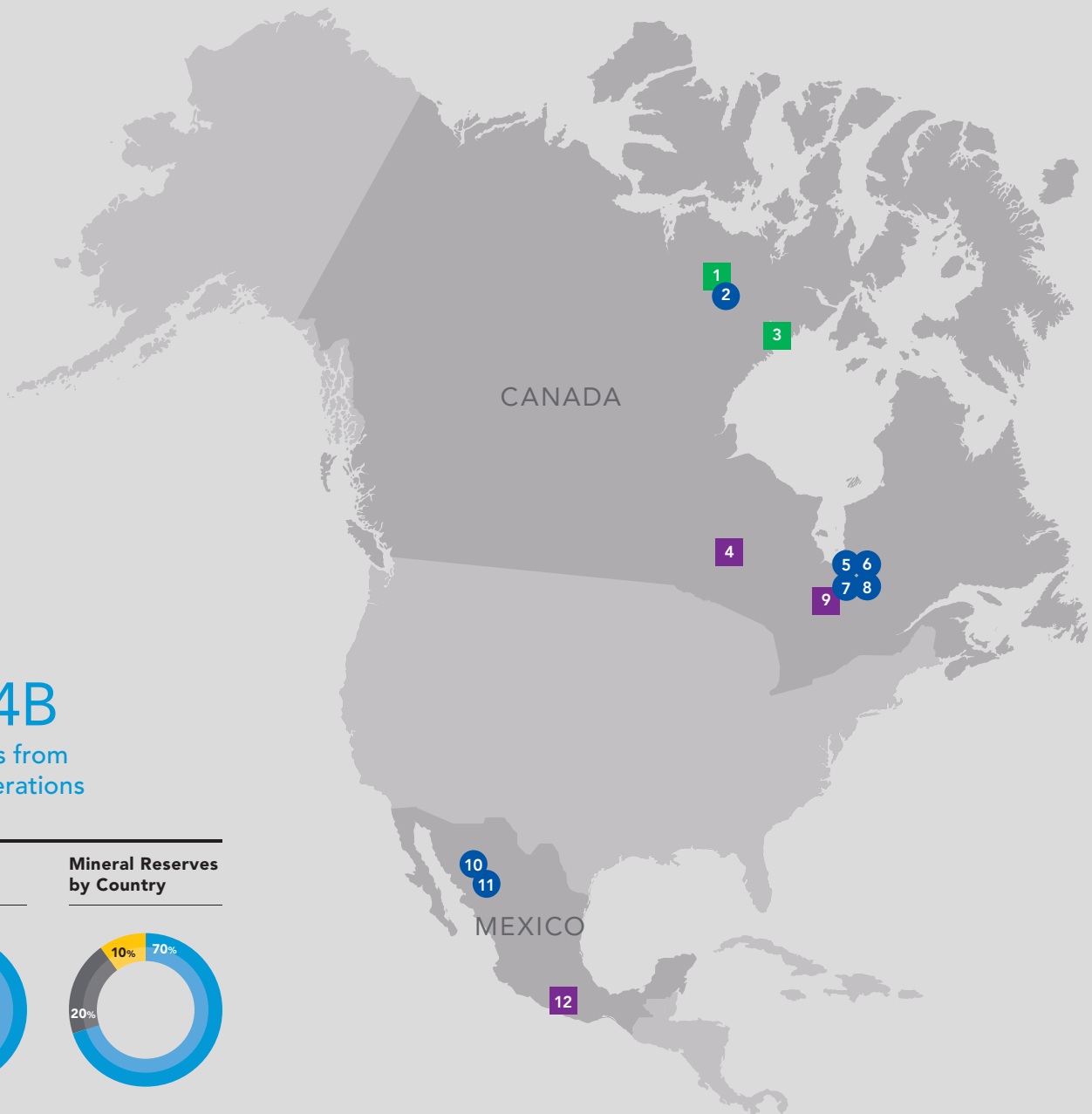
1 All-in sustaining costs per ounce is a Non-GAAP measure and unless otherwise specified is reported on a by-product basis. For further information see "Note Regarding Certain Measures of Performance".

2 In 2015, Environment Canada charged the Company with two infractions under the Fisheries Act in relation to a seepage incident at the Meadowbank mine that was identified during a July 2013 on-site inspection. Monitoring data indicated that the 2013 seepage event did not affect the water quality of the downstream Second Portage Lake. In 2017, as a result of the investigation, the Company paid a C\$50K fine in connection with the two infractions. In 2016, the Canadian Nuclear Safety Commission (CNSC) conducted an on-site inspection of Meadowbank's license for the use of radiation gauges. As a result of the inspection, seven items of non-compliance were identified. In January 2017, the CNSC issued the Meadowbank mine a Notice of Violation with its license conditions for the control and use of a radiation device and assessed a penalty of C\$3,970.

3 Five category 3 events occurred during the year: 1) In April 2017, at Meliadine, a valve was left open by the operator after a fuel transfer operation at the exploration camp tank farm. This resulted in a spill of 30,000 litres of fuel to the frozen ground. All contaminated soil and snow were recovered, stored in a basin to await treatment and a full soil characterization effected afterward. 2) In October 2017, at LaRonde, a sudden overpressure in the reclaim water line resulted in the failure of the cap of a cleaning outlet. It resulted in approximately 95,000 litres of process water containing thiocyanate being discharged partly into the nearby pit and partly on the surrounding ground. Water samples from the downstream creek did not show elevated levels of thiocyanate. 3) In August 2017, on the road between Baker Lake and Meadowbank, a haul truck loaded with bags of solid sodium hydroxide (NaOH) overturned and spilled approximately 25 kg of NaOH on the ground. The contaminated soil was excavated and sent to the Meadowbank land farm. 4) In March 2017, on the road between Baker Lake and Meadowbank, a fuel truck went off the road and the tank was punctured. It resulted in a spill of approximately 4,900 litres of fuel on the frozen ground. All contaminated soil and snow were removed and sent to the Meadowbank land farm. 5) In 2017, a truck transporting ore from Lapa to LaRonde for processing experienced a hydraulic oil leak on Highway 117 and on site. Approximately 40 litres were lost.

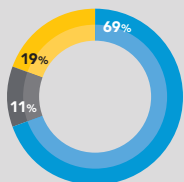
# At-a-Glance

Agnico Eagle operates eight mines located in Canada, Mexico and Finland. We are currently developing the Amaruq and Meliadine projects in Nunavut, northern Canada, which are expected to add significant production starting in 2019.

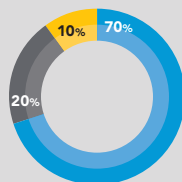


**\$2.24B**  
in revenues from  
mining operations

**Production by Country**



**Mineral Reserves by Country**



Canada Finland Mexico





## DIVERSIFIED OPERATIONS

■ Producing Mine   ■ Development Project   ■ Exploration Project

### 1 Amaruq Whale Tail Project

Gold mine project in Nunavut Territory, northern Canada

Amaruq Whale Tail is being developed as a satellite mining operation to Meadowbank mine, forecast to begin operations in the third quarter of 2019.

### 2 Meadowbank

Nunavut, Canada

Open pit mine in Nunavut Territory, northern Canada.

2017 payable production: 352,526 ounces of gold

### 3 Meliadine Project

Gold mine project in Nunavut Territory, northern Canada

Meliadine is forecast to begin operations in the second quarter of 2019.

### 4 Hammond Reef (50%)

Ontario, Canada

Hammond Reef is a gold exploration project that has an open-pit recovery potential.\*

### 5 Lapa

Quebec, Canada

Underground mine in Abitibi region, Quebec that is expected to end

in the first quarter of 2018; ore being stockpiled for processing in 2018.

2017 payable production: 48,613 ounces of gold

### 6 LaRonde Complex

Quebec, Canada

Underground mine in Abitibi region, Quebec.

2017 payable production: 349,385 ounces of gold

### 7 Goldex Complex

Quebec, Canada

Underground mine in Abitibi region, Quebec.

2017 payable production: 118,947 ounces of gold

### 8 Canadian Malartic (50%)

Quebec, Canada

Open pit mine in Abitibi region, Quebec, in which Agnico Eagle has 50% ownership.

2017 payable production: 316,731 ounces of gold (on a 50% basis)

### 9 Kirkland Lake (50%)

The Upper Canada and Upper Beaver projects have underground and open pit potential for development.\*

### 10 La India Complex

Sonora State, Mexico

Open pit mine with heap leach operation in Mulatos Gold Belt.

2017 payable production: 101,150 ounces of gold

### 11 Pinos Altos & Creston Mascota Complex

Chihuahua State, Mexico

Open pit and underground mine with milling and heap leach operation in northern Mexico (gold, silver by-product).

2017 payable production including Creston Mascota: 229,243 ounces of gold

### 12 El Barqueño

El Barqueño is an early-stage gold/silver project located in Jalisco State, Mexico.

### 13 Barsele (55%)

Barsele is a gold project located in northern Sweden, 500 km southwest of our Kittila mine in northern Finland.

### 14 Kittila

Lapland, Finland

Underground mine, northern Finland.

2017 payable production: 196,938 ounces of gold

## OVERVIEW

Our operations performed well in 2017, continuing to exceed targets and generate significant cash flow. Our gold reserves grew and our gold grades improved. Our near-term growth profile is solid and we continue to operate in low risk, stable jurisdictions around the globe. Our longer-term project pipeline provides our Company with substantial opportunities to add value and we have the leadership talent, technical skills and experience to make it happen.

## 2017 TOTAL FIGURES

1.71M

ounces gold production

5.0M

ounces silver production

6,510

tonnes zinc production



We remain committed to executing our plans while providing a safe and healthy workplace.

➔ To read more about our growth strategy, visit: [www.agnicoeagle.com/operations-and-development-projects](http://www.agnicoeagle.com/operations-and-development-projects)

\* For details on mineral reserves and mineral resources, please see the tables on pages 16, 17 & 18.

# Performance

## 10.2%

higher 2017 production  
than originally forecast



### LaRonde Delivers Record Annual Gold Production

Higher tonnage and grades from the lower portion of the mine drove record production at LaRonde. The mine produced 348,870 ounces of gold with total cash costs per ounce of \$406 in 2017. This compares to 305,788 ounces of gold at total cash costs of \$501 in 2016. Total cash costs per ounce decreased due to higher gold production and by-product metal revenues. Commercial production is expected from LaRonde Zone 5 in the third quarter of 2018, while evaluation is underway on a phased approach to LaRonde 3, a project that would develop deeper levels for mining beyond 2022.

### Canadian Malartic Mines Higher Grades, Sets New Production Record

Canadian Malartic achieved another year of record production and mill throughput in 2017. Agnico Eagle's share of production was 316,731 ounces of gold at total cash costs per ounce of \$576. This compares to 292,514 ounces of gold at total cash costs per ounce of \$606 in 2016. Total cash costs per ounce decreased due to the higher gold production. Production activities are expected to begin at the Barnat extension project in late 2019.

### Lapa Extends Production Until LaRonde Zone 5 Start-up

Mining operations at Lapa continued through year-end 2017 with ore being stockpiled for processing in 2018. Lapa produced 48,410 ounces of gold in 2017 at total cash costs per ounce of \$755. This compares to 73,930 ounces of gold at total cash costs per ounce of \$732 in 2016. Total cash costs per ounce increased due to lower production and grades as the mine approaches the end of operations. Milling operations are planned to resume in March 2018.

### Goldex Deep Zone 1 Ramp-up Progressing Well, Deep Zone 2 Exploration Plan Accelerated

As development of the Goldex deep zones continued in 2017, the mine produced 110,906 ounces of gold at total cash costs per ounce of \$610. This compares to 120,704 ounces of gold at total cash costs per ounce of \$532 in 2016. Total cash costs increased due to lower production and throughput levels.

Commercial production from the Deep Zone 1 was achieved in July 2017, while development of Deep Zone 2 is now underway and will continue throughout 2018. Development of the Akasaba West gold-copper deposit was deemed acceptable under certain conditions; government recommendations are expected in the second half of 2018, with project start-up anticipated in 2020.



### Meadowbank Production Extended into Early 2019

Meadowbank produced 352,526 ounces of gold at total cash costs per ounce of \$614 in 2017. This compares to 312,214 ounces of gold at total cash costs per ounce of \$715 in 2016. Total cash costs per ounce decreased due to higher production. Production is expected to extend into 2019, bridging the gap between the cessation of mining activities at Meadowbank and the start of operations at Amaruq expected in the third quarter of 2019.

### Kittila Proceeds with Mine Expansion

Kittila produced 196,938 ounces of gold at total cash costs per ounce of \$753 in 2017. This compares to 202,508 ounces of gold at total cash costs per ounce of \$699 in 2016. Total cash costs per ounce increased due to the lower production. The Kittila mine expansion has been approved for construction, adding a 1,044-metre-deep shaft and increasing expected mill throughput by 25% to 2 million tonnes per year. The expansion is planned to be



Goldex's Deep Zone 1 extends the life of the mine and provides potential opportunities to extend operations further into the future.

phased in over four years at a capital cost of approximately 160 million euros. It is expected to result in a 50,000 to 70,000 ounce increase in annual gold production at reduced operating costs beginning in 2021.

#### **Pinos Altos Production to Begin at Sinter Deposit in Late 2018**

Pinos Altos produced 180,859 ounces of gold at total cash costs per ounce of \$395 in 2017. This compares to 192,772 ounces of gold at total cash costs per ounce of \$356 in 2016. Total cash costs per ounce increased due to lower gold and silver production. The Sinter deposit is scheduled to be mined from underground and a small open pit, with initial production expected to begin in late 2018, pending receipt of required permits.

#### **Creston Mascota Transitions Mining to Bravo Deposit**

Creston Mascota produced 48,384 ounces of gold at total cash costs per ounce of \$575 in 2017. This compares to 47,296 ounces of gold at total cash costs per ounce of \$516 in 2016. Total cash costs per ounce increased

due to higher waste haulage costs, partially offset by higher production. Engineering is underway on the Phase V heap leach pad, which will be an extension to the existing facility. The nearby Bravo deposit, a new open pit orebody, is in pre-production development, while drilling continued at the high-grade, and potential satellite, Madrono Zone.

#### **La India Focuses on Extending Near-pit Mineralization**

La India produced 101,150 ounces of gold at total cash costs per ounce of \$580 in 2017. This compares to 115,162 ounces of gold at total cash costs per ounce of \$395 in 2016. Total cash costs per ounce increased due to lower gold production and by-product revenue, as well as, higher contractor, maintenance and waste haulage costs. Construction of a new heap leach pad is expected to begin in the second quarter of 2018.

➔ To read more about Agnico Eagle, please visit: [www.agnicoeagle.com](http://www.agnicoeagle.com)

## HIGHLIGHTS

2017 was another strong year of operating performance for Agnico Eagle mines. We exceeded our production forecast and beat our cost guidance for the sixth consecutive year. In addition to setting a new annual production record, we recorded the fewest number of lost-time accidents. We remain on track to deliver production of 2 million ounces of gold with lower unit costs in 2020. We remain committed to executing our plans while providing a safe and healthy workplace, with minimum environmental impacts, and within accepting communities.

## 6th

consecutive year of exceeding gold production and beating cost guidance

## \$875M

in capital expenditures

## 25%

increase in mill throughput at Kittila by 2021



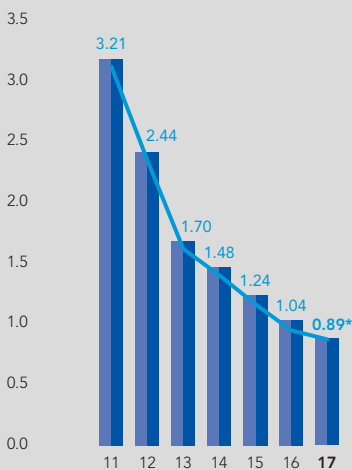
Our ability to retain and attract a skilled, engaged workforce and to build trusting relationships with communities is a key strength.

PERFORMANCE

# Health, Safety and Environmental Management



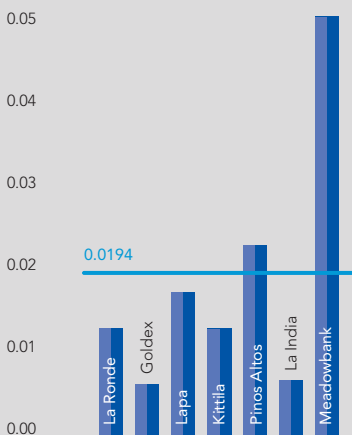
### COMBINED LOST TIME AND RESTRICTED WORK FREQUENCY



\* Includes Canadian Malartic

### GHG EMISSION INTENSITY (2017)

■ 2017 (does not include Canadian Malartic)  
 ■ AEM Global Average



We have built a strong culture of responsible behaviour that forms the core of our environmental, health and safety performance.

#### Record Safety Performance

In 2017, we had the highest number of worked hours in Agnico Eagle history. Our operations posted record safety performance with the fewest lost-time accidents (LTA) since we began compiling global statistics over 10 years ago and with two of our operations (La India and Lapa) achieving triple zero performance — no lost-time accidents, no light-duty assignments and no fatalities — a 14% reduction from our performance in 2016 and below our target rate of 1.25. This is the seventh year in a row we have posted our lowest ever combined LTA rate at 0.89.

#### Controlling GHG Emissions

Agnico Eagle’s overall greenhouse gas (GHG) emissions totalled 414,654 tonnes of CO<sub>2</sub> equivalent in 2017, a 4% increase from 2016, about the same percentage increase as our ore tonnage production increase. Our average overall GHG intensity increased by 3% to 0.0195 CO<sub>2</sub> equivalent per tonne of ore processed. The main contributors to the increase are the increase in mined tonnes at La India as the ore grade was lower than expected, and a longer average ore haul distance at Meadowbank where more ore from the Vault pit was mined at a further distance from the mill. On the positive side, both Lapa and LaRonde saw a net decrease in their GHG emissions and Pinos Altos emissions remained the same as the previous year despite an increase in mined tonnage.

#### Responsible Mining

The Company’s Responsible Mining Management System (RMMS) is the foundation upon which we are building our capacity to manage the commitments made in our Sustainable Development Policy. Our RMMS is consistent with the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety Management System.

In 2017, we completed the first internal audit of the RMMS program. The purpose of the audit was to verify the implementation of the system at the divisional level and to confirm whether the RMMS Standard requires clarification or improvement to achieve its intended goal of continuous improvement. The audit led to two primary findings:

- 1) some changes to the RMMS standard were necessary to make the system more effective and
- 2) in order to continue improving overall operating performance, there was a need to re-energize system engagement at all levels. The latter will be achieved by delivering RMMS workshops across all sites and offices. Workshop development began in 2017 and delivery will follow in 2018.

➔ To read more on our Sustainable Development performance, please visit: [www.agnicoeagle.com/English/sustainability/](http://www.agnicoeagle.com/English/sustainability/)

## FEATURE STORIES

## Lapa Celebrates Life of Mine

Lapa mine officially celebrated its last year of operation in 2017, marking nine years of production — which is two more years of life than we ever anticipated for this small but high-grade Abitibi-based mine.

What led to the successful extension of Lapa's mine life? The mine stands as a testament to the spirit and resiliency of our employees and underscores our commitment to doing things the *Agnico Eagle Way*.

Christian Provencher, Vice-President, Canada, says: "The team at Lapa has overcome many challenges. First, the narrow veins combined with higher dilution than anticipated, tough ground conditions and ore grades that were lower than originally planned. We were told the daily tonnage could never reach 1,500 tonnes per day (TPD) but with new mining methods, the team got that number up to 1,800 TPD. So we are very proud of the team's resiliency; it meant we could keep extending the mine's life."

"The management team was always transparent about Lapa's limited mine life. And from day one, they put safety first. That allowed employees to remain focused on the task-at-hand and to work safely as a team."



Once production from Lapa mine is completed later in 2018, official reclamation and restoration work will begin, with full closure anticipated in 2026–2027.

In 2017, Lapa won the John T. Ryan Safety Award for the lowest reportable injury frequency in the province of Quebec.

The *Agnico Eagle Way* was also at the core of how our Human Resources (HR) team approached the workforce transition planning process, starting well in advance back in 2014. The goal was to ensure that permanent employees could successfully transfer to other Agnico Eagle operations, whether LaRonde or Goldex in the Abitibi region, or one of our sites in Nunavut, if desired. The HR team's careful consideration throughout the process has now led to a truly remarkable outcome with no employees losing their jobs as a result of the mine's closure.

Some mining at Lapa will still continue until the third quarter of 2018 and approximately 100 people will be remaining on site to dismantle valuable equipment and move mobile equipment and supplies to other sites. Once completed, official reclamation and restoration work will then get underway, with full closure anticipated in 2026–2027.



## Goldex Rail-Veyor Delivers a Sustainable Future

Goldex Deep Zone 1 achieved commercial production in July 2017, extending the mine's expected life to 2025, and creating a better outlook for Goldex's future.

The Goldex team needed to develop the low-grade deposit using a cost-effective mining method that would be economic at such deep levels — a challenge that had never been tried before.

According to Patrice Simard, Superintendent, "We had to find a way to convert low-grade mineral resources into actual mineral reserves. It was the passion of our people that allowed us to achieve this goal. They love what they do and they always want to discover more."

The project team installed a new underground technology called the Rail-Veyor, an automated conveyor system, which was key to making the Deep Zone 1 project both economically and operationally viable. Unlike regular conveyors, the Rail-Veyor system can easily negotiate the sharp turns within Goldex's steep (17%) internal ramp system. It also has other health, safety and industrial hygiene advantages, reducing the mine's GHG emissions and diesel use.

Installing the Rail-Veyor system and developing the Deep Zone 1 infrastructures at a \$150 million budget was also no easy task. It meant extensive cooperation and coordination to ensure the 100-person construction crew didn't disrupt daily mining operations.

Frédéric Mercier-Langevin, Goldex's General Manager, comments, "Thanks to everyone's dedication and commitment, we now have a great project and a mine with a longer lifespan. There is a great future ahead of us here at Goldex."

# Pipeline

## 3.1%

increase in mineral reserves due to successful conversion at key development projects



### Amaruq Tracking for Expected Start-up in Third Quarter 2019

The Amaruq Whale Tail project, a satellite deposit of the Meadowbank mine, was approved for development in February 2017. Conventional open pit mining on the Whale Tail deposit is forecast to begin in the third quarter of 2019.

Other satellite deposits, such as the V Zone, will be included in the mine plan pending receipt of the required permits. Amaruq will use existing infrastructure at the Meadowbank mine, but a larger camp and truck warehouse-fuel storage facility are being built, and a new truck fleet will be required to haul ore to the Meadowbank mill.

The site is accessed by a 64-kilometre road from the Meadowbank site, which will be expanded to a production road once all necessary permits are received. The mill is expected to operate at a rate of 9,000 tonnes per day, following minor modifications, including the addition of a continuous gravity and regrind circuit. The initial plan calls for the production of approximately 2.1 million ounces of gold between 2019 and 2024, with pre-mining activities starting in 2018 at the Whale Tail deposit, leaving approximately 60% of the current mineral reserve and mineral resource base uncovered by the mine plan.

Total initial capital costs remain unchanged at approximately \$330 million. In 2017, capital expenditures at Amaruq were

\$89 million and included the construction of a portal for the development of an underground ramp starting in 2018 — the main purpose of which is to evaluate the potential for underground mining activities at both the Whale Tail and V zones. In 2018, approximately \$175 million will be spent, largely on the procurement of additional equipment and materials for the 2018 sealift.

The Whale Tail satellite project is currently in the permitting process and the Company expects to receive final approvals in the second quarter of 2018.

### Meliadine Ahead of Schedule, Production now Expected in Second Quarter 2019

The Meliadine project, located near Rankin Inlet, was approved for development in February 2017, with operations originally forecast to begin in the third quarter of 2019. Given the progress of construction and development activities in 2017, Meliadine is now expected to begin production in the second quarter of 2019.

Production is forecast to be approximately 5.7 million ounces of gold over a 15-year mine life. The current production forecast represents approximately 60% of the known mineral reserve and mineral resource base.

Total initial capital costs of the project remain unchanged at \$900 million. Capital spending in 2017 totalled approximately \$372 million and in 2018, is forecast to be



approximately \$398 million, an acceleration which supports the commencement of production earlier than plan.

Underground development remains on track and a key focus in 2018 will be the installation of mechanical, piping, electrical wiring and instrumentation in the process plant for commissioning in the first quarter of 2019. Underground development is on plan for 2018 and critical mining equipment is being commissioned.

### Canadian Malartic Expands Mineral Resources, Potential to Extend Mine Life

At the Canadian Malartic mine, updated mineral resources (on a 50% basis) were declared at both the Odyssey and East Malartic properties. Odyssey's updated inferred mineral resources are now estimated at 0.8 million ounces of gold (11.2 million tonnes grading 2.32 grams per tonne ("g/t") gold); East Malartic's inferred mineral resources are now estimated at 1.2 million ounces of gold (19.0 million

At the Amaruq project, a first-phase \$14.2 million exploration program is planned for 2018.



tonnes grading 2.02 g/t gold). Permitting activities are underway for an exploration ramp to provide underground access to the shallower portions of the Odyssey South and East Malartic deposits, with a goal to provide higher grade feed to the Canadian Malartic mill and extend the current mine life. Agnico Eagle has agreed to acquire the Canadian exploration assets from Canadian Malartic Corporation, including properties in the Kirkland Lake area and the Hammond Reef property, both in Northern Ontario.

#### **Kittila Exploration Results Support Expansion, Barsele Increases Mineral Resources/Grades**

The decision to expand production at Kittila was supported by favourable drilling results which extended the Sisar Top and the Rimpi Deep areas of the mine. At the Barsele project in Sweden, drilling has unlocked additional mineral resources and grades. The project is estimated (on a 55% basis) to contain an initial indicated mineral resource of 138,000 ounces of gold (3.5 million tonnes

grading 1.25 g/t gold), and an inferred mineral resource of 761,000 ounces of gold (10.2 million tonnes grading 2.31 g/t gold).

#### **Exploration Continues to Build Out Mexican Pipeline**

El Barqueño is estimated to contain 327,000 ounces of gold and 1.3 million ounces of silver in indicated mineral resources (8.0 million tonnes grading 1.27 g/t gold and 4.96 g/t silver) and 318,000 ounces of gold and 4.9 million ounces of silver in inferred mineral resources (8.2 million tonnes grading 1.21 g/t gold and 18.44 g/t silver). Drilling in 2018 will focus on testing new target areas. Agnico Eagle believes that El Barqueño has the potential to be developed into a series of open pits utilizing heap leach and/or mill processing, similar to the Pinos Altos mine. Additional metallurgical testing is continuing at El Barqueño.

➔ [To read more on exploration and development projects, please visit: www.agnicoeagle.com](http://www.agnicoeagle.com)

## HIGHLIGHTS

In 2017, our exploration and development team delivered on several fronts. We continued to increase our mineral reserve base and advance our project pipeline to enhance Agnico Eagle's production profile and grow free cash flow beyond 2020. In addition to Amaruq and Meliadine, we advanced key initiatives at Canadian Malartic, Kittila, Barsele and El Barqueño.

### Amaruq Highlights

**60%**

of Amaruq mineral reserve and mineral resource base not yet included in mine plan

**\$330M**

Amaruq capital budget remains on target

**2.1M**

ounces of gold over Amaruq's 6-year mine life (forecast)

### Meliadine Highlights

**40%**

of Meliadine's mineral reserve and mineral resource base not yet included in production forecast

**\$900M**

Meliadine capital budget remains on target

**5.7M**

ounces of gold over Meliadine's 15-year mine life (forecast)

# People

## 60

Our culture of collaboration, developed over the last 60 years, will guide us into the future



One of the critical drivers for our near-term success is to develop succession plans for all critical positions in our company. This will ensure our next generation of leaders can deliver industry-leading performance and generate value for Agnico Eagle.

As company veterans retire and new expertise is brought onboard, we are developing strong succession plans at all levels, knowing that internal promotions are key to our corporate culture and success, and that they require the proper preparation of our people.

### Employees Key to Creating Shareholder Value

Employees are a key factor in creating value and longevity for our business — whether they are working at an exploration project that extends mineral reserve life or on a mining optimization project that advances productivity. It takes a skilled and engaged workforce to understand what is required to:

- identify successful exploration and development opportunities.
- turn these opportunities into cash generating situations, such as new plant expansions.
- allow the business to be renewed multiple times.
- challenge workplace ideas and conventional thinking about “how things get done”, such as our innovative use of the Rail-Veyor system.

### Staying True to Our Culture

A committed and engaged workforce is what truly creates value for our business. Employees who trust that their voices are heard will feel comfortable collaborating to improve thinking on how things get done in the workplace. They will think outside the box, introducing a more productive way to work or taking that extra step to ensure their colleague’s safety. Their dedication allows Agnico Eagle to be the best that we can be, helping to renew our business over and over again.

We believe it is critical, therefore, to regularly survey our workforce so that we can: gain insight into their satisfaction with our performance; maintain our corporate culture; and achieve our mission and business strategy.

In 2017, our Mexican operations once again participated in the Great Place to Work Mexico® competition — an annual survey that regularly measures high-confidence, high-performance work cultures.

The survey results ranked Agnico Eagle Mexico in the top 50 Great Place to Work companies for employers with between 500 and 5,000 employees. The goal of the program is to help organizations gain better results from their businesses and improve the quality of their workplaces.

Top highlights of Agnico Eagle Mexico’s survey results in 2017 include a 13% improvement in employee engagement



scores over the past five years, as well as a 12% improvement in workplace collaboration over the same time period. Additionally, 94% of our employees say that Agnico Eagle Mexico is a *great place to work*.

Other key highlights include:

- Employee engagement levels were 92%, placing Agnico Eagle’s results in the Top 10 of Mexican enterprises.
- Employee satisfaction with workplace collaboration was 78%, placing Agnico Eagle’s results in the Top 100 of Mexican enterprises.
- Employees gave leadership high marks — 82% — for nurturing trust with employees, for their ability to drive organizational goals, and for encouraging personal bests and cultivating team spirit.

In total, 95% of employees completed the 2017 survey as compared to 90% in 2016.





Our ability to retain and attract a skilled, engaged workforce and to build trusting relationships with communities is a key strength.

While there is always room for improvement, employees say they take great pride in working for Agnico Eagle Mexico and appreciate our commitment to investing in the future of our people and our local communities:

- 99% say they trust the leadership of Agnico Eagle Mexico.
- 96% are proud to say “I work here”.
- 96% say “when I see what we have, I’m proud of it”.
- 95% want to work at Agnico Eagle for a long time.
- 94% say Agnico Eagle Mexico is a great place to work.
- 90% say they see opportunities for development, innovation and improvement.

Employees also told us we need to improve our focus on compensation and performance management, employee communication and involving them in decisions that could potentially impact their roles.

Carlos Alegre, Regional Manager, Human Resources & Administration for Agnico Eagle Mexico says, “Our goal is to maintain this upward trend and continue to cultivate trusting relationships with our workforce. We are pleased that employees strongly believe in the future of our company and express their pride in working for Agnico Eagle Mexico. We will continue to strengthen our leadership team and develop the competency and skills of our workforce. We also heard very clearly that employees want us to stay true to our culture and guiding principles in order to deliver on our business goals.”

In addition to Mexico’s Great Place to Work annual engagement survey, Agnico Eagle conducts a global engagement survey every three years to measure satisfaction levels of our employees in Canada, Finland and Sweden.

➔ To read more on our people and culture, please visit: [www.agnicoeagle.com](http://www.agnicoeagle.com)

## HIGHLIGHTS

As our industry and the world around us become more complex, Agnico Eagle’s corporate culture remains anchored in our values and guided by our mission. We continue to engage in clear and simple business practices that are based on common sense and what is right for Agnico Eagle, our employees and communities. Ensuring our next generation of leaders can deliver industry-leading performance will help us execute our growth plans and maintain our competitive edge.

### 9,200

people are employed by Agnico Eagle worldwide

### 93%

of employees approve of our community impact work

### 90%

of employees approve of our social responsibility performance

### 85%

of employees feel engaged by their work



Respecting our employees and having clearly defined roles and responsibilities is of utmost importance to maintain an engaged workforce.

## Mineral Reserves

### Gold Reserves Increased by 3.1% while Grades Increased by 7.7%

In 2017, mineral reserves grew by 0.6 million ounces of gold. Agnico Eagle continues to have one of the highest mineral reserve grades among our North American peers.

A large portion of the reserve increase can be attributed to mineral resource conversion at the Amaruq satellite deposit at Meadowbank. Initial mineral reserves at Amaruq are 2.4 million ounces of gold (20.1 million tonnes grading 3.67 g/t gold) at open pit depth. This brings the complement of mineral reserves at the Meadowbank Complex, including Amaruq, to 2.7 million ounces of gold (24.8 million tonnes grading 3.40 g/t gold).

Other 2017 highlights include: a 260,000 ounce increase to Meliadine's mineral reserve to 3.7 million ounces of gold (16.1 million tonnes grading 7.12 g/t gold) as a result of conversion from indicated mineral resources; an increase in Goldex Deep Zone 1 mineral reserves by approximately 138,000 ounces of gold (3.5 million tonnes at 1.24 g/t gold); initial mineral reserves of 100,000 ounces of gold (2.0 million tonnes grading 1.57 g/t gold) declared at the Bravo Zone at Creston Mascota; and, initial mineral reserves of 100,000 ounces of gold (1.6 million tonnes grading 1.90 g/t) declared at Pinos Altos' Sinter deposit.

Our proven and probable mineral reserves, net of 2017 production, totalled 257 million tonnes of ore grading 2.49 g/t gold, containing approximately 20.6 million ounces of gold. This

3.1% increase (~600,000 ounces) is largely the result of the initial mineral reserves declared at the Amaruq satellite deposit at Meadowbank and at the Bravo Zone at Creston Mascota, and successful drill programs and the reduction in cut-off grade at Meliadine, partially offset by the 1,713,533 ounces of payable gold production in 2017 (1,928,000 ounces of in-situ gold mined).

Our overall mineral reserve gold grade improved to 2.49 g/t from 2.31 g/t, largely due to the higher-than-average grade of new mineral reserves at Amaruq, as well as an increase in the cut-off grade at several operations.

Our goal is to maintain gold reserves at approximately 10 to 15 times Agnico Eagle's annual gold production rate and we are currently within this range.

As of December 31, 2017

OPERATIONS/PROJECTS			PROVEN			PROBABLE			PROVEN & PROBABLE		
GOLD	Mining Method	Ownership	000 Tonnes	g/t	000 Oz Au	000 Tonnes	g/t	000 Oz Au	000 Tonnes	g/t	000 Oz Au
LaRonde	Underground	100%	5,746	4.94	912	9,533	5.66	1,735	15,279	5.39	2,647
LaRonde Zone 5	Underground	100%	3,758	2.02	244	2,477	1.97	157	6,236	2.00	401
Canadian Malartic	Open Pit	50%	24,990	0.95	760	65,509	1.15	2,429	90,499	1.10	3,189
Goldex	Underground	100%	181	1.61	9	18,006	1.57	907	18,186	1.57	917
Akasaba West	Open Pit	100%	–	–	–	5,194	0.87	145	5,194	0.87	145
Lapa	Underground	100%	127	3.75	15	–	–	–	127	3.75	15
Meadowbank	Open Pit	100%	1,820	1.36	79	2,888	2.86	265	4,708	2.28	345
Amaruq	Open Pit	100%	–	–	–	20,063	3.67	2,366	20,063	3.67	2,366
<b>Meadowbank Complex Total</b>			<b>1,820</b>	<b>1.36</b>	<b>79</b>	<b>22,951</b>	<b>3.57</b>	<b>2,631</b>	<b>24,771</b>	<b>3.40</b>	<b>2,710</b>
Meliadine	Open Pit	100%	48	7.17	11	3,693	5.19	617	3,741	5.22	628
Meliadine	Underground	100%	–	–	–	12,317	7.70	3,050	12,317	7.70	3,050
<b>Meliadine Total</b>			<b>48</b>	<b>7.17</b>	<b>11</b>	<b>16,010</b>	<b>7.12</b>	<b>3,666</b>	<b>16,058</b>	<b>7.12</b>	<b>3,677</b>
Upper Beaver	Underground	50%	–	–	–	3,996	5.43	698	3,996	5.43	698
Kittila	Underground	100%	971	4.26	133	25,894	4.75	3,957	26,865	4.74	4,090
Pinos Altos	Open Pit	100%	74	1.06	3	1,159	0.95	35	1,233	0.96	38
Pinos Altos	Underground	100%	4,229	2.58	351	10,973	2.51	885	15,202	2.53	1,235
<b>Pinos Altos Total</b>			<b>4,304</b>	<b>2.55</b>	<b>353</b>	<b>12,132</b>	<b>2.36</b>	<b>920</b>	<b>16,435</b>	<b>2.41</b>	<b>1,273</b>
Creston Mascota	Open Pit	100%	21	0.90	1	2,368	1.47	112	2,389	1.47	113
La India	Open Pit	100%	266	0.49	4	30,394	0.69	674	30,660	0.69	679
<b>Totals</b>			<b>42,232</b>	<b>1.86</b>	<b>2,523</b>	<b>214,464</b>	<b>2.62</b>	<b>18,031</b>	<b>256,696</b>	<b>2.49</b>	<b>20,554</b>
SILVER	Mining Method	Ownership	000 Tonnes	g/t	000 Oz Ag	000 Tonnes	g/t	000 Oz Ag	000 Tonnes	g/t	000 Oz Ag
LaRonde	Underground	100%	5,746	16.79	3,102	9,533	18.78	5,755	15,279	18.03	8,857
Pinos Altos	Open Pit	100%	74	63.45	152	1,159	23.41	872	1,233	25.83	1,024
Pinos Altos	Underground	100%	4,229	68.38	9,297	10,973	67.16	23,693	15,202	67.50	32,990
<b>Pinos Altos Total</b>			<b>4,304</b>	<b>68.29</b>	<b>9,449</b>	<b>12,132</b>	<b>62.98</b>	<b>24,565</b>	<b>16,435</b>	<b>64.37</b>	<b>34,015</b>
Creston Mascota	Open Pit	100%	21	9.56	6	2,368	30.36	2,311	2,389	30.18	2,318
La India	Open Pit	100%	266	3.40	29	30,394	2.14	2,094	30,660	2.15	2,123
<b>Totals</b>			<b>10,336</b>	<b>37.87</b>	<b>12,587</b>	<b>54,427</b>	<b>19.84</b>	<b>34,725</b>	<b>64,763</b>	<b>22.72</b>	<b>47,312</b>
COPPER	Mining Method	Ownership	000 Tonnes	%	tonnes Cu	000 Tonnes	%	tonnes Cu	000 Tonnes	%	tonnes Cu
LaRonde	Underground	100%	5,746	0.22	12,874	9,533	0.23	22,252	15,279	0.23	35,126
Akasaba West	Open Pit	100%	–	–	–	5,194	0.49	25,535	5,194	0.49	25,535
Upper Beaver	Underground	50%	–	–	–	3,996	0.25	9,990	3,996	0.25	9,990
<b>Totals</b>			<b>5,746</b>	<b>0.22</b>	<b>12,874</b>	<b>18,724</b>	<b>0.31</b>	<b>57,776</b>	<b>24,470</b>	<b>0.29</b>	<b>70,651</b>
ZINC	Mining Method	Ownership	000 Tonnes	%	tonnes Zn	000 Tonnes	%	tonnes Zn	000 Tonnes	%	tonnes Zn
LaRonde	Underground	100%	5,746	0.41	23,405	9,533	1.17	111,079	15,279	0.88	134,484
<b>Totals</b>			<b>5,746</b>	<b>0.41</b>	<b>23,405</b>	<b>9,533</b>	<b>1.17</b>	<b>111,079</b>	<b>15,279</b>	<b>0.88</b>	<b>134,484</b>

## Mineral Resources

### Successful Conversion Decreases Measured and Indicated Mineral Resources with Grade Improvements

In 2017, Agnico Eagle's measured and indicated mineral resources decreased to approximately 310 million tonnes grading 1.60 g/t gold, or 16.0 million ounces of gold. This represents approximately a 3% decrease in ounces of gold (0.4 million ounces), a 7% decrease in tonnage (24 million tonnes) and an improvement in grade to 1.60 g/t gold compared with 1.53 g/t gold in the December 31, 2016 measured and indicated mineral resource estimate.

Highlights from the December 31, 2017 mineral resources statement include: conversion drilling at the LaRonde mine below 311 level that led to the reclassification of approximately 800,000 ounces of gold from inferred into

indicated mineral resources; initial indicated mineral resources of 138,000 ounces of gold (3.5 million tonnes grading 1.25 g/t gold) declared at the Barsele project in Sweden (reflecting Agnico Eagle's 55% interest); initial inferred mineral resources containing 1.2 million ounces of gold (19.0 million tonnes grading 2.02 g/t gold) declared at the East Malartic project at the Canadian Malartic mine property (reflecting Agnico Eagle's 50% interest); and, initial inferred mineral resources containing 876,000 ounces of gold (6.0 million tonnes grading 4.50 g/t gold) declared at the Upper Canada deposit at Kirkland Lake (reflecting Agnico Eagle's current 50% interest).

Successful conversion to mineral reserves resulted in decreases in measured and indicated mineral resources, particularly at Amaruq, with smaller amounts at the

Goldex Deep Zone 1, Creston Mascota's Bravo Zone, and the Sinter Zone at Pinos Altos. This loss was partially offset by successful conversion of inferred to indicated mineral resources, particularly at Amaruq, the LaRonde mine below Level 311, Meliadine, Kittila, La India and the Barsele project. The LaRonde mine below level 311 now has indicated mineral resources of 1.1 million ounces of gold (4.6 million tonnes grading 7.17 g/t gold).

Agnico Eagle's inferred mineral resources now total 164 million tonnes grading 2.87 g/t gold, or approximately 15.2 million ounces of gold. This represents an approximate 4% decrease in ounces of gold (0.7 million ounces), a 26% decrease in tonnage (57 million tonnes) and an increase in grade to 2.87 g/t gold compared with 2.23 g/t gold in the December 31, 2016 inferred mineral resources estimate.

As of December 31, 2017

OPERATIONS/PROJECTS			MEASURED			INDICATED			MEASURED & INDICATED			INFERRED		
	Mining Method	Ownership	000 Tonnes	g/t	000 Oz Au	000 Tonnes	g/t	000 Oz Au	000 Tonnes	g/t	000 Oz Au	000 Tonnes	g/t	000 Oz Au
<b>GOLD</b>														
LaRonde	Underground	100%	–	–	–	7,789	5.38	1,348	7,789	5.38	1,348	5,285	5.49	932
LaRonde Zone 5	Underground	100%	–	–	–	9,306	2.42	724	9,306	2.42	724	2,826	5.33	485
Ellison	Underground	100%	–	–	–	651	3.25	68	651	3.25	68	2,323	3.39	253
Canadian Malartic	Open Pit	50%	295	0.45	4	1,008	0.46	15	1,303	0.46	19	1,105	0.96	34
Canadian Malartic	Underground	50%	1,742	1.48	83	9,969	1.69	543	11,711	1.66	626	3,713	1.67	200
<b>Canadian Malartic Total</b>			<b>2,037</b>	<b>1.33</b>	<b>87</b>	<b>10,977</b>	<b>1.58</b>	<b>558</b>	<b>13,014</b>	<b>1.54</b>	<b>645</b>	<b>4,818</b>	<b>1.51</b>	<b>234</b>
Odyssey	Underground	50%	–	–	–	108	2.45	9	108	2.45	9	11,246	2.32	838
East Malartic	Underground	50%	–	–	–	–	–	–	–	–	–	18,974	2.02	1,235
Goldex	Underground	100%	12,360	1.86	739	18,267	1.77	1,038	30,627	1.80	1,777	26,871	1.51	1,300
Akasaba West	Open Pit	100%	–	–	–	2,184	0.70	49	2,184	0.70	49	–	–	–
Lapa	Underground	100%	159	3.62	18	576	4.07	75	734	3.97	94	587	7.16	135
Zulapa	Open Pit	100%	–	–	–	–	–	–	–	–	–	391	3.14	39
Meadowbank	Open Pit	100%	199	1.00	6	2,386	2.29	175	2,585	2.19	182	68	2.17	5
Amaruq	Open Pit	100%	–	–	–	7,118	3.15	720	7,118	3.15	720	978	4.30	135
Amaruq	Underground	100%	–	–	–	1,661	5.64	301	1,661	5.64	301	7,704	6.50	1,609
<b>Amaruq Total</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>8,779</b>	<b>3.62</b>	<b>1,021</b>	<b>8,779</b>	<b>3.62</b>	<b>1,021</b>	<b>8,682</b>	<b>6.25</b>	<b>1,744</b>
<b>Meadowbank Complex Total</b>			<b>199</b>	<b>1.00</b>	<b>6</b>	<b>11,165</b>	<b>3.33</b>	<b>1,197</b>	<b>11,364</b>	<b>3.29</b>	<b>1,203</b>	<b>8,751</b>	<b>6.22</b>	<b>1,749</b>
Meliadine	Open Pit	100%	–	–	–	10,481	3.46	1,166	10,481	3.46	1,166	909	4.56	133
Meliadine	Underground	100%	–	–	–	14,799	4.00	1,901	14,799	4.00	1,901	12,935	6.14	2,553
<b>Meliadine Total</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>25,280</b>	<b>3.77</b>	<b>3,068</b>	<b>25,280</b>	<b>3.77</b>	<b>3,068</b>	<b>13,844</b>	<b>6.04</b>	<b>2,686</b>
Hammond Reef	Open Pit	50%	82,831	0.70	1,862	21,377	0.57	389	104,208	0.67	2,251	251	0.74	6
Upper Beaver	Underground	50%	–	–	–	1,818	3.45	202	1,818	3.45	202	4,344	5.07	708
AK Project	Underground	50%	–	–	–	634	6.51	133	634	6.51	133	1,187	5.32	203
Anoki-McBean	Underground	50%	–	–	–	934	5.33	160	934	5.33	160	1,263	4.70	191
Upper Canada	Open Pit	50%	–	–	–	–	–	–	–	–	–	2,443	1.97	155
Upper Canada	Underground	50%	–	–	–	–	–	–	–	–	–	3,606	6.22	721
<b>Upper Canada Total</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,049</b>	<b>4.50</b>	<b>876</b>
Kittila	Open Pit	100%	–	–	–	229	3.41	25	229	3.41	25	373	3.89	47
Kittila	Underground	100%	1,592	2.59	132	18,909	3.12	1,899	20,501	3.08	2,032	8,992	4.20	1,213
<b>Kittila Total</b>			<b>1,592</b>	<b>2.59</b>	<b>132</b>	<b>19,138</b>	<b>3.13</b>	<b>1,924</b>	<b>20,730</b>	<b>3.09</b>	<b>2,057</b>	<b>9,364</b>	<b>4.18</b>	<b>1,260</b>
Kuotko	Open Pit	100%	–	–	–	–	–	–	–	–	–	284	3.18	29
Kylmäkangas	Underground	100%	–	–	–	–	–	–	–	–	–	1,896	4.11	250
Barsele	Open Pit	55%	–	–	–	2,911	1.07	100	2,911	1.07	100	1,574	1.12	57
Barsele	Underground	55%	–	–	–	544	2.18	38	544	2.18	38	8,667	2.53	705
<b>Barsele Total</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>3,455</b>	<b>1.25</b>	<b>138</b>	<b>3,455</b>	<b>1.25</b>	<b>138</b>	<b>10,241</b>	<b>2.31</b>	<b>761</b>
Pinos Altos	Open Pit	100%	–	–	–	621	1.10	22	621	1.10	22	6,165	0.61	120
Pinos Altos	Underground	100%	–	–	–	15,537	1.85	925	15,537	1.85	925	5,040	2.44	396
<b>Pinos Altos Total</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>16,158</b>	<b>1.82</b>	<b>947</b>	<b>16,158</b>	<b>1.82</b>	<b>947</b>	<b>11,205</b>	<b>1.43</b>	<b>516</b>
Creston Mascota	Open Pit	100%	–	–	–	2,503	0.66	53	2,503	0.66	53	591	0.29	6
La India	Open Pit	100%	16,252	0.32	168	11,150	0.67	240	27,402	0.46	409	7,055	0.41	92
Tarachi	Open Pit	100%	–	–	–	22,665	0.40	294	22,665	0.40	294	6,476	0.33	68
El Barqueño Gold	Open Pit	100%	–	–	–	7,980	1.27	327	7,980	1.27	327	8,199	1.21	318
<b>Totals</b>			<b>115,429</b>	<b>0.81</b>	<b>3,014</b>	<b>194,115</b>	<b>2.07</b>	<b>12,940</b>	<b>309,544</b>	<b>1.60</b>	<b>15,954</b>	<b>164,319</b>	<b>2.87</b>	<b>15,170</b>

As of December 31, 2017

OPERATIONS/PROJECTS			MEASURED			INDICATED			MEASURED & INDICATED			INFERRED		
SILVER	Mining Method	Ownership	000	000 Oz	000	000 Oz	000	000 Oz	000	000 Oz	000	000 Oz		
			Tonnes	g/t	Tonnes	g/t	Tonnes	g/t	Tonnes	g/t	Tonnes	g/t		
LaRonde	Underground	100%	–	–	–	7,789	20.20	5,058	7,789	20.20	5,058	5,285	12.13	2,060
Kylmäkangas	Underground	100%	–	–	–	–	–	–	–	–	–	1,896	31.11	1,896
Pinos Altos	Open Pit	100%	–	–	–	621	20.07	401	621	20.07	401	6,165	20.85	4,133
Pinos Altos	Underground	100%	–	–	–	15,537	45.28	22,621	15,537	45.28	22,621	5,040	37.67	6,104
<b>Pinos Altos Total</b>			–	–	–	<b>16,158</b>	<b>44.32</b>	<b>23,022</b>	<b>16,158</b>	<b>44.32</b>	<b>23,022</b>	<b>11,205</b>	<b>28.42</b>	<b>10,237</b>
Creston Mascota	Open Pit	100%	–	–	–	2,503	6.80	547	2,503	6.80	547	591	5.97	113
La India	Open Pit	100%	16,252	1.80	942	11,150	4.64	1,663	27,402	2.96	2,605	7,055	2.83	642
Tarachi	Open Pit	100%	–	–	–	22,665	0.00	–	22,665	0.00	–	6,476	0.00	–
El Barqueño Silver	Open Pit	100%	–	–	–	–	–	–	–	–	–	9,160	107.30	31,599
El Barqueño Gold	Open Pit	100%	–	–	–	7,980	4.96	1,272	7,980	4.96	1,272	8,199	18.44	4,860
<b>Totals</b>			<b>16,252</b>	<b>1.80</b>	<b>942</b>	<b>68,245</b>	<b>14.39</b>	<b>31,563</b>	<b>84,497</b>	<b>11.96</b>	<b>32,505</b>	<b>49,866</b>	<b>32.07</b>	<b>51,408</b>
COPPER	Mining Method	Ownership	000	Tonnes	000	Tonnes	000	Tonnes	000	Tonnes	000	Tonnes		
			Tonnes	%	Cu	Tonnes	%	Cu	Tonnes	%	Cu	Tonnes	%	
LaRonde	Underground	100%	–	–	–	7,789	0.27	20,997	7,789	0.27	20,997	5,285	0.23	11,993
Akasaba West	Open Pit	100%	–	–	–	2,184	0.41	9,004	2,184	0.41	9,004	–	–	–
Upper Beaver	Underground	50%	–	–	–	1,818	0.14	2,567	1,818	0.14	2,567	4,344	0.20	8,642
El Barqueño Gold	Open Pit	100%	–	–	–	7,980	0.19	14,908	7,980	0.19	14,908	8,199	0.19	15,802
<b>Totals</b>			–	–	–	<b>19,771</b>	<b>0.24</b>	<b>47,476</b>	<b>19,771</b>	<b>0.24</b>	<b>47,476</b>	<b>17,828</b>	<b>0.20</b>	<b>36,437</b>
ZINC	Mining Method	Ownership	000	Tonnes	000	Tonnes	000	Tonnes	000	Tonnes	000	Tonnes		
			Tonnes	%	Zn	Tonnes	%	Zn	Tonnes	%	Zn	Tonnes	%	
LaRonde	Underground	100%	–	–	–	7,789	0.76	59,228	7,789	0.76	59,228	5,285	0.40	21,026
<b>Totals</b>			–	–	–	<b>7,789</b>	<b>0.76</b>	<b>59,228</b>	<b>7,789</b>	<b>0.76</b>	<b>59,228</b>	<b>5,285</b>	<b>0.40</b>	<b>21,026</b>

**AGNICO EAGLE MINES LIMITED**

**Notes:** Mineral reserves are not a subset of mineral resources. Tonnage amounts and contained metal amounts presented in this table have been rounded to the nearest thousand, so aggregate amounts may differ from column totals. Please refer to the Company press release dated February 14, 2018 and the Company's Annual Information Form for the year ended December 31, 2017, for further details on mineral reserves and mineral resources. The scientific and technical information regarding the mineral reserve and mineral resource estimates set out in this table has been approved by Daniel Doucet, P.Eng., Senior Corporate Director, Reserve Development of the Company, a "qualified person" as defined by NI 43-101.

The assumptions used for the December 2017 mineral reserves estimate at all mines and advanced projects reported by the Company (other than the Canadian Malartic mine and the Upper Beaver project) were US\$1,150 per ounce gold, US\$16.00 per ounce silver, US \$1.00 per pound zinc, US\$2.50 per pound copper and exchange rates of C\$1.20 per US\$1.00, 16.00 Mexican pesos per US\$1.00 and US\$1.15 per €1.00 for all mines and projects other than the Lapa and Meadowbank mines in Canada, and the Creston Mascota mine and Santo Niño pit at the Pinos Altos mine in Mexico; due to the shorter remaining mine life for the Lapa and Meadowbank mines in Canada, and the Creston Mascota mine and Santo Niño pit at the Pinos Altos mine in Mexico, the exchange rates used were C\$1.25 per US\$1.00 and 17.00 Mexican pesos per US\$1.00 (other assumptions unchanged).

The Canadian Malartic General Partnership, owned by Agnico Eagle (50%) and Yamana (50%), which owns and operates the Canadian Malartic mine, and the Canadian Malartic Corporation, owned by Agnico Eagle (50%) and Yamana (50%), which owns and manages the Upper Beaver project in Kirkland Lake, have estimated the December 2017 mineral reserves of the Canadian Malartic mine and the Upper Beaver project using the following assumptions: US\$1,200 per ounce gold; a cut-off grade at the Canadian Malartic mine between 0.35 g/t and 0.37 g/t gold (depending on the deposit); a C\$125/tonne net smelter return (NSR) for the Upper Beaver project; and an exchange rate of C\$1.25 per US\$1.00.

## Corporate Governance

We strive to earn and retain the trust of shareholders through a steadfast commitment to sound and effective corporate governance. Our governance practices reflect the structure and processes we believe are necessary to improve the Company's performance and enhance shareholder value.

Our Board of Directors currently consists of 12 directors, of which all but one director are independent from management. The number of directors will be reduced to ten at the Annual Meeting of Shareholders as two directors are not standing for re-election. The Board of Directors is ultimately responsible for overseeing the management of the business and affairs of the Company and, in doing so, is required to act in the best interests of the Company. It discharges its responsibilities either directly or through four committees — the Corporate Governance Committee, the Audit Committee, the Compensation Committee, and the Health, Safety, Environment and Sustainable Development Committee.

The Board of Directors recognizes that diversity is important to ensuring that the Board of Directors as a whole possesses the qualities, attributes, experience and skills to effectively oversee the strategic direction and management of the Company. It recognizes and embraces the benefits of having a diverse Board of Directors, and has identified diversity within the Board of Directors as an essential element in attracting high calibre directors and maintaining a high functioning Board of Directors. It considers diversity to include different genders, ages, cultural backgrounds, race/ethnicity, geographic areas and other characteristics of its stakeholders and the communities in which the Company is present and conducts its business.

The Board of Directors does not set any fixed percentages for any specific selection criteria as it believes all factors should be considered when assessing and determining the merits of an individual director and the composition of a high functioning Board of Directors. Effective as at the Annual Meeting of Shareholders, the proportion of women will be 30% of the directors and the proportion of non-residents of Canada will be 20% of the directors. The Board of Directors believes that the diversity represented by the directors seeking election at the 2018 annual general and special meeting supports an efficient and effective Board of Directors.

### Board Committees:

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

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

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

The **Health, Safety, Environment and Sustainable Development Committee (HSESD)** advises and makes recommendations to the Board of Directors with respect to monitoring and reviewing HSESD policies, principles, practices and processes; HSESD performance; and regulatory issues relating to health, safety and the environment. It also supports the Company's commitment to adopt best practices in mining operations, promotion of a healthy and safe work environment and environmentally sound and socially responsible resource development.

Agnico Eagle has adopted an Aboriginal Engagement Policy as a statement of our commitment to engage with First Nations throughout the life-cycle of our projects in Canada; as well as a global Indigenous Peoples Engagement Policy — which complements our Canadian policy — to guide our consultation with Indigenous Peoples in all regions of the world, wherever Agnico Eagle maintains a presence. We believe being responsive to the aspirations of Indigenous Peoples not only contributes to the success of our sustainability practices, but also builds community support and enhances our reputation as a responsible miner.

We have also formally adopted the Voluntary Principles on Security and Human Rights (VP). Created in 2000, the VPs are standards to help extractive sector companies balance the obligation to respect human rights while protecting the assets and people at their operations. The Government of Canada has identified the VPs as one of six leading standards in Canada's CSR Strategy for the Extractive Sector.

As a member of the Mining Association of Canada (MAC), Agnico Eagle has committed to implementing a human rights and security approach consistent with the VPs and based on a determination of risk at mining facilities we control. The Company will report on this implementation through MAC's Towards Sustainable Mining annual progress report.

➔ For further information about Agnico Eagle's Board of Directors, Committees, Code of Business Conduct and Ethics, and Anti-Corruption and Anti-Bribery Policy, please visit the Governance section of our website at [www.agnicoeagle.com/English/about-agnico/governance](http://www.agnicoeagle.com/English/about-agnico/governance).

## Board of Directors/ Officers

### Board of Directors

**James D. Nasso** ICD.D<sup>4</sup>  
Chairman of the Board  
(Director since 1986)

**Sean Boyd** CPA, CA  
Vice-Chairman  
(Director since 1998)

**Dr. Leanne M. Baker**<sup>1</sup>  
(Director since 2003)

**Martine A. Celej**<sup>2,3</sup>  
(Director since 2011)

**Robert J. Gemmell**<sup>2</sup>  
(Director since 2011)

**Mel Leiderman** FCPA, FCA, TEP, ICD.D<sup>1</sup>  
(Director since 2003)

**Deborah McCombe** P.GEO.<sup>4</sup>  
(Director since 2014)

**Dr. Sean Riley**<sup>4</sup>  
(Director since 2011)

**J. Merfyn Roberts** CA<sup>1,2</sup>  
(Director since 2008)

**Jamie Sokalsky** CPA, CA<sup>1,3</sup>  
(Director since 2015)

**Howard Stockford**\* P.ENG.<sup>2,4</sup>  
(Director since 2005)

**Pertti Voutilainen**\* M.ENG.<sup>3</sup>  
(Director since 2005)

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee

<sup>4</sup> Health, Safety, Environment  
and Sustainable Development  
(HSESD) Committee

\* Messrs. Stockford and Voutilainen are not standing for re-election at the upcoming Annual Meeting of Shareholders.

### Officers

**Sean Boyd**  
Vice-Chairman and  
Chief Executive Officer

**Ammar Al-Joundi**  
President

**David Smith**  
Senior Vice-President, Finance, and  
Chief Financial Officer

**Donald G. Allan**  
Senior Vice-President,  
Corporate Development

**Alain Blackburn**  
Senior Vice-President,  
Exploration

**Louise Grondin**  
Senior Vice-President,  
Environment, Sustainable Development  
and People

**R. Gregory Laing**  
General Counsel, Senior Vice-President,  
Legal, and Corporate Secretary

**Marc Legault**  
Senior Vice-President,  
Operations — USA and Latin America

**Jean Robitaille**  
Senior Vice-President,  
Business Strategy and Technical Services

**Yvon Sylvestre**  
Senior Vice-President,  
Operations — Canada and Europe

## Forward-Looking Statements

The information in this annual report has been prepared as at March 12, 2018. Certain statements contained in this annual report constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and “forward-looking information” under the provisions of Canadian provincial securities laws and are referred to herein as “forward-looking statements”. When used in this annual report, the words “anticipate”, “could”, “estimate”, “expect”, “forecast”, “future”, “plan”, “potential”, “will” and similar expressions are intended to identify forward-looking statements. Such statements include, without limitation: the Company’s forward-looking production guidance, including estimated ore grades, project timelines, drilling results, metal production, life of mine estimates, total cash costs per ounce, all-in sustaining costs per ounce, other expenses and cash flows; the estimated timing and conclusions of technical reports and other studies; the methods by which ore will be extracted or processed; statements concerning the Company’s plans to build operations at Meliadine, Amaruq, LaRonde Zone 5 and Akasaba West and the Company’s expansion plans at Kittila including the timing and funding thereof; statements concerning other expansion projects, recovery rates, mill throughput, optimization and projected exploration expenditures, including costs and other estimates upon which such projections are based; statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future mineral reserves, mineral resources, mineral production, optimization efforts and sales; estimates of mine life; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements as to the projected development 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 to such exploration, development and production; estimates of mineral reserves and mineral resources; statements regarding the Company’s ability to obtain the necessary permits and authorizations in connection with its exploration, development and mining operations and the anticipated timing thereof; statements regarding anticipated future exploration; the anticipated timing of events with respect to the Company’s mine sites; statements concerning the acquisition of certain assets of Canadian Malartic Corporation and statements regarding the sufficiency of the Company’s cash resources and other statements regarding anticipated trends with respect to the Company’s operations, exploration and the funding thereof. Such statements reflect the Company’s views as at the date of this annual report and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements. 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 material factors and assumptions used in the preparation of the forward looking statements contained herein, which may prove to be incorrect, include, but are not limited to, the assumptions set forth herein and in management’s discussion and analysis (“MD&A”) and the Company’s Annual Information Form (“AIF”) for the year ended December 31, 2017 filed with Canadian securities regulators and that are included in its Annual Report on Form 40-F for the year ended December 31, 2017 (“Form 40-F”) filed with the U.S. Securities and Exchange Commission (the “SEC”) as well as: that there are no significant disruptions affecting operations; that production, permitting, development and expansion at each of Agnico Eagle’s properties proceeds on a basis consistent with current expectations and plans; that the relevant metal prices, foreign exchange rates and prices for key mining and construction supplies will be consistent with Agnico Eagle’s expectations; that Agnico Eagle’s current estimates of mineral reserves, mineral resources, mineral grades and metal recovery are accurate; that there are no material delays in the timing for completion of ongoing growth projects; that the Company’s current plans to optimize production are successful; and that there are no material variations in the current tax and regulatory environment. Many factors, known and unknown, could cause the actual results to be materially different from those expressed or implied by such forward looking statements. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, project development, capital expenditures and other costs; foreign exchange rate fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks; community protests involving First Nations

groups; risks associated with foreign operations; the unfavorable outcome of litigation involving the Canadian Malartic General Partnership; governmental and environmental regulation; the volatility of the Company’s stock price; and risks associated with the Company’s currency, fuel and by-product metal derivative strategies. For a more detailed discussion of such risks and other factors that may affect the Company’s ability to achieve the expectations set forth in the forward-looking statements contained in this annual report, see the AIF and MD&A filed on SEDAR at [www.sedar.com](http://www.sedar.com) and included in the Form 40-F filed on EDGAR at [www.sec.gov](http://www.sec.gov), as well as the Company’s other filings with the Canadian securities regulators and the SEC. Other than as required by law, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

### Notes to Investors Regarding the Use of Mineral Resources

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

This annual report 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 annual report also 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 great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part 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.**

See “Mineral Reserves and Mineral Resources” in the AIF additional information.

The scientific and technical information contained in this annual report relating to Quebec operations has been approved by Christian Provencher, Eng., Vice-President, Canada; relating to Nunavut operations has been approved by Dominique Girard, Eng., Vice-President, Nunavut Operations; relating to the Finland operations has been approved by Francis Brunet, Eng., Corporate Director Mining; relating to Southern Business operations has been approved by Marc Legault, Eng., Senior Vice-President, Operations U.S.A., Mexico and Latin America; and relating to exploration has been approved by Alain Blackburn, Eng., Senior Vice-President, Exploration and Guy Gosselin, Eng. and P.Geo., Vice-President, Exploration. Each of them is a “Qualified Person” for the purposes of NI 43-101.

The scientific and technical information relating to Agnico Eagle’s mineral reserves and mineral resources contained herein (other than the Canadian Malartic mine) has been approved by Daniel Doucet, Eng., Senior Corporate Director, Reserve Development; and relating to mineral reserves and mineral resources at the Canadian Malartic mine contained herein has been approved by Donald Gervais, P.Geo., Director of Technical Services at Canadian Malartic Corporation. Each of them is a “Qualified Person” for the purposes of NI 43-101.

#### Note Regarding Certain Measures of Performance

This annual report discloses certain measures, including “total cash costs per ounce” and “all-in sustaining costs per ounce” that are not standardized measures under IFRS. These data may not be comparable to data reported by other issuers. For a reconciliation of these measures to the most directly comparable financial information reported in the consolidated financial statements prepared in accordance with IFRS and a discussion of how management uses these measures see “Non-GAAP Financial Performance Measures” in the MD&A.

# Management's Discussion and Analysis

For the year ended December 31, 2017  
(Prepared in accordance with International Financial Reporting Standards)





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This Management's Discussion and Analysis ("MD&A") dated March 23, 2018 of Agnico Eagle Mines Limited ("Agnico Eagle" or the "Company") should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017 that were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The annual consolidated financial statements and this MD&A are presented in United States dollars ("US dollars", "\$" or "US\$") and all units of measurement are expressed using the metric system, unless otherwise specified. Certain information in this MD&A is presented in Canadian dollars ("C\$"), Mexican pesos or European Union euros ("Euros" or "€"). Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2017 (the "AIF"), is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at [www.sedar.com](http://www.sedar.com) and on the United States Securities and Exchange Commission's (the "SEC") website at [www.sec.gov](http://www.sec.gov).

## NOTE TO INVESTORS CONCERNING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A, referred to herein as “forward-looking statements”, constitute “forward-looking information” under the provisions of Canadian provincial securities laws and constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. 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 MD&A include, but are not limited to, the following:

- the Company’s outlook for 2018 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 by-product 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, all-in sustaining costs per ounce, minesite costs per tonne and other costs;
- estimates of future capital expenditures, exploration expenditures and other cash needs, and expectations as to the funding thereof;
- statements regarding the projected exploration, development and exploitation of 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 and mineral resources and their sensitivities to gold prices and other factors, ore grades and mineral recoveries and statements regarding anticipated future exploration results;
- estimates of cash flow;
- estimates of mine life;
- anticipated timing of events at the Company’s mines, mine development projects and exploration projects;
- estimates of future costs and other liabilities for environmental remediation;
- statements regarding anticipated legislation and regulations, including with respect to climate change, and estimates of the impact on the Company; and
- other anticipated trends with respect to the Company’s capital resources and results of operations.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Agnico Eagle as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The factors and assumptions of Agnico Eagle upon which the forward-looking statements in this MD&A are based, and which may prove to be incorrect, include the assumptions set out elsewhere in this MD&A 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, mine development projects and exploration projects proceed on a basis consistent with expectations, and that Agnico Eagle does not change its exploration or development plans relating to such projects; that the exchange rates between the Canadian dollar, Euro, Mexican peso and the US dollar will be approximately consistent with current levels or as set out in this MD&A; that prices for gold, silver, zinc and copper 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 expectations; that production meets expectations; that Agnico Eagle’s current estimates of mineral reserves, mineral resources, mineral grades and mineral recoveries 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 environments that affect Agnico Eagle.

The forward-looking statements in this MD&A reflect the Company’s views as at the date of this MD&A and involve known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or

implied by such forward-looking statements. Such factors include, among others, the risk factors set out in “Risk Factors” below. Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which any such statement is based. This MD&A contains information regarding estimated total cash costs per ounce, all-in sustaining costs per ounce and minesite costs per tonne in respect of the Company or 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.

**Meaning of “including” and “such as”:** When used in this MD&A, the terms “including” and “such as” mean including and such as, without limitation.

## **NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES**

The mineral reserve and mineral resource estimates contained in this MD&A 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 SEC’s 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 mineral reserve and mineral resource data 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 by-product metals contained in mineral reserves in its calculation of contained ounces.

Mineral resources that are not mineral reserves do not have demonstrated economic validity.

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

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

## **NOTE TO INVESTORS CONCERNING CERTAIN MEASURES OF PERFORMANCE**

This MD&A discloses certain measures, including “total cash costs per ounce”, “all-in sustaining costs per ounce”, “adjusted net income” and “minesite costs per tonne” that are not recognized measures under IFRS. These measures may not be comparable to similar measures reported by other gold producers. For a reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Performance Measures in this MD&A.

The total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). The total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated

statements of income for by-product revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. The total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as the total cash costs per ounce of gold produced on a by-product basis, except that no adjustment is made for by-product metal revenues. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The total cash costs per ounce of gold produced is intended to provide information about the cash-generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash-generating capabilities at various gold prices.

All-in sustaining costs per ounce is used to show the full cost of gold production from current operations. The Company calculates all-in sustaining costs per ounce of gold produced on a by-product basis as the aggregate of total cash costs per ounce on a by-product basis, sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and reclamation expenses, and then dividing by the number of ounces of gold produced. The all-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as the all-in sustaining costs per ounce of gold produced on a by-product basis, except that the total cash costs per ounce on a co-product basis is used, meaning no adjustment is made for by-product metal revenues. The Company's methodology for calculating all-in sustaining costs per ounce may differ from the methodology used by other producers that disclose all-in sustaining costs per ounce. The Company may change the methodology it uses to calculate all-in sustaining costs per ounce in the future, including in response to the adoption of formal industry guidance regarding this measure by the World Gold Council.

Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs per ounce of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS.

Management also performs sensitivity analyses in order to quantify the effects of fluctuating exchange rates and metal prices. This MD&A also contains information as to estimated future total cash costs per ounce, all-in sustaining costs per ounce and minesite costs per tonne. The estimates are based upon the total cash costs per ounce, all-in sustaining costs per ounce and minesite costs per tonne that the Company expects to incur to mine gold at its mines and projects and, consistent with the reconciliation of these actual costs referred to above, 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-GAAP financial measures to the most comparable IFRS measure.

Unless otherwise indicated herein all references to total cash costs per ounce and all-in sustaining costs per ounce refer to such measures as calculated on a by-product basis. For information regarding these measures as calculated on a co-product basis, please see "Non-GAAP Financial Performance Measures".

Payable production (a non-GAAP non-financial performance measure) is the quantity of mineral produced during a period contained in products that have been or will be sold by the Company, whether such products are sold during the period or held as inventories at the end of the period.

## Executive Summary

Agnico Eagle is a senior Canadian gold mining company that has produced precious metals since its formation in 1972. The Company's mines are located in Canada, Mexico and Finland, with exploration and development activities in Canada, Europe, Latin America and the United States. The Company and its shareholders have full exposure to gold prices due to its long-standing policy of no forward gold sales. Agnico Eagle has declared a cash dividend every year since 1983.

Agnico Eagle earns a significant proportion of its revenue and cash flow from the production and sale of gold in both dore bar and concentrate form. The remainder of revenue and cash flow is generated by the production and sale of by-product metals, primarily silver, zinc and copper. In 2017, Agnico Eagle recorded production costs per ounce of gold of \$621<sup>(i)</sup> and total cash costs per ounce of gold produced of \$558<sup>(i)</sup> on a by-product basis and \$637<sup>(i)</sup> on a co-product basis on payable gold production of 1,713,533 ounces. The average realized price of gold increased by 1.0% from \$1,249 per ounce in 2016 to \$1,261 per ounce in 2017.

Agnico Eagle's operating mines and development projects are located in what the Company believes to be politically stable countries that are supportive of the mining industry. The political stability of the regions in which Agnico Eagle operates helps to provide confidence in its current and future prospects and profitability. This is important for Agnico Eagle as it believes that many of its new mines and recently acquired mining projects have long-term mining potential.

## Highlights

- Continued strong operational performance with payable gold production of 1,713,533 ounces and production costs per ounce of gold of \$621<sup>(i)</sup> during 2017.
- Total cash costs per ounce of gold produced of \$558<sup>(i)</sup> on a by-product basis and \$637<sup>(i)</sup> on a co-product basis in 2017.
- All-in sustaining costs per ounce of gold produced of \$804 on a by-product basis and \$883 on a co-product basis in 2017.
- Proven and probable gold reserves totaled 20.6 million ounces at December 31, 2017, a 3.1% increase compared with 19.9 million ounces at December 31, 2016 while the gold reserve grade increased by 7.7%.
- As at December 31, 2017, Agnico Eagle had strong liquidity with \$643.9 million in cash and cash equivalents and short term investments along with approximately \$1.2 billion in undrawn credit lines.
- The Company's operations are located in mining-friendly regions that the Company believes have low political risk and long-term mining potential.
- The Company continues to maintain its investment grade balance sheet and has adequate financial flexibility to finance capital requirements at its various mines and development projects from operating cash flow, cash and cash equivalents, short term investments and undrawn credit lines.
- The Company has strong senior management continuity as its chief executive officer has over 30 years of service with the Company.
- In February 2018, the Company declared a quarterly cash dividend of \$0.11 per common share. Agnico Eagle has now declared a cash dividend every year since 1983.

## Strategy

Agnico Eagle's ability to consistently execute its business strategy has provided a solid foundation for growth.

The Company's goals are to:

- Deliver high quality growth while meeting market expectations and maintaining high *performance* standards in health, safety, environment and community development;
- Build a strong *pipeline* of projects to drive future production; and
- Employ the best *people* and motivate them to reach their potential.

Notes:

(i) Excludes 8,759 ounces of payable production associated with Goldex Deep 1 zone and LaRonde Zone 5 which were produced prior to the achievement of commercial production, and payable production associated with the Lapa mill being placed on temporary maintenance.

These three pillars – *performance, pipeline and people* – form the basis of Agnico Eagle’s success and competitive advantage. By delivering on them, the Company strives to continue to build its production base and generate increased value for shareholders, while making meaningful contributions to its employees and communities.

## **Portfolio Overview**

### ***Northern Business***

#### *Canada – LaRonde Mine*

The 100% owned LaRonde mine in northwestern Quebec, the Company’s first mine, achieved commercial production in 1988. The LaRonde mine extension, the portion of the mine below the 245 level, achieved commercial production in December 2011 and under current mine plans, is expected to be in production through 2025.

In 2016, the first mineral reserves were declared in the eastern portion of LaRonde 3, the part of the LaRonde mine below the currently planned 3.1 kilometre depth at LaRonde and additional inferred mineral resources were declared in the western portion of LaRonde 3. The Company is evaluating a phased approach to development between the 311 level (a depth of 3.1 kilometres) and the 340 level (a depth of 3.4 kilometres). Under this phased approach, an additional two to three levels will be developed per year in either the east or west areas of the mine through 2022. This is expected to result in the conversion of approximately 1.0 million ounces of mineral resources into mineral reserves, with full mining activities to be initiated in 2022. The Company believes that this phased approach is a lower risk, less capital intensive option for developing the deeper levels of the LaRonde mine.

The LaRonde mine’s proven and probable mineral reserves were approximately 2.7 million ounces at December 31, 2017.

#### *Canada – LaRonde Zone 5*

In 2003, the Company acquired the Bousquet gold property, which adjoins the LaRonde mining complex to the east and hosts the Bousquet Zone 5, which the Company has renamed LaRonde Zone 5 due to the relative proximity to the LaRonde mine. LaRonde Zone 5 was approved for development in February 2017 and full permits were received in 2017. During the third quarter of 2017, a 7,700 tonne bulk sample of development ore was processed at the Lapa gold circuit yielding 515 ounces of gold. This bulk sample validated the metallurgical and pastefill parameters. Commercial production at LaRonde Zone 5 is expected to be achieved in the third quarter of 2018.

The LaRonde Zone 5 proven and probable mineral reserves were approximately 0.4 million ounces at December 31, 2017.

#### *Canada – Lapa Mine*

Commercial production was achieved at the 100% owned Lapa mine in northwestern Quebec in May 2009. Mining operations at Lapa continued through year-end 2017 and into the first quarter of 2018, with ore being stockpiled for processing in 2018. Milling operations are now expected to resume in March 2018 with processing of Lapa ore anticipated to continue through the commencement of production from LaRonde Zone 5.

The Lapa mine’s proven and probable mineral reserves were approximately 15,000 ounces at December 31, 2017.

#### *Canada – Goldex Mine*

The 100% owned Goldex mine in northwestern Quebec achieved commercial production from the M and E satellite zones in October 2013. The Deep 1 Zone entered commercial production in July 2017. Production from the Deep 1 Zone is expected to extend the Goldex mine life through 2025 under current mine plans.

The Company acquired the Akasaba West deposit in January 2014. Located less than 30 kilometres from Goldex, the Company believes that the Akasaba West deposit is expected to create flexibility and synergies for the Company’s operations in the Abitibi region by utilizing extra milling capacity at both Goldex and LaRonde, while reducing overall unit costs. The permitting process is ongoing and the Company expects to begin sourcing open pit ore from Akasaba West in 2020. The Akasaba West deposit’s proven and probable mineral reserves were approximately 0.1 million ounces at December 31, 2017.

Ramp-up is on schedule with average daily throughput expected to be approximately 3,500 tpd in 2018 as the establishment of production from the Deep 1 Zone pyramid progresses. Development of an exploration ramp into the Deep 2 Zone commenced in December 2017, with exploration drilling expected to continue throughout 2018. The Company is evaluating the potential to increase throughput from the Deep 1 Zone and the potential to accelerate mining activities on a portion of the

Deep 2 Zone, both of which could enhance production levels or extend the current mine life at Goldex and reduce operating costs.

Drilling and development is also ongoing on the South Zone, which is accessible from the Deep 1 Zone infrastructure. The South Zone consists of quartz veins that have higher grades than those in the primary mineralized zones at Goldex. Metallurgical testing of the South Zone ore is ongoing. The first test stope in the South Zone is expected to be in place in June 2018. Ore from the South Zone could potentially provide supplemental feed to the Goldex mill.

The Goldex mine's proven and probable mineral reserves were approximately 0.9 million ounces at December 31, 2017.

#### *Canada – Canadian Malartic Mine*

Agnico Eagle and Yamana Gold Inc. (“Yamana”) jointly acquired 100.0% of Osisko Mining Corporation (“Osisko”) on June 16, 2014 pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* (the “Osisko Arrangement”). As a result of the Osisko Arrangement, Agnico Eagle and Yamana each indirectly own 50.0% of Osisko and Canadian Malartic GP (the “Partnership”), which now holds the Canadian Malartic mine in northwestern Quebec.

The Odyssey property lies on the east side of the Canadian Malartic property, approximately 1.5 kilometres east of the current limit of the open pit. In 2017, an initial inferred mineral resource was declared on the East Malartic property, which was a historical gold producer directly adjacent to the Canadian Malartic Mine. Inferred mineral resources at East Malartic (on a 50% basis) are estimated at 1.2 million ounces of gold (19.0 million tonnes grading 2.02 g/t gold) to a depth of 1,000 metres.

In 2018, the exploration focus will be on the shallower portions of the Odyssey South and East Malartic Zone and further drilling to better define the geometry of the higher-grade internal zones. In addition, permitting activities are underway for an exploration ramp to provide underground access to the shallower portions of the Odyssey South and East Malartic deposits. Development of the ramp, which will provide access for underground drilling and collection of a bulk sample is expected to begin in late 2018. The goal of the underground development program is to provide higher grade feed to the Canadian Malartic mill and extend the current mine life.

On April 19, 2017, the Government of Quebec announced the issuance of two decrees authorizing the Partnership to carry out the proposed expansion of the Canadian Malartic mine and the deviation of Highway 117 in Malartic, which will allow the Partnership to access the Barnat deposit. Deviation plans include a temporary bridge over Highway 117 to minimize the impact of the construction work on local traffic. During 2017, an acoustic screen (noise barrier) for the road deviation was put in place, a temporary bridge was constructed and tree cutting was completed over the Barnat deposit with overburden stripping ongoing. Production activities at Barnat are scheduled to begin in late 2019.

On August 2, 2016, the Partnership was served with a class action lawsuit with respect to allegations involving the Canadian Malartic mine. The complaint is in respect of “neighbourhood annoyances” arising from dust, noise, vibrations and blasts at the mine. The plaintiffs are seeking damages in an unspecified amount as well as punitive damages in the amount of \$20 million. The class action was certified in May 2017. In November 2017, a declaratory judgment was issued allowing the Partnership to settle individually with class members for 2017. The plaintiffs have since filed an application for leave to appeal this declaratory judgment. Leave to appeal was granted and the appeal is scheduled to be heard in June 2018. On December 11, 2017, hearings were completed in respect of certain preliminary matters, including the Partnership's application for partial dismissal of the class action. Judgment was rendered on the preliminary matters and the partial dismissal of the class action was granted, removing the period of August 2013 to June 2014 from the class period. Agnico Eagle and the Partnership will take all necessary steps to defend themselves against this lawsuit.

On August 15, 2016, the Partnership received notice of an application for injunction relating to the Canadian Malartic mine, which had been filed under the *Environment Quality Act* (Quebec). A hearing related to an interlocutory injunction was completed on March 17, 2017 and a decision of the Superior Court of Quebec dismissed the injunction. An application for permanent injunction is currently pending. Agnico Eagle and the Partnership have reviewed the injunction request, consider the request without merit and will take all reasonable steps to defend against this injunction. These measures include a motion for the dismissal of the application for injunction, which has been filed and will be heard at a date to be determined. While at this time the potential impacts of the injunction cannot be definitively determined, Agnico Eagle expects that if the injunction were to be granted, there would be a negative impact on the operations of the Canadian Malartic mine, which could include a reduction in production.

On June 1, 2017, the Partnership was served with an application for judicial review to obtain the annulment of a governmental decree. The Partnership is an impleaded party in the proceedings. The applicant seeks to obtain the annulment of a decree authorizing the expansion of the Canadian Malartic mine. Agnico Eagle and the Partnership have

reviewed the application for judicial review, consider the application without merit and will take all reasonable steps to defend against this application. The hearing on the merits is scheduled to take place in October 2018. While Agnico Eagle believes it is highly unlikely that the annulment will be granted, Agnico Eagle expects that if the annulment were to be granted, there would be a negative impact on the operations of the Canadian Malartic mine, which could include a reduction in anticipated future production.

Agnico Eagle's attributable share of proven and probable mineral reserves at the Canadian Malartic mine were approximately 3.2 million ounces at December 31, 2017.

#### *Canada – Kirkland Lake Assets*

On December 21, 2017, the Company agreed to acquire all of Yamana's indirect 50% interest in the Canadian exploration assets (the "CMC Projects") of Canadian Malartic Corporation ("CMC") for an effective purchase price of \$162.5 million. The transaction will not affect the Canadian Malartic mine and related assets including Odyssey, East Malartic, Midway and East Amphi, which will continue to be jointly owned and operated by the Company and Yamana through CMC and the Partnership. The transaction is subject to the receipt of government, First Nations and other third party consents, as well as other customary conditions and is expected to close by the end of March 2018 in respect of those assets that CMC can then convey, with subsequent closings after as CMC obtains requisite consents to transfer. As a result of this transaction, the Company expects to record an increase in the Company's mineral reserve and mineral resource statement at year-end 2018.

At December 31, 2017, an initial inferred mineral resource was reported for the Upper Canada property. The Company's 50% interest was 876,000 ounces of gold (6.0 million tonnes grading 4.50 g/t gold). The inferred mineral resource consists of 155,000 ounces of gold (2.4 million tonnes grading 1.97 g/t gold) of material at open pit depths and 721,000 ounces of gold (3.6 million tonnes grading 6.22 g/t gold) of material at underground depths. The 2018 exploration program consists of 20,000 metres of drilling at an estimated cost of \$7.5 million.

Agnico Eagle's attributable share of proven and probable mineral reserves at the Upper Beaver project were approximately 0.7 million ounces at December 31, 2017.

#### *Canada – Meadowbank Mine and Amaruq Satellite Deposit*

In 2007, the Company acquired Cumberland Resources Ltd., which held a 100% interest in the Meadowbank gold project in Nunavut, Canada. Commercial production was achieved by Agnico Eagle at the Meadowbank mine in March 2010.

At Meadowbank, production has been extended into 2019, which bridges the gap between the cessation of mining activities at the Meadowbank mine and the expected start of operations at the Amaruq satellite deposit in the third quarter of 2019. The additional production comes from an extension of the mine plan at the Vault and Phaser pits in 2018 and the Portage pit in 2018 and 2019. In addition, production will be supplemented from stockpiles.

The 100% owned Amaruq satellite deposit is located approximately 50 kilometres northwest of the Meadowbank mine in Nunavut, Canada. In late 2015, the Company received approval for the construction of an all-weather exploration road linking the Amaruq satellite deposit to the Meadowbank mine. In 2016, the Company approved the project for development pending the receipt of the required permits. On March 22, 2018, the Company filed a new National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report for the Meadowbank Complex. The Company expects that the final approvals for the Whale Tail project at the Amaruq satellite deposit will be received late in the second quarter of 2018. Production is currently forecast to begin in the third quarter of 2019, subject to the timing of the receipt of the required permits.

The Meadowbank mine's proven and probable mineral reserves were approximately 0.3 million ounces at December 31, 2017.

The Amaruq satellite deposit's proven and probable mineral reserves were approximately 2.4 million ounces at December 31, 2017.

#### *Canada – Meliadine Mine Project*

On July 6, 2010, Agnico Eagle acquired its 100% interest in the Meliadine mine project in Nunavut, Canada through its acquisition of Comaplex Minerals Corp.

In 2016, the Company's Board of Directors ("Board") approved the construction of the Meliadine mine project. The mine was forecast to begin operations in the third quarter of 2019. However, given the progress of construction and development



activities in 2017, the Meliadine project is now expected to begin production in the second quarter of 2019. The forecast production and other parameters surrounding the Company's proposed Meliadine operations below were based on a preliminary economic assessment, which is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the forecast production amounts will be realized. The basis for the preliminary economic assessment and the qualifications and assumptions made by the qualified person who undertook the preliminary economic assessment are set out below. The results of the preliminary economic assessment had no impact on the results of any pre-feasibility or feasibility study in respect of Meliadine. Production is now forecast to be approximately 5.7 million ounces of gold over a 15 year mine life under current mine plans. This compares to previous production guidance in 2017 of approximately 5.3 million ounces of gold over a 14 year mine life. The current production forecast represents approximately 60% of the known mineral reserve and mineral resource base.

The total initial capital cost of the Meliadine project remains unchanged at \$900 million. In 2017, the Company spent approximately \$372 million on capital expenditure at the Meliadine mine project. Given the strong progress made on the project in 2017, capital spending in 2018 is now forecast to be approximately \$404 million, which is an increase of approximately \$24 million over the 2018 forecast presented last year. The remaining project capital to be spent in 2019 is forecast to be approximately \$130 million.

The Meliadine mine project had proven and probable mineral reserves of approximately 3.7 million ounces at December 31, 2017.

#### *Finland – Kittila Mine*

The 100% owned Kittila mine in northern Finland was added to the Company's portfolio through the acquisition of Riddarhyttan Resources AB in 2005. Construction at the Kittila mine was completed in 2008 and commercial production was achieved in May 2009.

In 2017, the Company considered the potential to increase throughput rates at Kittila to 2.0 million tonnes per annum ("mtpa") from the current rate of 1.6 mtpa. Based on this review, the Board approved the expansion, which includes the construction of a 1,044 metre deep shaft, a processing plant expansion as well as other infrastructure and service upgrades.

The expansion project is expected to increase the efficiency of the mine and decrease or maintain current operating costs while providing access to the deeper mining horizons. In addition, the shaft is expected to provide access to the mineral resource areas below 1,150 metres, where recent exploration programs have shown promising results. The total capital cost for the expansion project is estimated to be approximately €160 million (approximately \$192 million at current exchange rates) with phased expenditures from 2018 through 2021.

Ongoing drilling activity at Kittila has demonstrated the ability to add mineral reserves and mineral resources at depth. With the recently approved expansion, the new shaft is expected to unlock additional exploration potential in the deeper portions of the mine (between 1,150 metres and 1,400 metres).

The main target of exploration at Kittila continues to be the Sisar Zone, which is subparallel to and slightly east of the main Kittila mineralization. Sisar has been located between approximately 775 metres and 1,910 metres below surface, forming a roughly triangular shape that remains open at depth and along strike to the north and south. Mineral reserves in the Sisar Zone form part of the total Kittila mineral reserve estimate.

The main exploration ramp is the platform now used for testing the extensions of the Roura and Rimpi zones. Two internal ramps are being driven off the main exploration ramp for converting and exploring Sisar Top Zone and Rimpi deep mineral resources between 800 and 1,000 metres below the surface.

Proven and probable mineral reserves at the Kittila mine were approximately 4.1 million ounces at December 31, 2017.

### ***Southern Business***

#### *Mexico – Pinos Altos Mine*

In 2006, the Company completed the acquisition of the Pinos Altos property, which was then an advanced stage exploration property in northern Mexico. Commercial production was achieved at the Pinos Altos mine in November 2009. A shaft sinking project was completed in June 2016 at the Pinos Altos mine. Open pit mining activities at Pinos Altos are currently expected to be completed by mid-2018.

Several satellite mining opportunities exist around Pinos Altos that are being evaluated for their incremental production potential:

- The Sinter deposit, located immediately north of Pinos Altos, will be mined from underground and a small open pit. At Sinter, permits have been received for the construction of an exploration ramp, while permits are pending for open pit mining. Portal and ramp development are planned to commence in the first quarter of 2018, with initial production expected to begin late in the fourth quarter of 2018.
- The Cubiro deposit is an underground exploration opportunity, located immediately west of the Creston Mascota mine, which is envisioned to potentially produce high grade ore that will be trucked to the Pinos Altos processing facilities as early as in 2022. At the Cubiro deposit, a change of land use permit was approved in the fourth quarter of 2017, and the access road is under construction with completion expected in May 2018. Portal and ramp development will be initiated once the access road is completed and 420 metres of underground development is planned for 2018. Underground exploration and delineation are expected to commence in early 2019.
- The Reyna de Plata deposit is an exploration opportunity also located north of Pinos Altos facilities. Exploration permits were received in the fourth quarter of 2017 and a 5,000-metre drill program commenced in mid-January 2018 for the Reyna de Plata deposit. Different mining options are currently being considered for the potential exploitation of the deposit.

The Pinos Altos mine's proven and probable mineral reserves were approximately 1.3 million ounces at December 31, 2017.

#### *Mexico – Creston Mascota Deposit at Pinos Altos*

The 100% owned Creston Mascota deposit at Pinos Altos is located approximately seven kilometres northwest of the main deposit at the Pinos Altos mine in northern Mexico. Commercial production was achieved at the Creston Mascota deposit at Pinos Altos in March 2011. During 2017, the Bravo zone was added to the current mine plan (due to conversion of mineral resources to mineral reserves) which is reflected in the 2018 and 2019 production guidance. Immediately south of the Creston Mascota facilities, the Bravo deposit (a new open pit orebody) is presently in pre-production development. The first phase of pre-stripping and the road to the waste dump were completed in the fourth quarter of 2017. Construction activities also continued on the haul road with work expected to be finished in the second quarter of 2018.

A plan is underway to attempt to improve the process plant efficiency and engineering is underway on the Phase V heap leach pad, which will be an extension to the existing facility. Exploration drilling during 2017 focused on the high grade Madrono Zone, immediately southeast of the Creston Mascota pit, including 8,552 metres of conversion, step-out and exploration drilling in 53 holes.

Proven and probable mineral reserves were approximately 0.1 million ounces at the Creston Mascota deposit at Pinos Altos at December 31, 2017.

#### *Mexico – La India Mine*

Agnico Eagle completed its acquisition of Grayd Resource Corporation (“Grayd”) on January 23, 2012. Grayd owned the La India project, which is located approximately 70 kilometres northwest of the Pinos Altos mine in northern Mexico. In September 2012, development and construction of the La India mine was approved by the Board and commercial production was achieved in February 2014.

Construction of a new heap leach pad is expected to begin late in the second quarter of 2018. The new heap leach will be phased to match the mineral reserve and mineral resource profile of the mine. Approximately 62% of the land has been acquired for construction of the new power line and permitting is in progress with construction expected to start late in the second quarter of 2018.

In 2017, mineral reserves at La India declined by 341,000 ounces of gold (33%), while measured and indicated mineral resources increased by 130,000 ounces of gold (47%). The decline in mineral reserves is primarily due to mining production and reclassification to mineral resources as a result of an increase in the capping factor in order to improve reserve reconciliation and cut-off grade adjustments related to slightly higher minesite costs. The increase in measured and indicated mineral resources is mainly due to new drilling results and reclassification of reserves.

In order to further increase mineral reserves and mineral resources, drilling is ongoing. In the fourth quarter of 2017, drilling was carried out on the Main Zone to evaluate the potential to extend mineralization below the current pit design and to explore opportunities to extend mineralization outside the currently planned pit limits.

Drilling was also carried out at the nearby El Realito and El Cochi zones in the second half of 2017, with encouraging results. These areas are currently being drilled to evaluate the potential to increase mineral reserves and mineral resources in close proximity to the current mining areas.

The La India mine’s proven and probable mineral reserves were approximately 0.7 million ounces at December 31, 2017.

*Mexico – El Barqueno Project*

On November 28, 2014, the Company acquired Cayden Resources Inc. (“Cayden”) pursuant to a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia). Cayden holds a 100.0% interest in the Morelos Sur property as well as an option to acquire a 100% interest in the El Barqueno property, both located in Mexico.

The El Barqueno project contains a number of known mineralized zones and several prospects. During 2017, 155 diamond drill holes (48,630 metres) were completed. Drilling in 2017 was primarily focused on the Cuauhtémoc, El Rayo and Las Bolas target areas. Initial drill testing also encountered a new zone of mineralization at San Gregorio, which is located to the northeast of the Azteca-Zapoteca deposit.

Approximately 35,000 metres of drilling is expected to be completed in 2018 at the El Barqueno project, with a principal focus on testing new target areas. Exploration expenditures in 2018 are expected to be approximately \$9.7 million.

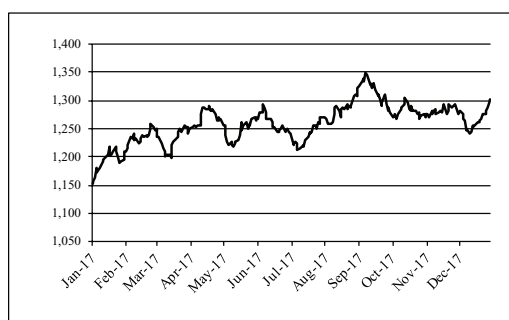
**Key Performance Drivers**

The key drivers of financial performance for Agnico Eagle include:

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

**Spot Price of Gold, Silver, Zinc and Copper**

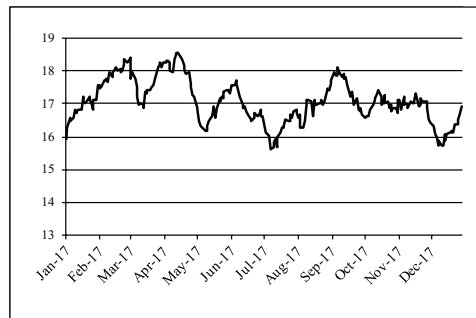
**GOLD (\$ per ounce)**



	2017	2016	% Change
High price	\$1,358	\$1,375	(1.2)%
Low price	\$1,146	\$1,061	8.0%
Average price	\$1,258	\$1,248	0.8%
Average price realized	\$1,261	\$1,249	1.0%

In 2017, the average market price per ounce of gold was 0.8% higher than in 2016. The Company's average realized price per ounce of gold in 2017 was 1.0% higher than in 2016.

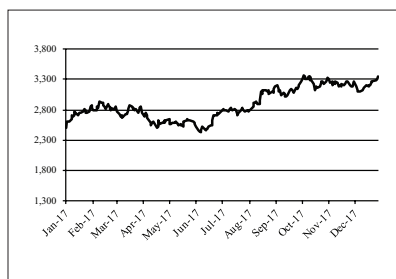
### SILVER (\$ per ounce)



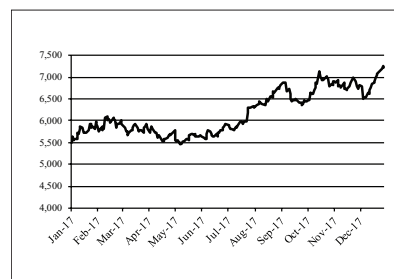
	2017	2016	% Change
High price	\$18.66	\$21.14	(11.7)%
Low price	\$15.19	\$13.75	10.5%
Average price	\$17.07	\$17.11	(0.2)%
Average price realized	\$17.07	\$17.28	(1.2)%

In 2017, the average market price per ounce of silver was 0.2% lower than in 2016. The Company's average realized price per ounce of silver in 2017 was 1.2% lower than in 2016.

### ZINC (\$ per tonne)



### COPPER (\$ per tonne)



Agnico Eagle's average realized sales price year-over-year for zinc increased by 38.2% and average realized sales prices for copper year-over-year increased by 31.4% over the same period. Significant quantities of by-product metals are produced by the LaRonde mine (silver, zinc and copper) and the Pinos Altos mine (silver).

Net by-product (primarily silver, zinc and copper) revenue is treated as a reduction of production costs in calculating total cash costs per ounce of gold produced on a by-product basis and all-in sustaining costs per ounce of gold produced on a by-product basis.

The Company has never sold gold forward, allowing the Company to take full advantage of rising gold prices. Management believes that low cost production is the best protection against a decrease in gold prices.

### Production Volumes and Costs

Changes in production volumes have a direct impact on the Company's financial results. Total payable gold production was 1,713,533 ounces in 2017, an increase of 3.0% compared with 1,662,888 ounces in 2016. The increase was primarily due to increased amounts of ore processed and higher gold grades at the LaRonde and Canadian Malartic mines in 2017 compared to 2016 and increased gold grade at the Meadowbank mine. Partially offsetting the overall increase in gold

production was lower tonnes processed at the Lapa mine as the mine reaches the end of operations. Agnico Eagle's average realized gold price increased by \$12, or 1.0%, to \$1,261 per ounce in 2017 from \$1,249 per ounce in 2016.

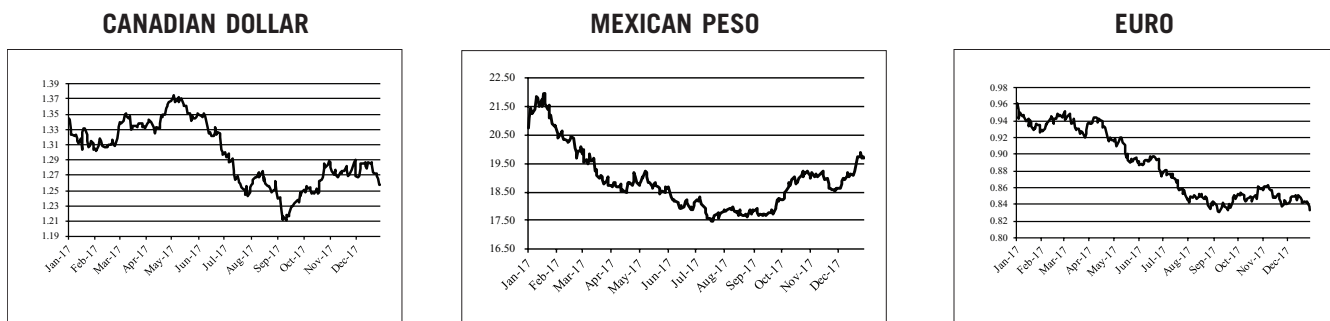
Production costs are discussed in detail in the *Results of Operations* section below.

### Foreign Exchange Rates (Ratio to US\$)

The exchange rate of the Canadian dollar, Mexican peso and Euro relative to the US dollar is an important financial driver for the Company for the following reasons:

- All revenues are earned in US dollars;
- A significant portion of operating costs at the LaRonde, Lapa, Goldex, Meadowbank, Canadian Malartic mines and mine construction costs at the Amaruq satellite deposit and the Meliadine mine project are incurred in Canadian dollars;
- A significant portion of operating costs at the Pinos Altos mine, the Creston Mascota deposit at Pinos Altos and the La India mine are incurred in Mexican pesos; and
- A significant portion of operating costs at the Kittila mine are incurred in Euros.

The Company mitigates part of its foreign currency exposure by using currency hedging strategies.



On average, the Canadian dollar and Euro strengthened relative to the US dollar in 2017 compared with 2016, increasing costs denominated in the local currencies when translated into US dollars for reporting purposes. The Mexican peso weakened relative to the US dollar in 2017 compared with 2016, decreasing costs denominated in the local currency when translated into US dollars for reporting purposes.

### Balance Sheet Review

Total assets at December 31, 2017 of \$7,865.6 million increased compared to December 31, 2016 total assets of \$7,108.0 million. Of the \$757.7 million increase in total assets between periods, \$520.5 million related to an increase in property, plant and mine development and \$93.0 million related to an increase in cash and cash equivalents between periods. The December 31, 2015 balance of \$6,683.2 million was lower compared to the total assets balance as at December 31, 2016, primarily due to a \$415.8 million change in cash and cash equivalents between periods.

Cash and cash equivalents were \$633.0 million at December 31, 2017, an increase of \$93.0 million compared with December 31, 2016 primarily due to cash provided by operating activities of \$767.6 million, the issuance of the 2017 Notes (as defined below) in an aggregate principal amount of \$300.0 million on June 29, 2017 and the issuance of 5,003,412 common shares to an institutional investor in the United States for net proceeds of \$213.3 million on March 31, 2017, partially offset by \$874.2 million in capital expenditures, a net \$130.4 million repayment of long-term debt, a net \$79.6 million acquisition of the Santa Gertrudis project, the purchase of \$51.7 million in available-for-sale securities and other investments and \$76.1 million in dividends paid during 2017.

Current inventory balances increased by \$57.3 million from \$443.7 million at December 31, 2016 to \$501.0 million at December 31, 2017 primarily due to planned increases for fuel and parts inventory at the Meliadine project. Non-current ore in stockpiles and on leach pads at December 31, 2017 of \$69.6 million were comparable with December 31, 2016 non-current ore in stockpiles and on leach pads of \$62.8 million.

Available-for-sale securities increased from \$92.3 million at December 31, 2016 to \$122.8 million at December 31, 2017 primarily due to \$52.2 million in new investments in 2017, partially offset by \$13.0 million in unrealized fair value losses, \$8.5 million in impairment losses and \$0.2 million in disposals during 2017.

Property, plant and mine development increased by \$520.5 million to \$5,626.6 million at December 31, 2017 compared with December 31, 2016 primarily due to a \$964.3 million increase related to capital expenditures during 2017 and a \$80.1 million increase due to the acquisition of the Santa Gertrudis project. This increase was partially offset by amortization expense of \$508.7 million during 2017.

Total liabilities increased to \$2,918.6 million at December 31, 2017 from \$2,615.5 million at December 31, 2016 primarily due to a \$169.2 million net increase in long-term debt and a \$80.8 million increase in reclamation provisions. Of the total \$73.3 million increase in total liabilities between the December 31, 2015 balance of \$2,542.2 million and the December 31, 2016 balance of \$2,615.5 million, \$70.0 million related to a net increase in long term-debt and \$20.2 million related to an increase in income taxes payable.

Accounts payable and accrued liabilities increased by \$62.2 million between December 31, 2016 and December 31, 2017 primarily due to expenditures related to the Company's ongoing development projects in Nunavut.

Net income taxes payable decreased by \$31.9 million between December 31, 2016 and December 31, 2017 as a result of payments to tax authorities exceeding the current tax expense.

Long-term debt increased by \$169.2 million between December 31, 2016 and December 31, 2017 primarily due to the issuance of the 2017 Notes, partially offset by a \$115.0 million principal repayment of the 2010 Notes and \$14.9 million in other debt repayments.

Agnico Eagle's reclamation provision increased by \$80.8 million between December 31, 2016 and December 31, 2017 primarily due to the re-measurement of the Company's reclamation provisions by applying updated expected cash flows and assumptions as at December 31, 2017.

Deferred income and mining tax liabilities increased by \$7.8 million between December 31, 2016 and December 31, 2017 primarily due to the origination and reversal of net taxable temporary differences.

### ***Fair Value of Derivative Financial Instruments***

The Company occasionally enters into contracts to limit the risk associated with decreased by-product metal prices, increased foreign currency costs (including capital expenditures) and input costs. The contracts act as economic hedges of underlying exposures and are not held for speculative purposes. Agnico Eagle does not use complex derivative contracts to hedge exposures. The fair value of the Company's derivative financial instruments is outlined in the financial instruments note to the Company's annual consolidated financial statements.

### **Results of Operations**

Agnico Eagle reported net income of \$243.9 million, or \$1.06 per share, in 2017 compared with net income of \$158.8 million, or \$0.71 per share, in 2016. In 2015, the Company reported net income of \$24.6 million, or \$0.11 per share. Agnico Eagle reported adjusted net income of \$233.8 million, or \$1.02 per share, in 2017 compared with adjusted net income of \$109.5 million, or \$0.49 per share, in 2016. In 2015, the Company reported adjusted net income of \$73.5 million, or \$0.34 per share. In 2017, operating margin (revenues from mining operations less production costs) increased to \$1,184.8 million from \$1,106.3 million in 2016. In 2015, operating margin was \$990.1 million.

### ***Revenues from Mining Operations***

Revenues from mining operations increased by \$104.4 million, or 4.9%, to \$2,242.6 million in 2017 from \$2,138.2 million in 2016 primarily due to higher sales prices realized on gold and increased gold production. Revenues from mining operations were \$1,985.4 million in 2015.

Revenues from the Northern Business increased by \$152.6 million, or 9.3%, to \$1,790.9 million in 2017 from \$1,638.3 million in 2016 primarily due to higher sales prices realized on gold and higher metals sales. Revenues from the Southern Business decreased by \$48.2 million, or 9.6%, to \$451.7 million in 2017 from \$499.9 million in 2016, primarily due to lower gold sales. Revenues from the Northern Business were \$1,543.3 million, and revenues from the Southern Business were \$442.1 million in 2015.

Sales of precious metals (gold and silver) accounted for 99.3% of revenues from mining operations in 2017, a decrease from 99.8% in 2016 and 99.7% in 2015. The slight decrease in the percentage of revenues from precious metals compared with 2016 is primarily due to increased zinc production and higher sales prices realized on zinc and copper by-products. Revenues from mining operations are accounted for net of related smelting, refining, transportation and other charges.

The table below sets out revenues from mining operations, production volumes and sales volumes by metal:

	2017	2016	2015
	<i>(thousands of United States dollars)</i>		
<b>Revenues from mining operations:</b>			
Gold	\$ 2,140,890	\$ 2,049,871	\$ 1,911,500
Silver	86,262	85,096	66,991
Zinc	9,177	1,413	505
Copper	6,275	1,852	6,436
Total revenues from mining operations	\$ 2,242,604	\$ 2,138,232	\$ 1,985,432
<b>Payable production<sup>(i)</sup>:</b>			
Gold (ounces)	1,713,533	1,662,888	1,671,340
Silver (thousands of ounces)	5,016	4,759	4,258
Zinc (tonnes)	6,510	4,687	3,501
Copper (tonnes)	4,501	4,416	4,941
<b>Payable metal sold:</b>			
Gold (ounces)	1,693,774	1,630,865	1,645,081
Silver (thousands of ounces)	4,852	4,761	4,184
Zinc (tonnes)	6,316	3,554	3,596
Copper (tonnes)	4,599	4,522	4,947

Notes:

(i) Payable production (a non-GAAP, non-financial performance measure) is 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 inventories at the end of the period.

Revenues from gold increased by \$91.0 million or 4.4% in 2017 compared with 2016 primarily due to an increase in gold production at the LaRonde and Meadowbank mines as a result of higher gold grade ore being processed and increased throughput levels at the Canadian Malartic mine. The Company's gold sales increased by 3.9% to 1,693,774 ounces in 2017 compared to 1,630,865 ounces in 2016. In addition, the Company's average realized gold price per ounce increased by 1.0% to \$1,261 in 2017 compared to \$1,249 in 2016.

Revenues from silver increased by \$1.2 million or 1.4% in 2017 compared with 2016 primarily due to a 26.9% increase in silver production at the LaRonde mine. This increase was partially offset by a decrease of the average realized silver price per ounce by 1.2% to \$17.07 in 2017 from \$17.28 in 2016. Revenues from zinc increased by \$7.8 million or 549.5% to \$9.2 million in 2017 compared with \$1.4 million in 2016 primarily due to a 38.9% increase in the zinc production and a 38.2% increase in realized zinc price between periods. Revenues from copper increased by \$4.4 million or 238.8% in 2017 compared with 2016 primarily due to a 31.4% increase in the realized copper price.

### **Production Costs**

Production costs increased to \$1,057.8 million in 2017 compared with \$1,031.9 million in 2016 primarily due to higher production expenses at the La India, Goldex and Kittila mines. Partially offsetting the overall increase was lower production expenses at the Lapa mine as the mine approaches the end of operations. Production costs were \$995.3 million in 2015.

The table below sets out production costs by mine:

	2017	2016	2015
	<i>(thousands of United States dollars)</i>		
LaRonde mine	\$ 185,488	\$ 179,496	\$ 172,283
Lapa mine	38,786	52,974	52,571
Goldex mine	71,015	63,310	61,278
Meadowbank mine	224,364	218,963	230,564
Canadian Malartic mine (attributable 50.0%)	188,568	183,635	171,473
Kittila mine	148,272	141,871	126,095
Pinos Altos mine	108,726	114,557	105,175
Creston Mascota deposit at Pinos Altos	31,490	27,341	26,278
La India mine	61,133	49,745	49,578
<b>Total production costs</b>	<b>\$ 1,057,842</b>	<b>\$ 1,031,892</b>	<b>\$ 995,295</b>

The discussion of production costs below refers to “total cash costs per ounce of gold produced” and “minesite costs per tonne”, neither of which are recognized measures under IFRS. For a reconciliation of these measures to production costs and a discussion of their use by the Company, see *Non-GAAP Financial Performance Measures* in this MD&A.

Production costs at the LaRonde mine were \$185.5 million in 2017, a 3.3% increase compared with 2016 production costs of \$179.5 million primarily due to increased mill and maintenance costs and a stronger Canadian dollar relative to the US dollar between periods. During 2017, the LaRonde mine processed an average of 6,153 tonnes of ore per day compared with 6,121 tonnes of ore per day during 2016. Production costs per tonne decreased to C\$108 in 2017 compared with C\$106 in 2016 due to higher inventory. Minesite costs per tonne increased to C\$108 in 2017 compared with C\$106 in 2016 due to increased mill and maintenance costs.

Production costs at the Lapa mine were \$38.8 million in 2017, a 26.8% decrease compared with 2016 production costs of \$53.0 million. During 2017, the Lapa mine processed an average of 1,090 tonnes of ore per day compared with 1,619 tonnes of ore per day processed during 2016. The decrease in throughput between periods was expected as the mine approaches the end of operations. Production costs per tonne increased to C\$128 in 2017 compared with C\$118 in 2016 due to the factor noted above. Minesite costs per tonne decreased to C\$120 in 2017 compared with C\$121 in 2016 primarily due to mined ore being stockpiled which is expected to be processed during the first half of 2018.

Production costs at the Goldex mine were \$71.0 million in 2017, a 12.2% increase compared with 2016 production costs of \$63.3 million primarily due to a stronger Canadian dollar relative to the US dollar between periods. During 2017, the Goldex mine processed an average of 6,567 tonnes of ore per day compared with 6,954 tonnes of ore per day processed during 2016. The decrease in throughput between periods was primarily due to the exclusion of pre-production tonnes processed from the Deep 1 Zone. Production costs per tonne increased to C\$38 in 2017 compared with C\$33 in 2016 due to increased underground costs. Minesite costs per tonne increased to C\$37 in 2017 compared with C\$33 in 2016 due to the factors noted above.

Production costs at the Meadowbank mine were \$224.4 million in 2017, a 2.5% increase compared with 2016 production costs of \$219.0 million primarily due to a lower amount of stripping costs being capitalized and a decrease in inventory. During 2017, the Meadowbank mine processed an average of 10,556 tonnes of ore per day compared with 10,697 tonnes of ore per day processed during 2016. The decrease in throughput between periods was primarily due to harder ore being processed from the Vault pit. Production costs per tonne increased to C\$76 in 2017 compared with C\$73 in 2016 due to the decrease in tonnage processed. Minesite costs per tonne increased to C\$76 in 2017 compared with C\$74 in 2016 due to the factors noted above.

Attributable production costs at the Canadian Malartic mine were \$188.6 million in 2017, a 2.7% increase compared with 2016 production costs of \$183.6 million primarily due to increased throughput and higher contractor costs. During 2017, the



Canadian Malartic mine processed an average of 55,774 tonnes of ore per day on a 100% basis compared with 53,665 tonnes of ore per day processed in 2016. The increase in throughput between periods was primarily due to greater operating flexibility allowed at the mill resulting from the increase in the number of permitted tonnes milled. Production costs per tonne decreased to C\$24 in 2017 compared with C\$25 in 2016 due to the factor noted above. Minesite costs per tonne decreased to C\$24 in 2017 compared with C\$25 in 2016 primarily due to the factor noted above.

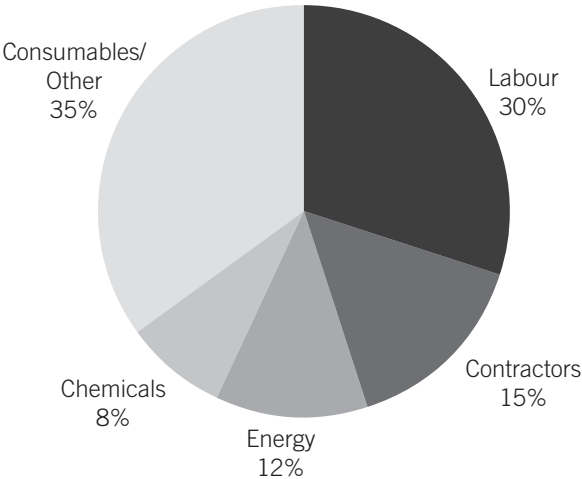
Production costs at the Kittila mine were \$148.3 million in 2017, an increase of 4.5% compared with 2016 production costs of \$141.9 million primarily due to higher mill costs. During 2017, the Kittila mine processed an average of 4,615 tonnes of ore per day compared with the 4,554 tonnes of ore per day processed during 2016. The increase in throughput was primarily due to additional mine development, leading to improved ore access and stronger mining productivity. Production costs per tonne increased to €78 in 2017 compared with €77 in 2016 primarily due to higher re-handling costs. Minesite costs per tonne increased to €78 in 2017 compared with €77 in 2016 due to the factor noted above.

Production costs at the Pinos Altos mine were \$108.7 million in 2017, a decrease of 5.1% compared with 2016 production costs of \$114.6 million primarily due to variations in the proportion of heap leach ore to milled ore, variations in the open pit ore to underground ore, fluctuations in the waste to ore stripping ratio in the open pit mines and an increase in inventory. During 2017, the Pinos Altos mine mill processed an average of 5,543 tonnes of ore per day compared with the 5,415 tonnes of ore per day processed during 2016. In 2017, approximately 284,800 tonnes of ore were stacked on the Pinos Altos mine leach pad, compared with approximately 278,100 tonnes of ore stacked in 2016, primarily due to mine sequencing. Production costs per tonne decreased to \$47 in 2017 compared with \$51 in 2016 due to timing of inventory and the factors noted above. Minesite costs per tonne increased to \$50 in 2017 compared with \$49 in 2016 primarily due to the factors noted above, other than the inventory adjustment.

Production costs at the Creston Mascota deposit at Pinos Altos were \$31.5 million in 2017, an increase of 15.2% compared with 2016 production costs of \$27.3 million primarily due to higher waste haulage costs as a result of longer trucking distances and a lower amount of stripping costs being capitalized. During 2017, approximately 2,195,700 tonnes of ore were stacked on the leach pad at the Creston Mascota deposit at Pinos Altos compared with approximately 2,119,200 tonnes of ore stacked in 2016. Production costs per tonne increased to \$14 in 2017 compared with \$13 in 2016 due to the factors noted above. Minesite costs per tonne increased to \$15 in 2017 compared with \$13 in 2016 due to the factors noted above.

Production costs at the La India mine were \$61.1 million in 2017, an increase of 22.9% compared with 2016 production costs of \$49.7 million primarily due to higher contractor costs incurred to accelerate open pit mine development, higher maintenance costs and higher ore and waste haulage costs as a result of longer trucking distances from the Main Zone pit. During 2017, the La India mine stacked approximately 5,965,200 tonnes of ore on the leach pad compared with approximately 5,837,400 tonnes of ore stacked in 2016 primarily due increased ore crushing capacity. Production costs per tonne increased to \$10 in 2017 compared with \$9 in 2016 due to the factors noted above. Minesite costs per tonne increased to \$11 in 2017 compared with \$9 in 2016 due to the factors noted above.

**Total Production Costs by Category YTD**



Total cash costs per ounce of gold produced is presented in this MD&A on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

Total production costs per ounce of gold produced, representing the weighted average of all of the Company's producing mines, remained at \$621 between 2017 and 2016 and increased from \$596 in 2015. Total cash costs per ounce of gold produced on a by-product basis decreased to \$558 in 2017 compared with \$573 in 2016 and decreased from \$567 in 2015. Total cash costs per ounce of gold produced on a co-product basis decreased to \$637 in 2017 compared with \$643 in 2016 and increased from \$626 in 2015. Set out below is an analysis of the change in total production costs per ounce and cash costs per ounce at each of the Company's mining operations:

- At the LaRonde mine, total production costs per ounce of gold produced decreased to \$532 in 2017 compared with \$587 in 2016 primarily due to a 14.1% increase in gold production. Total cash costs per ounce of gold produced on a by-product basis decreased to \$406 in 2017 compared with \$501 in 2016 primarily due to the increase in gold production noted above and higher by-product revenues. Total cash costs per ounce of gold produced on a co-product basis decreased to \$607 in 2017 compared with \$668 in 2016, due to the increase in gold production noted above.
- At the Lapa mine, total production costs per ounce of gold produced increased to \$801 in 2017 compared with \$717 in 2016 due to lower production as the mine approaches the end of operations. Total cash costs per ounce of gold produced on a by-product basis increased to \$755 in 2017 compared with \$732 in 2016 due to the factor noted above. Total cash costs per ounce of gold produced on a co-product basis increased to \$757 in 2017 compared with \$732 in 2016 due to the factor noted above.
- At the Goldex mine, total production costs per ounce of gold produced increased to \$640 in 2017 compared with \$525 in 2016 due to a 8.1% decrease in gold production due to the exclusion of 8,041 ounces of payable gold production, and the associated costs related to the Deep 1 Zone, which were produced prior to the achievement of commercial production and a stronger Canadian dollar relative to the US dollar between periods. Total cash costs per ounce of gold produced on a by-product basis increased to \$610 in 2017 compared with \$532 in 2016 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to \$611 in 2017 compared with \$532 in 2016 due to the factors noted above.
- At the Meadowbank mine, total production costs per ounce of gold produced decreased to \$636 in 2017 compared with \$701 in 2016 due to a 12.9% increase in production and an increase in inventory. Total cash costs per ounce of gold produced on a by-product basis decreased to \$614 in 2017 compared with \$715 in 2016 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis decreased to \$628 in 2017 compared with \$727 in 2016 due to the factors noted above.
- At the Canadian Malartic mine, total production costs per ounce of gold produced decreased to \$595 in 2017 compared with \$628 in 2016 due to a 8.3% increase in production and greater operating flexibility allowed at the mill resulting from the increase in the number of permitted tonnes milled. Total cash costs per ounce of gold produced on a by-product basis decreased to \$576 in 2017 compared with \$606 during 2016 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis decreased to \$594 in 2017 compared with \$626 during 2016 due to the factors noted above.
- At the Kittila mine, total production costs per ounce of gold produced increased to \$753 in 2017 compared with \$701 in 2016 due to a 2.8% decrease in gold production and higher re-handling costs. Total cash costs per ounce of gold produced on a by-product basis increased to \$753 in 2017 compared with \$699 in 2016, due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to \$754 in 2017 compared with \$700 in 2016 due to the factors noted above.

- At the Pinos Altos mine, total production costs per ounce of gold produced increased to \$601 in 2017 compared with \$594 in 2016 due to a 6.2% decrease in gold production, higher consumable costs, variations in the proportion of heap leach ore to milled ore, variations in open pit ore to underground ore and fluctuations in the waste to ore stripping ratio. Total cash costs per ounce of gold produced on a by-product basis increased to \$395 in 2017 compared with \$356 in 2016 primarily due to the factors noted. Total cash costs per ounce of gold produced on a co-product basis increased to \$634 in 2017 compared with \$585 in 2016 due to the factors noted above.
- At the Creston Mascota deposit at Pinos Altos, total production costs per ounce of gold produced increased to \$651 in 2017 compared to \$578 in 2016 primarily due to higher waste haulage costs as a result of longer trucking distances and a lower amount of stripping costs being capitalized. Total cash costs per ounce of gold produced on a by-product basis increased to \$575 in 2017 compared with \$516 in 2016 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to \$669 in 2017 compared with \$588 in 2016 due to the factors noted above.
- At the La India mine, total production costs per ounce of gold produced increased to \$604 in 2017 compared with \$432 in 2016 due to a 12.2% decrease in gold production, higher contractor costs to accelerate open pit mine development, higher maintenance costs and higher ore and waste haulage costs as a result of longer trucking distances from the Main Zone pit. Total cash costs per ounce of gold produced on a by-product basis increased to \$580 in 2017 compared with \$395 in 2016 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to \$634 in 2017 compared with \$468 in 2016 due to the factors noted above.

### **Exploration and Corporate Development Expense**

Exploration and corporate development expense decreased by 3.8% to \$141.5 million in 2017 from \$147.0 million in 2016. Exploration and corporate development expense was \$110.4 million in 2015.

A summary of the Company's significant 2017 exploration and corporate development activities is set out below:

- Exploration expenses in Canada and at various mine sites decreased by 17.8% to \$78.9 million in 2017 compared with 2016 primarily due to decreased exploration at the Amaruq satellite deposit located 50 kilometres northwest of the Meadowbank mine in Nunavut.
- Exploration expenses increased by 2.8% to \$21.4 million in Latin America compared with 2016 primarily due to increased exploration at the Tarachi and El Barqueno projects in Mexico.
- Exploration expenses increased by 50.3% to \$3.8 million in the United States compared with 2016 primarily due to increased exploration on various projects and increased by 151.6% to \$14.8 million in Europe compared with 2016 primarily due to increased exploration at the Barsele project.
- Corporate development and project evaluation expenses increased by 3.7% to \$22.5 million in 2017 compared with 2016 primarily due to increased project evaluation expenses at the Akasaba project in northwestern Quebec.

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

	2017	2016	2015
	<i>(thousands of United States dollars)</i>		
Canada	\$ 78,928	\$ 96,026	\$ 56,099
Latin America	21,402	20,812	25,483
United States	3,796	2,525	3,666
Europe	14,785	5,877	3,943
Corporate development expense	22,539	21,738	21,162
<b>Total exploration and corporate development expense</b>	<b>\$ 141,450</b>	<b>\$ 146,978</b>	<b>\$ 110,353</b>

### **Amortization of Property, Plant and Mine Development**

Amortization of property, plant and mine development expense decreased to \$508.7 million in 2017 compared with \$613.2 million in 2016 and \$608.6 million in 2015. The decrease in amortization of property, plant and mine development between 2017 and 2016 was primarily due to the increase in the proven and probable mineral reserves and the mineral resources included in the current life of mine plans at the Amaruq satellite deposit at Meadowbank and La India mines. In addition, amortization decreased at the Lapa mine as it reaches the end of operations.

### **General and Administrative Expense**

General and administrative expenses increased to \$115.1 million in 2017 compared with \$102.8 million in 2016 and \$97.0 million in 2015.

### **Impairment Loss on Available-for-sale Securities**

Impairment loss on available-for-sale securities was \$8.5 million in 2017 compared with nil in 2016 and \$12.0 million in 2015. Impairment loss evaluations of available-for-sale securities are based on whether a decline in fair value is considered to be significant or prolonged.

### **Finance Costs**

Finance costs increased to \$78.9 million in 2017 compared with \$74.6 million in 2016 and \$75.2 million in 2015. The table below sets out the components of finance costs:

	2017	2016	2015
	<i>(thousands of United States dollars)</i>		
Stand-by fees on credit facilities	\$ 5,611	\$ 5,387	\$ 4,025
Amortization of credit facilities, financing and note issuance costs	2,566	2,470	2,437
Interest on Credit Facility	42	3,102	8,892
Interest on Notes	69,935	60,044	49,937
Accretion expense on reclamation provisions	5,234	3,832	4,164
Other interest and penalties	1,920	2,871	7,476
Interest capitalized to construction in progress	(6,377)	(3,065)	(1,703)
Total finance costs	\$78,931	\$74,641	\$75,228

See *Liquidity and Capital Resources – Financing Activities* in this MD&A for details on the Company's \$1.2 billion unsecured revolving bank credit facility (the "Credit Facility") and Notes referenced above.

### **Gain on Impairment Reversal**

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If an indicator of impairment reversal exists, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. A gain on impairment reversal is recognized for any excess of the recoverable amount of the asset over its carrying amount. The carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined net of amortization had no impairment loss been recognized in prior periods.

As at December 31, 2016, the Company identified indicators of potential impairment reversal for the Company's Meadowbank mine and Meliadine mine project. As a result of the identification of these indicators, the Company estimated the recoverable amounts of the Meadowbank mine and Meliadine mine project cash generating units ("CGU") and concluded the recoverable amounts exceeded the carrying amounts. The Company recorded a gain on impairment reversal of \$37.2 million at the Meadowbank mine and \$83.0 million at the Meliadine mine project (refer to note 22 in the Company's annual consolidated financial statements for additional details).

A discounted cash flow approach was used to estimate fair value less costs of disposal, which represents the recoverable amount of property, plant and mine development assets that was used to determine the impairment reversal amounts. The total gain on impairment reversal recorded during the year ended December 31, 2016 was \$120.2 million. Based on assessments completed by the Company, no impairment reversals were required in 2017.

At the end of each reporting period the Company also assesses whether there is any indication that long-lived assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. An impairment loss is recognized for any excess of the carrying amount of the asset over its recoverable amount. The recoverable amounts are based on each asset's future cash flows and represents each asset's fair value less costs of disposal.

Based on assessments completed by the Company, no impairment losses were required in 2017, 2016 or 2015.

Management's estimates of future net cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Company's long-lived assets and goodwill. This may have a material effect on the Company's future consolidated financial statements.

### ***Foreign Currency Translation Loss***

The Company's operating results and cash flow are significantly affected by changes in the exchange rate between the US dollar and each of the Canadian dollar, Mexican peso and Euro as all of the Company's revenues are earned in US dollars while a significant portion of its operating and capital costs are incurred in such other currencies. During the period from January 1, 2016 through December 31, 2017, the daily US dollar exchange rate fluctuated between C\$1.21 and C\$1.46, 17.18 Mexican pesos and 21.91 Mexican pesos and €0.83 and €0.96 per US\$1.00.

A foreign currency translation loss of \$13.3 million was recorded in 2017 compared with a foreign currency translation loss of \$13.2 million in 2016 and a foreign currency translation gain of \$4.7 million in 2015. The 2017 average US dollar exchange rate weakened against the Canadian dollar and Euro and strengthened against the Mexican peso compared with the average exchange rate in 2016. The US dollar also weakened against the Canadian dollar, Mexican peso and Euro as at December 31, 2017, compared to December 31, 2016. The net foreign currency translation loss in 2017 was primarily due to the translation impact of the Company's net monetary liabilities denominated in Canadian dollars, Mexican pesos and Euros.

### ***Income and Mining Taxes Expense***

In 2017, the Company recorded income and mining taxes expense of \$98.5 million on income before income and mining taxes of \$342.4 million at an effective tax rate of 28.8%. In 2016, the Company recorded income and mining taxes expense of \$109.6 million on income before income and mining taxes of \$268.5 million at an effective tax rate of 40.8%. The Company's 2017 and 2016 effective tax rates were higher than the applicable statutory tax rate of 26.0% primarily due to the impact of mining taxes. In 2015, the Company recorded income and mining taxes expense of \$58.0 million on income before income and mining taxes of \$82.6 million at an effective tax rate of 70.2%.

### ***Liquidity and Capital Resources***

As at December 31, 2017, the Company's cash and cash equivalents, short-term investments and current restricted cash totaled \$644.3 million compared with \$548.8 million at December 31, 2016. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to reduce risks associated with these investments. Such investments with remaining maturities of greater than three months and less than one year at the time of purchase are classified as short-term investments. Decisions regarding the length of maturities are based on cash flow requirements, rates of return and various other factors.

Working capital (current assets less current liabilities) increased to \$1,127.7 million at December 31, 2017 compared with \$806.6 million at December 31, 2016.

### ***Operating Activities***

Cash provided by operating activities decreased by \$11.1 million to \$767.6 million in 2017 compared with 2016. The decrease in cash provided by operating activities was primarily due to less favourable working capital changes between periods and the impact on costs of a stronger Canadian dollar relative to the US dollar. Partially offsetting these negative impacts on cash provided by operating activities was an increase in the average realized price of gold and an increase in

payable ounces sold between 2017 and 2016. Cash provided by operating activities was \$778.6 million in 2016, \$162.4 million higher than in 2015 primarily due to an increase in the average realized price of gold, the impact on costs of a weaker Canadian dollar relative to the US dollar and favourable working capital changes between periods.

### ***Investing Activities***

Cash used in investing activities increased to \$1,000.1 million in 2017 from \$553.5 million in 2016. The increase in cash used in investing activities between periods was primarily due to a \$358.1 million increase in capital expenditures, a \$59.6 million increase in acquisitions, a \$18.0 million increase in purchases of available-for-sale securities and other investments and a \$9.1 million decrease in net proceeds from the sale of available-for-sale securities and other investments. Cash used in investing activities was \$374.5 million in 2015, which included capital expenditures of \$449.8 million partially offset by \$61.1 million in net proceeds from the sale of available-for-sale securities and other investments.

In 2017, the Company invested cash of \$874.2 million in projects and sustaining capital expenditures compared with \$516.1 million in 2016. Capital expenditures in 2017 included \$372.1 million at the Meliadine project, \$111.5 million at the Meadowbank mine and Amaruq satellite project, \$87.8 million at the Kittila mine, \$86.5 million at the Canadian Malartic mine (the Company's attributable portion), \$67.1 million at the LaRonde mine, \$22.6 million at the LaRonde Zone 5 project, \$57.1 million at the Goldex mine, \$49.3 million at the Pinos Altos mine, \$10.8 million at the La India mine, \$8.1 million at the Creston Mascota deposit at Pinos Altos and \$1.3 million at the Company's other projects. The \$358.1 million increase in capital expenditures between 2017 and 2016 was primarily due to significant expenditures that were incurred in 2017 relating to the development of the Meliadine mine project and Amaruq satellite deposit, including the purchase of long lead time equipment and material to prepare for the upcoming barge season.

On February 15, 2018, the Company completed the purchase of 1,740,500 units ("Units") of Orla Mining Ltd. ("Orla") at a price of C\$1.75 per Unit for total cash consideration of C\$3.0 million. Each Unit is comprised of one common share of Orla (a "Common Share") and one-half of one common share purchase warrant of Orla (each full common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of C\$2.35 prior to February 15, 2021. Upon closing of the transaction, the Company held 17,613,835 Common Shares and 870,250 Warrants, representing approximately 9.86% of the issued and outstanding Common Shares on a non-diluted basis and approximately 10.30% of the issued and outstanding Common Shares on a partially-diluted basis assuming exercise of the Warrants held by the Company.

On November 1, 2017, the Company acquired 100% of the issued and outstanding shares of Animas Resources Ltd. ("Animas"), a wholly-owned Canadian subsidiary of GoGold Resources Inc. ("GoGold") by way of a subscription and share purchase agreement (the "Animas Agreement") dated September 5, 2017. On the closing of the transactions relating to the Animas Agreement, Animas owned a 100% interest in the Santa Gertrudis exploration project located in Sonora, Mexico, indirectly, through three wholly-owned Mexican subsidiaries. Pursuant to the Animas Agreement, consideration for the acquisition of the shares of Animas totaled \$80.0 million less a working capital adjustment of \$0.4 million, comprised of \$72.0 million in cash payable at closing and the extinguishment of a \$7.5 million loan advanced to GoGold on the date of the Animas Agreement that bore interest at a rate of 10% per annum. The principal amount of the loan, along with all accrued interest, was repaid upon closing of the Animas Agreement by way of a set-off against the purchase price. In connection with the transaction, GoGold was granted a 2.0% net smelter return royalty on production from the Santa Gertrudis project, 50% of which may be repurchased by the Company at any time for \$7.5 million. The acquisition was accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling \$0.9 million were capitalized to the mining properties acquired.

On March 8, 2017, the Company completed the purchase of 38,100,000 common shares of GoldQuest Mining Corp. ("GoldQuest") pursuant to a private placement. The Company paid C\$0.60 per GoldQuest common share, for total cash consideration of approximately C\$22.9 million. Upon the closing of the transaction, Agnico Eagle held approximately 15.00% of the issued and outstanding common shares of GoldQuest on a non-diluted basis.

On December 22, 2016, the Company subscribed for 22,500,000 common shares of Cartier Resources Inc. ("Cartier") in a non-brokered private placement at a price of C\$0.20 per Cartier common share, for total cash consideration of approximately C\$4.5 million. On March 20, 2017, the Company subscribed for an additional 3,365,369 common shares of Cartier for total cash consideration of approximately C\$0.6 million. On December 5, 2017, the Company subscribed for an additional 4,208,500 common shares of Cartier for total cash consideration of approximately C\$0.8 million. Upon closing the transaction, the Company held approximately 17.00% of the issued and outstanding common shares of Cartier on a non-diluted basis.

On December 13, 2016, the Company subscribed for 12,100,000 common shares of G4G Capital Corp., subsequently renamed White Gold Corp (“White Gold”) in a non-brokered private placement at a price of C\$1.20 per White Gold common share, for total cash consideration of approximately C\$14.5 million. On March 21, 2017, the Company subscribed for an additional 1,110,000 shares of White Gold for total cash consideration of approximately C\$1.5 million. On June 14, 2017, the Company subscribed for an additional 4,356,000 shares of White Gold for total cash consideration of approximately C\$8.8 million. Upon closing the transaction, the Company held approximately 19.93% of the issued and outstanding common shares of White Gold on a non-diluted basis.

On March 16, 2016, the Company subscribed for 11,680,000 common shares of Belo Sun Mining Corp. (“Belo Sun”) in a non-brokered private placement at a price of C\$0.53 per Belo Sun common share, for total cash consideration of approximately C\$6.2 million. On July 27, 2016, the Company subscribed for 14,922,760 common shares of Belo Sun pursuant to a public offering by Belo Sun at a price of C\$0.85 per Belo Sun common share, for total cash consideration of approximately C\$12.7 million. Upon closing the transaction, the Company held approximately 19.20% of the issued and outstanding common shares of Belo Sun on a non-diluted basis.

In 2017, the Company received net proceeds of \$0.3 million from the sale of available-for-sale securities and other investments compared with \$9.5 million in 2016 and \$61.1 million in 2015. In 2017, the Company purchased \$51.7 million of available-for-sale securities and other investments compared with \$33.8 million in 2016 and \$19.8 million in 2015. The Company’s investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry.

### ***Financing Activities***

Cash provided by financing activities of \$329.2 million in 2017 increased compared with cash provided by financing activities of \$190.4 million in 2016 primarily due to a \$195.9 million increase in net proceeds from the issuance of common shares and a \$150.0 million decrease of the net repayment of long-term debt, partially offset by a \$147.9 million decrease of proceeds from employee stock option plan exercises and a \$50.0 million decrease in notes issuances between periods. Cash used in financing activities was \$280.8 million in 2015, which included net repayment of debt of \$261.1 million.

Net proceeds from the issuance of common shares was \$269.1 million in 2017 attributable to an equity issuance directly to one institutional investor, employee stock option plan exercises, issuances under the incentive share purchase plan and the dividend reinvestment plan. Net proceeds from the issuance of common shares were \$221.1 million in 2016 attributable to the issuance of flow-through common shares, employee stock option plan exercises, issuances under the incentive share purchase plan and the dividend reinvestment plan.

In 2017, the Company paid dividends of \$76.1 million compared with \$71.4 million in 2016 and \$59.5 million in 2015. Agnico Eagle has declared a cash dividend every year since 1983. Although the Company expects to continue paying dividends, future dividends will be at the discretion of the Board and will be subject to factors such as income, financial condition and capital requirements.

On February 27, 2018, the Company entered into a note purchase agreement with certain institutional investors, providing for the issuance of guaranteed senior unsecured notes consisting of \$45 million 4.38% Series A senior notes due 2028, \$55 million 4.48% Series B senior notes due 2030 and \$250 million 4.63% Series C senior notes due 2033 (collectively, the “2018 Notes”). The 2018 Notes are expected to be issued on or about April 5, 2018.

On October 25, 2017, the Company amended the Credit Facility to extend the maturity date from June 22, 2021 to June 22, 2022. As at December 31, 2017, the Company’s outstanding balance under the Credit Facility was nil. Credit Facility availability is reduced by outstanding letters of credit, amounting to \$0.8 million at December 31, 2017. As at December 31, 2017, \$1,199.2 million was available for future drawdown under the Credit Facility.

On May 5, 2017, the Company agreed to a \$300.0 million private placement of guaranteed senior unsecured notes (the “2017 Notes”) which issuance closed on June 29, 2017. Upon issuance, the 2017 Notes had a weighted average maturity of 10.9 years and weighted average yield of 4.67%. Proceeds from the 2017 Notes were used for working capital and general corporate purposes.

On April 7, 2017, the Company repaid \$115.0 million of the \$600.0 million guaranteed senior unsecured notes that were issued on April 7, 2010 (the “2010 Notes”). As at December 31, 2017, the principal amount of the 2010 Notes that remains outstanding is \$485.0 million.

On March 31, 2017, the Company issued 5,003,412 common shares to an institutional investor in the United States at a price of \$43.97 per common share, for gross proceeds of approximately \$220.0 million. Transaction costs of \$6.7 million resulted in net proceeds to the Company of \$213.3 million.

On June 30, 2016, the Company closed a \$350.0 million private placement of guaranteed senior unsecured notes (the “2016 Notes”), which, on issuance, had a weighted average maturity of 9.43 years and a weighted average yield of 4.77%. Proceeds from the offering of the 2016 Notes were used to repay amounts outstanding under the Credit Facility.

On June 29, 2016, the Company entered into a standby letter of credit facility with a financial institution providing for a C\$100.0 million uncommitted letter of credit facility (the “Third LC Facility”). Letters of credit issued under the Third LC Facility may be used to support the reclamation obligations or non-financial or performance obligations of the Company or its subsidiaries. The obligations of the Company under the Third LC Facility are guaranteed by certain of its subsidiaries. As at December 31, 2017, the aggregate undrawn face amount of letters of credit under the Third LC Facility was \$41.0 million.

On March 10, 2016, the Company raised approximately C\$25.0 million (\$18.7 million) through the issuance of 374,869 common shares at a price of C\$66.69 per common share. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the issuer, subject to a renouncement process. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented in the accounts payable and accrued liabilities line item in the balance sheet because the Company had not yet fulfilled its obligation to pass on the tax deductions to the investor. At the time the Company fulfills its obligation, the sale of tax deductions is recognized in the income statement as a reduction of deferred tax expense. The closing price of the Company's common shares on the March 10, 2016 issuance date was C\$48.49, resulting in an increase to share capital of approximately C\$18.2 million (\$13.6 million). The initial C\$6.8 million (\$5.1 million) liability is drawn down as eligible expenditures are incurred because the Company has a positive intention to renounce these expenses. During the year ended December 31, 2016, the liability was fully extinguished based on eligible expenditures incurred.

On September 30, 2015, the Company closed a private placement consisting of a \$50.0 million guaranteed senior unsecured note (the “2015 Note”) with a September 30, 2025 maturity date and a yield of 4.15%. Under the note purchase agreement in respect of the 2015 Note, the Company agreed that an amount equal to or greater than the net proceeds from the 2015 Note would be spent on mining projects in the Province of Quebec, Canada.

On September 23, 2015, the Company entered into a standby letter of credit facility with a financial institution providing for a C\$150.0 million uncommitted letter of credit facility (as amended, the “Second LC Facility”). The Second LC Facility may be used by the Company to support the reclamation obligations of the Company, its subsidiaries or any entity in which the Company has a direct or indirect interest or the performance obligations (other than with respect to indebtedness for borrowed money) of the Company, its subsidiaries or any entity in which the Company has a direct or indirect interest that are not directly related to reclamation obligations. Payment and performance of the Company's obligations under the Second LC Facility are supported by an account performance security guarantee issued by Export Development Canada in favour of the lender. As at December 31, 2017, the aggregate undrawn face amount of letters of credit under the Second LC Facility is \$90.3 million.

On July 31, 2015, the Company amended its credit agreement with a financial institution relating to its uncommitted letter of credit facility (as amended, the “First LC Facility”). Effective November 5, 2013, the amount available under the First LC Facility increased from C\$175.0 million to C\$200.0 million. Effective September 28, 2015, the amount available under the First LC Facility was increased to C\$250.0 million. Effective September 27, 2016, the amount available under the First LC Facility was increased to C\$350.0 million. The obligations of the Company under the First LC Facility are guaranteed by certain of its subsidiaries. The First LC Facility may be used to support the reclamation obligations or non-financial or performance obligations of the Company or its subsidiaries. As at December 31, 2017, the aggregate undrawn face amount of letters of credit under the First LC Facility is \$169.2 million.

On July 24, 2012, the Company closed a private placement of \$200.0 million of guaranteed senior unsecured notes (the “2012 Notes”). The 2012 Notes mature in 2022 and 2024 and at issuance had a weighted average maturity of 11.0 years and weighted average yield of 4.95%. Proceeds from the offering of the 2012 Notes were used to repay amounts outstanding under the Credit Facility.

In connection with the joint acquisition of Osisko on June 16, 2014 by the Company and Yamana, the Partnership was assigned and assumed certain outstanding debt and finance lease obligations of Osisko relating to the Canadian Malartic mine. Agnico Eagle's indirect attributable interest in such debt and finance lease obligations included a secured loan facility with a C\$20.0 million repayment due on June 30, 2017 and a 6.875% per annum interest rate. The final scheduled



repayment of C\$20.0 million was made on June 30, 2017, resulting in attributable outstanding principal of nil. Agnico Eagle's indirect attributable interest in the finance lease obligations of the Partnership include secured finance lease obligations provided in separate tranches with remaining maturities up to 2019 and an average effective annual interest rate of 4.3%. As at December 31, 2017, the Company's attributable finance lease obligations were \$3.3 million.

The Company was in compliance with all covenants contained in the Credit Facility, 2017 Notes, 2016 Notes, 2015 Note, 2012 Notes, 2010 Notes, First LC Facility, Second LC Facility and Third LC Facility as at December 31, 2017.

### **Contractual Obligations**

Agnico Eagle's contractual obligations as at December 31, 2017 are set out below:

	<b>Total</b>	<b>2018</b>	<b>2019-2020</b>	<b>2021-2022</b>	<b>Thereafter</b>
	<i>(millions of United States dollars)</i>				
Reclamation provisions <sup>(i)</sup>	\$ 537.3	\$ 10.0	\$ 78.5	\$ 20.8	\$ 428.0
Purchase commitments <sup>(ii)</sup>	318.8	270.6	23.0	8.1	17.1
Pension obligations <sup>(iii)</sup>	21.5	0.7	3.1	3.6	14.1
Finance and operating leases	34.2	7.9	9.4	7.5	9.4
Long-term debt <sup>(iv)</sup>	1,385.0	–	360.0	225.0	800.0
<b>Total<sup>(v)</sup></b>	<b>\$2,296.8</b>	<b>\$289.2</b>	<b>\$474.0</b>	<b>\$265.0</b>	<b>\$1,268.6</b>

Notes:

- (i) Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted closure plans to the appropriate governmental agencies which estimate the nature, extent and costs of reclamation for each of its mining properties. Expected reclamation cash flows are presented above on an undiscounted basis. Reclamation provisions recorded in the Company's consolidated financial statements are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate.
- (ii) Purchase commitments include contractual commitments for the acquisition of property, plant and mine development. As at December 31, 2017, the Company's purchase commitments included \$162.5 million in respect of the acquisition of the CMC Projects, which is expected to close by the end of March 2018. Agnico Eagle's attributable interest in the purchase commitments associated with its joint operations totaled \$13.7 million as at December 31, 2017.
- (iii) Agnico Eagle provides defined benefit plans for certain current and former senior officers and certain employees. The benefits are generally based on the employee's years of service, age and level of compensation. The data included in this table have been actuarially determined.
- (iv) The Company has assumed that repayment of its long-term debt obligations will occur on each instrument's respective maturity date.
- (v) The Company's future operating cash flows are expected to be sufficient to satisfy its contractual obligations.

### **Off-Balance Sheet Arrangements**

The Company's off-balance sheet arrangements as at December 31, 2017 include outstanding letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes of \$349.0 million under the Credit Facility, First LC Facility, Second LC Facility and Third LC Facility (see Note 25 to the consolidated financial statements). If the Company were to terminate these off-balance sheet arrangements, the Company's liquidity position (as outlined in the table below) is sufficient to satisfy any related penalties or obligations.

## 2018 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2018 mandatory expenditure commitments (including the contractual obligations set out above) and discretionary expenditure commitments. The following table sets out expected capital requirements and resources for 2018:

**Amount**  
(millions of United States dollars)

### 2018 Mandatory Commitments:

Contractual obligations (see table above)	\$ 289.2
Accounts payable and accrued liabilities (as at December 31, 2017)	290.7
Interest payable (as at December 31, 2017)	12.9
Income taxes payable (as at December 31, 2017)	16.8
<b>Total 2018 mandatory expenditure commitments</b>	<b>\$ 609.6</b>

### 2018 Discretionary Commitments:

Expected 2018 capital expenditures	\$1,084.2
Expected 2018 exploration and corporate development expenses	136.8
<b>Total 2018 discretionary expenditure commitments</b>	<b>1,221.0</b>
<b>Total 2018 mandatory and discretionary expenditure commitments</b>	<b>\$1,830.6</b>

Cash, cash equivalents and short-term investments (as at December 31, 2017)	\$ 643.9
Expected 2018 cash provided by operating activities	461.0
Working capital, excluding cash, cash equivalents and short-term investments (as at December 31, 2017)	483.8
Available under the Credit Facility (as at December 31, 2017)	1,199.2
<b>Total 2018 Capital Resources</b>	<b>\$2,787.9</b>

While the Company believes its capital resources will be sufficient to satisfy all 2018 commitments (mandatory and discretionary), the Company may choose to decrease certain of its discretionary expenditure commitments, which include certain capital expenditures, should unexpected financial circumstances arise in the future. The Company believes that it will continue to have sufficient capital resources available to satisfy its planned development and growth activities.

## Quarterly Results Review

For the Company's detailed 2017 and 2016 quarterly financial and operating results see *Summarized Quarterly Data* in this MD&A.

Revenues from mining operations increased by 13.2% to \$565.3 million in the fourth quarter of 2017 compared with \$499.2 million in the fourth quarter of 2016 primarily due to higher sales prices realized on gold and a 5.4% increase in payable gold ounces sold between periods. Production costs increased by 12.8% to \$287.7 million in the fourth quarter of 2017 compared with \$255.1 million in the fourth quarter of 2016 due to increased tonnage processed and the impact of a stronger Canadian dollar, Mexican peso and Euro relative to the US dollar between periods. Exploration and corporate development expenses decreased by 11.5% to \$31.7 million in the fourth quarter of 2017 compared with \$35.8 million in the fourth quarter of 2016 primarily due to decreased exploration expenses incurred at the Amaruq satellite deposit at the Meadowbank mine in Nunavut. Amortization of property, plant and mine development decreased by 14.5% to \$129.5 million in the fourth quarter of 2017 compared with \$151.4 million in the fourth quarter of 2016 primarily due to an increase in the proven and probable mineral reserves and the mineral resources included in the current life of mine plans at the Meadowbank mine (including the Amaruq satellite deposit) and La India mine. In addition, amortization decreased at the

Lapa mine as it reaches the end of operations. Net income of \$35.1 million was recorded in the fourth quarter of 2017 after income and mining taxes expense of \$27.9 million compared with a net income of \$62.7 million in the fourth quarter of 2016 after income and mining taxes expense of \$52.8 million.

Cash provided by operating activities increased by 38.4% to \$166.9 million in the fourth quarter of 2017 compared with \$120.6 million in the fourth quarter of 2016. The increase in cash provided by operating activities was primarily due to a \$66.0 million increase in revenue due to a 5.4% increase in payable ounces sold and increased average realized prices of gold, zinc and copper between periods.

## **Outlook**

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

### **Gold Production**

#### *LaRonde Mine*

In 2018, payable gold production at the LaRonde mine is expected to be approximately 350,000 ounces. In 2019 and 2020, the midpoint of expected annual payable gold production at the LaRonde mine is 360,000 ounces. At the LaRonde 3 project, the Company is evaluating a phased approach to development between the 311 level (a depth of approximately 3.1 kilometres) and the 340 level (a depth of approximately 3.4 kilometres). Under this phased approach, an additional two to three levels will be developed per year in either the east or west areas of the mine through 2022. This is expected to result in the conversion of approximately 1.0 million ounces of mineral resources into mineral reserves, with full mining activities to be initiated in 2022. The Company believes that this phased approach is a lower risk, less capital intensive option for developing the deeper levels of the LaRonde mine. Throughout the three-year guidance period it is expected that there will be an increase in grade closer to that of the average mineral reserves. Total cash costs per ounce of gold produced on a by-product basis at the LaRonde mine are expected to be approximately \$447 in 2018 compared with \$406 in 2017, reflecting the expectation of a stronger Canadian dollar relative to the US dollar.

#### *LaRonde Zone 5*

In 2018, payable gold production at LaRonde Zone 5 is expected to be approximately 20,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at LaRonde Zone 5 are 32,500 and 42,500 ounces, respectively. In February 2017, the Company approved the development of LaRonde Zone 5 with commercial production expected by the third quarter of 2018. Total cash costs per ounce of gold produced on a by-product basis at LaRonde Zone 5 are expected to be approximately \$712 in 2018.

#### *Lapa Mine*

In 2018, the mine's final year of production, payable gold production at the Lapa mine is expected to be approximately 10,000 ounces. In the fourth quarter of 2017 the mill operations were placed on temporary maintenance while mining operations continued at a reduced rate. Ore mined was stockpiled with the expectation that the ore would be processed during the first half of 2018. Total cash costs per ounce of gold produced on a by-product basis at the Lapa mine are expected to be approximately \$1,079 in 2018 compared with \$755 in 2017, reflecting the expectations of decreased production and lower gold grade.

#### *Goldex Mine*

In 2018, payable gold production at the Goldex mine is expected to be approximately 115,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at the Goldex mine are 115,000 and 130,000, respectively. Throughout the three year guidance period, mining will transition from the M and E satellite zones to the Deep 1 Zone. Total cash costs per ounce of gold produced on a by-product basis at the Goldex mine are expected to be approximately \$682 in 2018 compared with \$610 in 2017, reflecting the expectation of a stronger Canadian dollar relative to the US dollar.

### *Meadowbank Mine*

In 2018, payable gold production at the Meadowbank mine is expected to be approximately 220,000 ounces. In 2019, the final year of production scheduled at current Meadowbank mine operations, the midpoint of expected annual payable gold production at the Meadowbank mine is 60,000 ounces. Production guidance has increased over previous guidance due to positive tonnage and grade reconciliation with the Vault deposit block model. The Amaruq satellite deposit at Meadowbank is expected to go into production in the third quarter of 2019 and provide approximately 162,500 ounces in its first partial year of commercial production. Total cash costs per ounce of gold produced on a by-product basis at the Meadowbank mine are expected to be approximately \$893 in 2018 compared with \$614 in 2017, reflecting the expectation of decreased production.

### *Canadian Malartic Mine*

In 2018, attributable payable gold production at the Canadian Malartic mine is expected to be approximately 325,000 ounces. In 2019 and 2020, the midpoints of expected annual attributable payable gold production at the Canadian Malartic mine are 325,000 and 345,000 ounces, respectively. Total cash costs per ounce of gold produced on a by-product basis at the Canadian Malartic mine are expected to be approximately \$586 in 2018 compared with \$576 in 2017, reflecting the expectation of a stronger Canadian dollar relative to the US dollar.

### *Kittila Mine*

In 2018, payable gold production at the Kittila mine is expected to be approximately 190,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at the Kittila mine are 190,000 and 215,000 ounces, respectively. In 2017, the Company validated the potential to increase throughput rates to 2.0 mtpa from the then current rate of 1.6 mtpa. As a result, the Board has approved the expansion of the Kittila mine, which will include a mill modification and the installation of a 1,044 metre deep shaft. Total cash costs per ounce of gold produced on a by-product basis at the Kittila mine are expected to be approximately \$830 in 2018 compared with \$753 in 2017, reflecting the expectations of decreased production and a stronger Euro relative to the US dollar.

### *Pinos Altos Mine*

In 2018, payable gold production at the Pinos Altos mine is expected to be approximately 170,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at the Pinos Altos mine are 165,000 and 145,000 ounces, respectively. Several satellite mining opportunities exist around Pinos Altos that are being evaluated for their incremental production potential. The Sinter deposit, located immediately north of Pinos Altos, will be mined from underground and a small open pit. At Sinter, permits have been received for the construction of an exploration ramp, while permits are pending for open pit mining. Portal and ramp development are planned to commence in the first quarter of 2018, with initial production expected to begin late in the second quarter of 2018. Total cash costs per ounce of gold produced on a by-product basis at the Pinos Altos mine are expected to be approximately \$569 in 2018 compared with \$395 in 2017, reflecting the expectation of decreased production due to changes in the mining sequence.

### *Creston Mascota deposit at Pinos Altos*

In 2018, payable gold production at the Creston Mascota deposit at Pinos Altos is expected to be approximately 35,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at the Creston Mascota deposit at Pinos Altos are 30,000 and 12,500 ounces, respectively. A plan is underway to attempt to improve the process plant efficiency. Engineering is also underway on the Phase V heap leach pad, which will be an extension to the existing facility. Immediately south of the Creston Mascota facilities, the Bravo deposit (a new open pit orebody) is in pre-production development. The first phase of pre-stripping and the road to the waste dump were completed in the fourth quarter of 2017. Construction activities also continued on the haul road with work expected to be finished late in the second quarter of 2018. Total cash costs per ounce of gold produced on a by-product basis at the Creston Mascota deposit at Pinos Altos are expected to be approximately \$913 in 2018 compared with \$575 in 2016, reflecting the expectation of decreased production.

### *La India Mine*

In 2018, payable gold production at the La India mine is expected to be approximately 90,000 ounces. In 2019 and 2020, the midpoints of expected annual payable gold production at the La India mine are 90,000 and 100,000 ounces, respectively. Construction of a new heap leach pad is expected to begin late in the second quarter of 2018. The new heap leach will be phased to match the mineral reserve and mineral resource profile of the mine. Approximately 62% of the land

has been acquired for construction of the new power line and permitting is in progress with construction expected to start late in the second quarter of 2018. Total cash costs per ounce of gold produced on a by-product basis at the La India mine are expected to be approximately \$651 in 2018 compared with \$580 in 2016, reflecting the expectation of decreased production.

### *Production Summary*

With the achievement of commercial production at the Kittila, Lapa and Pinos Altos mines in 2009, the Meadowbank mine in 2010, the Creston Mascota deposit at Pinos Altos and LaRonde mine extension in 2011, the Goldex mine M and E Zones in 2013 and the La India mine in 2014, along with the joint acquisition of the Canadian Malartic mine on June 16, 2014, Agnico Eagle has transformed from a one mine operation to an eight mine senior gold mining company over the last decade. In 2017, the Company achieved annual payable gold production of 1,713,533 ounces. As the Company plans its next growth phase from this expanded production platform, it expects to continue to deliver on its vision and strategy. Annual payable gold production is expected to decrease to approximately 1,525,000 ounces in 2018, representing a 11% decrease compared with 2017. The Company expects that the main contributors to achieving the targeted levels of payable gold production, mineral reserves and mineral resources in 2018 will include:

- Increased production from the LaRonde and Canadian Malartic mines due to the mining of higher grade ore;
- Continued mill and mine plan optimization; and
- Continued conversion of Agnico Eagle's current mineral resources to mineral reserves.

### **Financial Outlook**

#### *Revenue from Mining Operations and Production Costs*

In 2018, the Company expects to continue to generate solid cash flow with payable gold production of approximately 1,525,000 ounces compared with 1,713,533 ounces in 2017. This expected decrease in payable gold production is primarily due to the end of operations of the Lapa mine in 2018, changes in the mining sequence of Pinos Altos resulting in lower gold production in 2018 and lower production at the Meadowbank mine as the existing active deposits approach the end of operations.

The table below sets out actual payable production in 2017 and expected payable production in 2018:

	<b>2018 Forecast</b>	<b>2017 Actual</b>
Gold (ounces)	1,525,000	1,713,533
Silver (thousands of ounces)	4,271	5,016
Zinc (tonnes)	6,995	6,510
Copper (tonnes)	4,493	4,501

In 2018, the Company expects total cash costs per ounce of gold produced on a by-product basis at the LaRonde mine to be approximately \$447 compared with \$406 in 2017. In calculating expectations of total cash costs per ounce of gold produced on a by-product basis for the LaRonde mine, net silver, zinc and copper by-product revenue offsets production costs. Therefore, production and price assumptions for by-product metals play an important role in the LaRonde mine's expected total cash costs per ounce of gold produced on a by-product basis due to its significant by-product production. The Pinos Altos mine also generates significant silver by-product revenue. An increase in by-product metal prices above forecast levels would result in improved total cash costs per ounce of gold produced on a by-product basis at these mines. Total cash costs per ounce of gold produced on a co-product basis are expected to be approximately \$649 in 2018 at the LaRonde mine compared with \$607 in 2017.

As production costs at the LaRonde, LaRonde Zone 5, Lapa, Goldex, Meadowbank and Canadian Malartic mines are denominated primarily in Canadian dollars, production costs at the Kittila mine are denominated primarily in Euros and a portion of the production costs at the Pinos Altos mine, the Creston Mascota deposit at Pinos Altos and the La India mine are denominated in Mexican pesos, the Canadian dollar/US dollar, Euro/US dollar and Mexican peso/US dollar exchange rates

also affect the Company's expectations for the total cash costs per ounce of gold produced both on a by-product and co-product basis.

The table below sets out the metal price and exchange rate assumptions used in deriving the expected 2018 total cash costs per ounce of gold produced on a by-product basis (forecast production for each metal is shown in the table above) as well as the actual market average closing prices for each variable for the period of January 1, 2018 through February 28, 2018:

	<b>2018 Assumptions</b>	<b>Actual Market Average (January 1, 2018 – February 28, 2018)</b>
Silver (per ounce)	\$17.50	\$16.91
Zinc (per tonne)	\$3,086	\$3,489
Copper (per tonne)	\$6,614	\$7,040
Diesel (C\$ per litre)	\$0.80	\$0.89
C\$/US\$ exchange rate (C\$)	\$1.25	\$1.25
Euro/US\$ exchange rate (Euros)	€0.83	€0.82
Mexican peso/US\$ exchange rate (Mexican pesos)	18.00	18.80

See *Risk Profile – Commodity Prices and Foreign Currencies* in this MD&A for the expected impact on forecast 2018 total cash costs per ounce of gold produced on a by-product basis of certain changes in commodity prices and exchange rate assumptions.

#### *Exploration and Corporate Development Expenditures*

In 2018, Agnico Eagle expects to incur exploration and corporate development expenses of approximately \$136.8 million. A large component of the 2018 exploration program will be focused on the Amaruq satellite deposit at Meadowbank in Nunavut, the LaRonde 3 Deep deposit, the Barsele project in Sweden, the Sisar Zone at the Kittila mine in Finland, satellite targets at the Pinos Altos and La India mines in Mexico, the Santa Gertrudis project in Sonora, Mexico and the El Barqueno project in Jalisco, Mexico. The goal of these exploration programs is to delineate mineral reserves and mineral resources that can supplement the Company's existing production profile.

At the Amaruq satellite deposit at Meadowbank, the first phase of a planned 67,000-metre drill program (costing approximately \$14.2 million) commenced in January 2018.

At the Canadian Malartic mine, the exploration will be focused on the Odyssey and East Malartic deposits, drilling 140,000 metres at an estimated cost of \$8.6 million (50% basis for costs).

At the LaRonde 3 deposit, approximately 16,900 metres of drilling is expected for both conversion and exploration drilling. Exploration expenditures in 2018 are expected to total approximately \$2.7 million.

At Barsele, approximately 35,000 metres of drilling (costing approximately \$6.9 million) will be carried out with a focus on expanding the mineral resources along strike and at depth and testing the gap between the Central and Avan zones.

At Kittila, approximately \$7.6 million will be spent on 31,000 metres of further deep drilling (including the Sisar Zone). The goal of this program is to expand the mineral resources in the Northern part of the property and demonstrate the economic potential of the Sisar Zone as a new mining horizon at Kittila.

At Pinos Altos and Creston Mascota, approximately 27,000 metres of drilling is planned to explore satellite mining opportunities, such as Cubiro, Reyna de Plata and Calera, with the objective of sustaining and expanding production through mineral resource expansion. Exploration expenditures in 2018 are expected to total approximately \$5.0 million.

At La India, approximately 38,000 metres of drilling (costing approximately \$8.8 million) will target mineral resource expansion (at El Realito and Los Tubos) and conversion (at El Cochi) to potentially extend minelife.

At the El Barqueno project, approximately 35,000 metres of additional drilling is expected to be completed by the end of 2018 principally at the El Rayo, Tolteca, Mortero, Tierra Blanca and Cebollas areas within the southern area of the El Barqueno project. Exploration expenditures in 2018 are expected to total approximately \$9.7 million. The objective is to expand the mineral resource and define an initial development plan.

At the recently acquired Santa Gertrudis project in Sonora, Mexico, approximately 28,000 metres of drilling will be focused on the evaluation of known mineralization at this past producing heap leach mine. Exploration expenditures are expected to be \$7.2 million.

Exploration programs are designed to infill and expand known deposits and test other favourable target areas that could ultimately supplement the Company's existing production profile. Exploration is success-driven and thus planned exploration could change materially based on the results of the various exploration programs. When it is determined that a project can generate future economic benefit, the costs of drilling and development to further delineate the ore body on such a property are capitalized. In 2018, the Company expects to capitalize approximately \$21.5 million of drilling and development costs related to further delineating ore bodies and converting mineral resources into mineral reserves.

#### *Other Expenses*

General and administrative expenses are expected to be between \$105.0 million and \$125.0 million in 2018 compared with \$115.1 million in 2017. Amortization of property, plant and mine development is expected to be between \$525.0 million and \$575.0 million in 2018 compared with \$508.7 million in 2017. The Company's effective tax rate is expected to be between 40.0% and 45.0% in 2018.

#### *Capital Expenditures*

Capital expenditures, including sustaining capital, construction and development costs and capitalized exploration costs, are expected to total approximately \$1.08 billion in 2018. The Company expects to fund its 2018 capital expenditures through operating cash flow from the sale of its gold production and the associated by-product metals. Significant components of the expected 2018 capital expenditures program include the following:

- \$267.1 million in sustaining capital expenditures relating to the LaRonde mine (\$74.7 million), Kittila mine (\$56.3 million), Canadian Malartic mine (\$53.9 million – portion attributable to the Company), Pinos Altos mine (\$30.2 million), Goldex mine (\$20.8 million), Meadowbank mine (\$14.6 million), La India mine (\$7.9 million), LaRonde Zone 5 project (\$3.8 million), the Creston Mascota deposit at Pinos Altos (\$3.6 million);
- \$795.6 million in capitalized development expenditures relating to the Meliadine mine project (\$398.4 million), Amaruq satellite deposit at Meadowbank (\$175.0 million), Kittila mine (\$104.3 million), Canadian Malartic mine (\$37.9 million – portion attributable to the Company), Goldex mine (\$25.1 million), Creston Mascota deposit at Pinos Altos (\$15.3 million), LaRonde Zone 5 project (\$14.3 million), La India mine (\$13.2 million), LaRonde mine (\$8.3 million), the Pinos Altos mine (\$3.6 million); and
- \$21.5 million in capitalized drilling expenditures.

In 2018, a significant portion of the Company's capital commitments is expected to relate to the construction of the Meliadine mine project, Amaruq satellite project at Meadowbank and the Kittila mine expansion. The Meliadine mine project's capital commitment is forecast to be \$398.4 million in development expenditures which represents approximately 36.8% of the expected \$1.08 billion in total capital expenditures in 2018. The Company also expects to incur an estimated \$5.6 million in capitalized exploration expenditures at the Meliadine mine project. The key elements of the \$404.0 million program include:

- Approximately 9,475 metres of underground development;
- Accelerated conversion drill program at Tiriganiaq from surface using a directional drill rig;
- Approximately 19,000 metres of conversion drilling and approximately 10,000 metres of minesite exploration drilling;
- Award remaining procurement packages by the end of the second quarter of 2018, in time to permit delivery during the 2018 shipping window;
- Completion of Rankin Inlet by-pass road before the 2018 shipping window;
- Continue installation of mechanical, piping, electrical wiring and instrumentation in the process plant for commissioning in the first quarter of 2019;

- Completion of the multi-services building;
- Installation of SAG mill and completion of CIL tanks following the 2018 shipping window; and
- A 7,000 metre regional exploration drill program;

The Company continues to examine other possible corporate development opportunities which may result in the acquisition of companies or assets using the Company's securities, cash or a combination thereof. If cash is used to fund acquisitions, Agnico Eagle may be required to issue debt or securities to satisfy cash payment requirements.

#### *All-in Sustaining Costs per Ounce of Gold Produced*

All-in sustaining costs per ounce of gold produced is calculated on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). All-in sustaining costs per ounce of gold produced on a by-product basis is calculated as the aggregate of total cash costs per ounce of gold produced on a by-product basis and sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and non-cash reclamation provision expense per ounce of gold produced. All-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as all-in sustaining costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made to total cash costs per ounce of gold produced. The calculation of all-in sustaining costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

Agnico Eagle's all-in sustaining costs per ounce of gold produced on a by-product basis are expected to be approximately \$890 to \$940 in 2018 compared with \$804 in 2017 primarily due to lower production and higher total cash costs.

### **Risk Profile**

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

The Company also attempts to mitigate some of its normal business risk through the purchase of insurance coverage. An Insurable Risk Management Policy, approved by the Board, governs the purchase of insurance coverage and restricts coverage to insurance companies of the highest credit quality. For a more complete list of the risk factors affecting the Company, please see "Risk Factors" in the AIF.

### **Commodity Prices and Foreign Currencies**

Agnico Eagle's net income is sensitive to metal prices and the Canadian dollar/US dollar, Mexican peso/US dollar and Euro/US dollar exchange rates. Changes in the market price of gold may be attributed to numerous factors such as demand, global mine production levels, central bank purchases and sales and investor sentiment. For the purpose of the cash cost per ounce of gold produced sensitivity analysis set out in the table below, the Company applied the following metal price and exchange rate assumptions for 2018:

- Silver – \$17.50 per ounce;
- Zinc – \$3,086 per tonne;
- Copper – \$6,614 per tonne;
- Diesel – C\$0.80 per litre;
- Canadian dollar/US dollar – C\$1.25 per \$1.00;
- Euro/US dollar – €0.83 per \$1.00; and
- Mexican peso/US dollar – 18.00 Mexican pesos per \$1.00.



Changes in the market prices of other metals may be attributed to factors such as demand and global mine production levels. Changes in the market price of diesel may be attributed to factors such as supply and demand. Changes in exchange rates may be attributed to factors such as supply and demand for currencies and economic conditions in each country or currency area. In 2017, the ranges of metal prices, diesel prices and exchange rates were as follows:

- Silver: \$15.19 – \$18.66 per ounce, averaging \$17.07 per ounce;
- Zinc: \$2,429 – \$3,370 per tonne, averaging \$2,894 per tonne;
- Copper: \$5,462 – \$7,254 per tonne, averaging \$6,169 per tonne;
- Diesel: C\$0.65 – C\$0.90 per litre, averaging C\$0.74 per litre;
- Canadian dollar/US dollar: C\$1.21 – C\$1.38 per \$1.00, averaging C\$1.30 per \$1.00;
- Euro/US dollar: €0.83 – €0.97 per \$1.00, averaging €0.89 per \$1.00; and
- Mexican peso/US dollar: 17.45 – 22.04 Mexican pesos per \$1.00, averaging 18.92 Mexican pesos per \$1.00.

The following table sets out the impact on forecast 2018 total cash costs per ounce of gold produced on a by-product basis of specifically identified changes in assumed metal prices, the diesel price and exchange rates. Specifically identified changes in each variable were considered in isolation while holding all other assumptions constant. Based on historical market data and the 2017 price ranges shown above, these specifically identified changes in assumed metal prices, the diesel price and exchange rates are reasonably likely in 2018.

<b>Changes in Variable</b>	<b>Impact on Forecasted 2018 Total Cash Costs per Ounce of Gold Produced (By-Product Basis)</b>
Silver – \$1 per ounce	\$3
Zinc – 10%	\$1
Copper – 10%	\$2
Diesel – 10%	\$3
Canadian dollar/US dollar – 1%	\$5
Euro/US dollar – 1%	\$1
Mexican peso/US dollar – 10%	\$5

In order to mitigate the impact of fluctuating by-product metal prices, the Company occasionally enters into derivative financial instrument contracts under its Board-approved Risk Management Policies and Procedures. The Company has a long-standing policy of no forward gold sales. However, the policy does allow the Company to use other hedging strategies where appropriate to mitigate foreign exchange and by-product metal pricing risks. The Company occasionally buys put options, enters into price collars and enters into forward contracts to protect minimum by-product metal prices while maintaining full exposure to the price of gold. The Risk Management Committee has approved the strategy of using short-term call options in an attempt to enhance realized by-product metal prices. The Company's policy does not allow speculative trading.

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

### ***Cost Inputs***

The Company considers and may enter into risk management strategies to mitigate price risk on certain consumables including, but not limited to, diesel fuel. These strategies may include longer term purchasing contracts and financial and derivative instruments.

### ***Interest Rates***

The Company's current exposure to market risk for changes in interest rates relates primarily to drawdowns on its Credit Facility and its investment portfolio. Drawdowns on the Credit Facility are used primarily to fund a portion of the capital expenditures related to the Company's development projects and working capital requirements. As at December 31, 2017, there were no amounts outstanding on the Company's Credit Facility. In addition, the Company invests its cash in investments with short maturities or with frequent interest reset terms and a credit rating of R1-High or better. As a result, the Company's interest income fluctuates with short-term market conditions. As at December 31, 2017, short-term investments were \$10.9 million.

Amounts drawn under the Credit Facility are subject to floating interest rates based on benchmark rates available in the United States and Canada or on LIBOR. In the past, the Company has entered into derivative instruments to hedge against unfavorable changes in interest rates. The Company will continue to monitor its interest rate exposure and may enter into such agreements to manage its exposure to fluctuating interest rates.

### ***Financial Instruments***

The Company occasionally enters into contracts to limit the risk associated with fluctuations in by-product metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs. The contracts act as economic hedges of underlying exposures and are not held for speculative purposes. Agnico Eagle does not use complex derivative contracts to hedge exposures.

Using financial instruments creates various financial risks. Credit risk is the risk that the counterparties to financial contracts will fail to perform on an obligation to the Company. Credit risk is partially mitigated by dealing with high quality counterparties such as major banks. Market liquidity risk is the risk that a financial position cannot be liquidated quickly. The Company primarily mitigates market liquidity risk by spreading out the maturity of financial contracts over time, usually based on projected production levels for the specific commodity being hedged, such that the relevant markets will be able to absorb the contracts. Mark-to-market risk is the risk that an adverse change in market prices for a commodity will affect financial condition. Because derivative contracts are primarily used as economic hedges, changes in mark-to-market value may impact income. For a description of the accounting treatment of derivative financial instruments, please see note 20 to the Company's Annual Financial Statements.

### ***Operational Risk***

The business of gold mining is generally subject to risks and hazards, including environmental hazards, industrial accidents, equipment failures, changes in the regulatory environment, cave-ins, rock bursts, rock falls, ground conditions, pit wall failures, flooding and gold bullion losses. The occurrence of these or similar types of events and circumstances may result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and 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 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 premium costs or other reasons. The Company also may become subject to liabilities which exceed policy limits. In these circumstances, the Company may be required to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

The Meadowbank, LaRonde and Canadian Malartic mines were the Company's most significant contributors in 2017 to the Company's payable gold production at 20.6%, 20.4% and 18.5%, respectively. These mines are expected to account for 58.7% of the Company's payable gold production in 2018.

The following table sets out expected 2018 payable gold production by mine:

	Expected Payable Gold Production (Ounces)	Expected Payable Gold Production (%)
LaRonde mine	350,000	23.0%
LaRonde Zone 5	20,000	1.3%
Lapa mine	10,000	0.7%
Goldex mine	115,000	7.5%
Meadowbank mine	220,000	14.4%
Canadian Malartic mine (attributable 50.0%)	325,000	21.3%
Kittila mine	190,000	12.5%
Pinos Altos mine	170,000	11.1%
Creston Mascota deposit at Pinos Altos	35,000	2.3%
La India mine	90,000	5.9%
<b>Total</b>	<b>1,525,000</b>	<b>100.0%</b>

Mining is a complex and unpredictable business and, therefore, actual payable gold production may differ from expectations. Adverse conditions affecting mining or milling may have a material adverse impact on the Company's financial performance and results of operations. The Company anticipates using revenue generated by its operations to finance the capital expenditures required at its mine projects.

The Company may not achieve expected payable gold production levels as a result of occurrences such as cave-ins, rock falls, rock bursts, pit wall failures, fires or flooding or as a result of other operational problems such as a failure of a production hoist, an autoclave, a filter press or a grinding mill. Payable gold production may also be affected by unfavorable weather conditions, ground conditions or seismic activity, lower than expected ore grades, higher than expected dilution, electrical power interruptions, the physical or metallurgical characteristics of the ore and heap leach processing resulting in containment discharge. The Company has failed to meet payable gold production forecasts in the past due to adverse conditions such as rock falls, production drilling challenges, lower than planned mill recoveries and grades, higher than expected dilution, mine structural issues and delays in the commencement of production and ramp up at new mines. In 2015, gold production was negatively affected by lower than expected grades at Kittila and a decision during the year to extend the Vault pit at Meadowbank resulting in lower than expected 2015 production. In 2016, gold production was negatively affected by an unscheduled shutdown of the secondary crushing circuit for maintenance at Meadowbank and unplanned maintenance on the leach tank, ball mill and crusher components in the process plant at Canadian Malartic. In 2017, gold production was negatively affected by an unplanned temporary hoist and mill shutdown at Goldex. Occurrences of this nature and other accidents, adverse conditions, operational problems or regulatory circumstances in future years may result in the Company's failure to achieve current or future production expectations.

The Company believes that the LaRonde mine extension is the deepest operation in the Western Hemisphere, with an expected maximum depth of over 3 kilometres and the LaRonde 3 project will have a maximum expected depth of 3.4 kilometres. The operations of the LaRonde mine extension rely on 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 historic operations at the LaRonde mine. The depth of the operations poses significant challenges to the Company, such as geomechanical and seismic risks and ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives. Operations at the lower level of the LaRonde mine are subject to high levels of geomechanical stress and there are few resources available to assist the Company in modelling the geomechanical conditions at these depths, which may result in the Company not being able to extract the ore at these levels as currently contemplated. In 2014, ten days of downtime resulting from a production hoist drive failure resulted in annual production at LaRonde being approximately 10,000 ounces below the Company's expectations. The continued sustaining development of

the LaRonde mine extension is subject to a number of risks and challenges, including unforeseen geological formations, the implementation of new mining processes and engineering and mine design adjustments. These occurrences may result in operational delays and additional costs being incurred by the Company beyond those budgeted.

The Company's stated mineral reserves and mineral resources are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of gold will be realized. The ore grade actually recovered by the Company may differ from the expected grades of the mineral reserves and mineral resources. The estimates of mineral reserves and mineral resources have been determined based on, among other things, assumed metal prices, foreign exchange rates and operating costs. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should such reductions occur, the Company may be required to record a material impairment loss on its investment in mining properties or delay or discontinue production or the development of new projects, resulting in net losses and reduced cash flow. Market price fluctuations of gold (or applicable by-product 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 reserves and mineral resources. Short-term factors relating to mineral reserves, 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 reporting period.

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

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

The Meadowbank mine, which is the Company's largest mine in terms of production, is located in the Kivalliq District of Nunavut in northern Canada, approximately 70 kilometres north of Baker Lake. In addition, the Amaruq satellite deposit, located 50 kilometres northwest of the Meadowbank mine, received Board approval (pending receipt of the required permits) to be developed as a satellite operation to the Meadowbank mine (pending receipt of required permits). The Company built a 110-kilometre all-weather road from Baker Lake, which provides summer shipping access via Hudson Bay to the Meadowbank mine and the Company is building an all-weather road between Meadowbank and the Amaruq satellite deposit. However, the Company's operations are constrained by the remoteness of the mine, particularly as the port of Baker Lake is only accessible approximately ten weeks per year. Most of the materials that the Company requires for the operation of the Meadowbank mine, and the development of the Amaruq satellite deposit, must be transported through the port of Baker Lake during this shipping season, which may be further truncated due to weather conditions. If the Company is not able to acquire and transport necessary supplies during this time, or if ore transportation from Amaruq satellite deposit to Meadowbank is negatively affected, it may result in a slowdown or stoppage of operations at the Meadowbank mine or the development of the Amaruq satellite deposit. 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 the necessary materials required for operations or to repair or replace malfunctioning equipment at the Meadowbank mine (including the Amaruq satellite deposit) may require the slowdown or stoppage of operations.

The Company's Meliadine project, located 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. Most of the materials that the Company requires for mine development must be transported through the port of Rankin Inlet during its approximately 14-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, it could result in delays and/or cost increases in the construction, development and exploration of the property.

## Regulatory Risk

The Company's mining and mineral processing operations, exploration activities and properties 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 and tailings management, toxic substances, environmental protection, mine safety, reporting of payments to governments and other matters. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, constructing, operating, managing, closing, reclaiming and rehabilitating mines and other facilities. New laws or regulations, amendments to current laws and regulations governing operations and activities on mining properties or more stringent implementation or interpretation thereof could have a material adverse effect on the Company, increase costs, cause a reduction in levels of production and delay or prevent the development of new mining properties. Regulatory enforcement, in the form of compliance or infraction notices, has occurred at some of the Company's mines and, while the current risks related to such enforcement are not expected to be material, the risk of material fines or corrective action cannot be ruled out in the future.

## Controls Evaluation

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P").

ICFR is a framework designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has used the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in order to assess the effectiveness of the Company's ICFR.

DC&P form a broader framework designed to provide reasonable assurance that information required to be disclosed by the Company in its annual and interim filings and other reports filed under securities legislation is recorded, processed, summarized and reported within the time frame specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Together, the ICFR and DC&P frameworks provide internal control over financial reporting and disclosure. The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be disclosed in the Company's annual and interim filings and other reports filed under securities legislation, is accumulated and communicated in a timely fashion. Due to their inherent limitations, the Company acknowledges that, no matter how well designed, ICFR and DC&P can provide only reasonable assurance of achieving the desired control objectives and as such may not prevent or detect all misstatements. Further, the effectiveness of ICFR is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may change.

The Company's management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its ICFR and DC&P as at December 31, 2017. Based on this evaluation, management concluded that the Company's ICFR and DC&P were effective as at December 31, 2017.

## Outstanding Securities

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding at March 12, 2018 were exercised:

Common shares outstanding at March 12, 2018	232,153,066
Employee stock options	7,242,852
Common shares held in a trust in connection with the Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan	1,006,971
<b>Total</b>	<b>240,402,889</b>

## **Sustainable Development**

In 2017, the Company continued the process of incorporating health, safety and environmental sustainability into all aspects and stages of its business, from the corporate objectives and executive responsibility of ‘maintaining high standards in sustainability’ to exploration and acquisition activities, day to day operating and site closure. This integration began in 2012 with the adoption of an integrated Health, Safety, Environment and Social Acceptability Policy (the “Sustainable Development Policy”) that reflects the Company’s commitment to responsible mining practices. The Company believes that the Sustainable Development Policy will lead to the achievement of more sustainable practices through oversight and accountability.

The Sustainable Development Policy operates through the development and implementation of a formal and integrated Health, Safety and Environmental Management System, termed the Responsible Mining Management System (the “RMMS”), across all divisions of the Company. The Partnership has committed to implementing the RMMS at Canadian Malartic in the future. The aim of the RMMS is to promote a culture of accountability and leadership in managing health, safety, environmental and social acceptability matters. RMMS implementation is supported by software widely used in the Canadian mining industry that is consistent with the ISO 14001 Environmental Management System and the Occupational Health and Safety Assessment Series 18001 Health and Safety Management System.

The RMMS incorporates the Company’s commitments as a signatory to the Cyanide Code, a voluntary program that addresses the safe production, transport, storage, handling and disposal of cyanide. The Company became a signatory to the Cyanide Code in September 2011.

The RMMS also integrates the requirements of the Mining Association of Canada’s industry leading Towards Sustainable Mining Initiative (the “TSM Initiative”), as well as the Global Reporting Initiative’s sustainability reporting guidelines for the mining industry. In December 2010, the Company became a member of the Mining Association of Canada and endorsed the TSM Initiative. The TSM Initiative was developed to help mining companies evaluate the quality, comprehensiveness and robustness of their management systems under six performance elements: crisis management; energy and greenhouse gas emissions management; tailings management; biodiversity conservation management; health and safety; and aboriginal relations and community outreach.

The Company has adopted and implemented the World Gold Council’s Conflict Free Gold Standard. This implementation was initiated on January 1, 2013.

In 2017, the Company adopted the Voluntary Principles on Security and Human Rights, a set of principles designed to guide companies in maintaining the safety and security of their operations within an operating framework that encourages respect for human rights.

The Company’s Sustainable Development Policy is available on the Company’s website at [www.agnicoeagle.com](http://www.agnicoeagle.com). The Canadian Malartic mine’s sustainable development report is available at its website, [www.canadianmalartic.com](http://www.canadianmalartic.com).

## **Employee Health and Safety**

The Company’s overall health and safety performance, as measured by accident frequency, improved during 2017. A combined lost time and restricted work accident frequency rate (excluding the Canadian Malartic mine) of 0.91 was achieved, a 6% reduction from the 2016 rate of 0.97 and below the target rate of 1.25. This is the best combined accident frequency rate ever recorded by the Company. Extensive health and safety training was also provided to employees during 2017.

One of the measures implemented by the Company to improve safety performance is the workplace safety card system. This system was implemented across all of the Company’s operations to strengthen the risk based training program. Developed by the Quebec Mining Association (the “AMQ”), the safety card system teaches workers and supervisors to use risk based thinking in their duties. Workers and their supervisors must meet every day to discuss on the job health and safety matters. The safety card system also allows the Company’s workers and supervisors to document daily inspections and record observations on conditions in the workplace, as well as the nature of risks, issues and other relevant information. In addition, it allows supervisors to exchange and analyze all relevant information between shifts and various technical services to improve efficiency and safety.

In 2017, the AMQ acknowledged the Company’s strong performance in the area of health and safety, recognizing 32 of the Company’s supervisors from the LaRonde, Lapa and Goldex mines for keeping their workers safe. The supervisors received AMQ security trophy awards for 50,000 or more hours supervised without a lost time accident. Together, this group of

32 supervisors achieved more than 3.1 million hours supervised without a lost time accident for a member of their crew. 13 supervisors from the Canadian Malartic mine were also recognized by the AMQ, achieving 2.2 million hours without a lost-time accident.

Each of the Company's mining operations has its own Emergency Response Plan and has personnel trained to respond to safety, fire and environmental emergencies. Each mine also maintains the appropriate response equipment. In 2014, the corporate crisis management plan was updated to align with industry best practices and the TSM Initiative requirements. Emergency response simulations were also performed at all divisions. The TSM Initiative also contains a Health and Safety protocol.

The Canadian Malartic mine's combined accident frequency rate in 2017 was 0.78, compared to an objective of 1.10 and the 2016 rate of 1.40.

## **Community**

The Company's goal, at each of its operations worldwide, is to hire as much of its workforce as possible, including management teams, directly from the local region in which the operation is located. In 2017, the overall company average for local hiring was 73%. The Company believes that providing employment is one of the most significant contributions it can make to the communities in which it operates.

The Company continued its efforts in community development agreements in Nunavut. In 2015, the Meadowbank IIBA was renewed and the Meliadine IIBA was signed. In 2017, the Company continued its dialogue with First Nations in the Abitibi region. CMC continues its negotiations with First Nations around the Kirkland Lake project and the Partnership continues its dialogue with First Nations in the Abitibi region.

The Canadian Malartic mine continued its contribution to the economic development fund (FECM) which was established prior to mine development to diversify the local economy throughout the mine life so that the town of Malartic is well equipped to face the eventual mine closure. The Canadian Malartic mine has also participated in forums initiated by the town council on the future of the town of Malartic.

The Company continues to support community health and educational initiatives in the region surrounding the Pinos Altos mine, including establishing a local sewing cooperative and donating material for the construction of new classrooms and the repair of existing classrooms.

The Company's Code of Business Conduct and Ethics Policy is available on the Company's website at [www.agnicoeagle.com](http://www.agnicoeagle.com).

## **Environmental Protection**

The Company's exploration activities and mining and processing operations are subject to the federal, state, provincial, territorial, regional and local environmental laws and regulations in the jurisdictions in which the Company's activities and facilities are located. These include requirements for planning and implementing the closure and reclamation of mining properties and related financial assurance. Each mine is subject to environmental assessment and permitting processes during development and, in operation, has an environmental management system consistent with ISO 140001 as well as an internal audit program. The Company works closely with regulatory authorities in each jurisdiction where it operates to ensure ongoing compliance.

The Company has reported greenhouse gas emissions and climate change risk factors annually to the Carbon Disclosure Project since 2007.

In 2015, Environment Canada charged the Company with two infractions under the Fisheries Act in relation to a seepage incident at the Meadowbank mine that was identified during a July 2013 on-site inspection. Monitoring data indicated that the 2013 seepage event did not affect the water quality of the downstream Second Portage Lake. In 2017, the Company paid a C\$50,000 fine in full satisfaction thereof.

With respect to activities in 2017, the Canadian Malartic mine received three non-compliance blast notices, an increase from the single infraction received with respect to activities in 2016. The mine's team of on-site environmental experts continue to monitor regulatory compliance in terms of approvals, permits and observance of directives and requirements and continue to implement improvement measures.

The Company's total liability for reclamation and closure cost obligations at December 31, 2017 was \$355.3 million (including the Company's share of the Canadian Malartic reclamation costs) and the Company's reclamation expenses for the

year ended December 31, 2017 were \$0.9 million. For more information please see note 12 to the Annual Financial Statements.

The Company's Environmental Policy is available on the Company's website at [www.agnicoeagle.com](http://www.agnicoeagle.com).

Permitting for the operation of the Amaruq satellite deposit at Meadowbank is ongoing with the Nunavut Impact Review Board (the "NIRB") and the Nunavut Water Board (the "NWB"). Public hearings were held in the third quarter of 2017 and the NIRB sent a positive conformity report to the Indigenous and Northern Affairs Canada ("INAC") Minister on November 6, 2017 for project approval. The INAC minister's approval for the project is expected in the first quarter of 2018. This approval will allow NIRB to finalize the Whale Tail Project Certificate ("WTPC"). Once the WTPC is finalized, the NWB will finalize the Whale Tail Water License A and submit it to the Canadian Federal Minister of INAC for final approval of the License A. The Whale Tail Project final approvals and associated requirements are still on schedule for early third quarter of 2018.

Agnico Eagle Finland Oy currently holds a mining licence, an environmental permit and operational permits in respect of the Kittila mine. The construction of the first phase of the tailings storage facility ("TSF") was completed in the fall of 2008. Work on the second phase was completed in 2010 and included its expansion. Work on the third phase began in 2013 and included work to heighten the confining structure. An additional raise was completed in 2017 and another raise is planned for 2018. As a result of lower than expected tailings density, tailings management will remain challenging until a new cell of the TSF becomes available. Planning and permitting on this next cell have started.

### **Critical IFRS Accounting Policies and Accounting Estimates**

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Agnico Eagle's significant accounting policies including a summary of current and future changes in accounting policies are disclosed in note 3 to the Annual Financial Statements.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Critical accounting estimates have a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions. In making judgments about the carrying value of assets and liabilities, the Company uses estimates based on historical experience and assumptions that are considered reasonable in the circumstances. Although the Company evaluates its accounting estimates on an ongoing basis using the most current information available, actual results may differ from these estimates. The critical judgements and key sources of estimation uncertainties in the application of accounting policies during the year ended December 31, 2017 are disclosed in note 4 to the Annual Financial Statements.

Management has discussed the development and selection of critical accounting policies and estimates with the Audit Committee which has reviewed the Company's disclosure in this MD&A.



## Mineral Reserve Data

The scientific and technical information set out in this MD&A has been approved by the following “qualified persons” as defined under the NI 43-101 reserves and mineral resources (other than for the Canadian Malartic mine) – Daniel Doucet, Eng., Senior Corporate Director, Reserve Development; mineral reserves and mineral resources (for the Canadian Malartic mine) – Donald Gervais, P.Geo., Director of Technical Services at Canadian Malartic Corporation and Sylvie Lampron, Eng., Principal Engineer at Canadian Malartic Corporation; Quebec operations – Christian Provencher, Eng., Vice-President, Canada; Nunavut operations – Dominique Girard, Eng., Vice-President, Nunavut Operations; Kittila operations – Francis Brunet, Eng., Corporate Director, Mining; Southern Business operations – Carol Plummer, Eng., Vice-President, Project Development, Southern Business; environmental – Louise Grondin P.Eng., Senior Vice-President, Environment, Sustainable Development and People; metallurgy – Paul Cousin, Eng., Vice-President, Metallurgy; and Exploration – Guy Gosselin, Eng., Vice-President, Exploration. The Company’s mineral reserves estimate was derived from internally generated data or geology reports.

The assumptions used for the mineral reserve estimates at all mines and projects reported in this MD&A (except the Canadian Malartic mine, the Upper Canada project and the Upper Beaver project) as at December 31, 2017 are \$1,150 per ounce gold, \$16.00 per ounce silver, \$1.00 per pound zinc and \$2.50 per pound copper. Foreign exchange rates assumptions of C\$1.20 per US\$1.00, €0.87 per US\$1.00 and 16.00 Mexican pesos per US\$1.00 were used for all mines and projects other than the Lapa and Meadowbank mines in Canada, the Creston Mascota deposit at Pinos Altos, and Santo Nino pit at the Pinos Altos mine in Mexico, which used foreign exchange rates assumptions of C\$1.25 per US\$1.00 and 17.00 Mexican pesos per US\$1.00 (other assumptions unchanged) due to their shorter remaining mine lives.

December 31, 2017 mineral reserves at the Canadian Malartic mine, the Upper Canada project and the Upper Beaver project have been estimated using the following assumptions: \$1,200 per ounce gold and \$2.75 per pound copper; a cut-off grade at the Canadian Malartic mine between 0.35 g/t and 0.37 g/t gold (depending on the deposit); a C\$125/tonne net smelter return (NSR) for the Upper Beaver project; and an foreign exchange rate of C\$1.25 per US\$1.00.

Proven and Probable Mineral Reserves by Property <sup>(i)(ii)</sup>	Tonnes	Gold Grade (Grams per Tonne)	Contained Gold (Ounces) <sup>(iii)</sup>
	<i>(thousands)</i>		<i>(thousands)</i>
<i>Proven Mineral Reserves</i>			
LaRonde mine (other than Zone 5)	5,746	4.94	912
LaRonde Zone 5	3,758	2.02	244
Canadian Malartic mine (attributable 50.0%)	24,990	0.95	760
Goldex mine	181	1.61	9
Lapa mine	127	3.75	15
Meadowbank mine	1,820	1.36	79
Meliadine mine project	48	7.17	11
Kittila mine	971	4.26	133
Pinos Altos mine	4,304	2.55	353
Creston Mascota deposit at Pinos Altos	21	0.90	1
La India mine	266	0.49	4
<b>Total Proven Mineral Reserves</b>	<b>42,232</b>	<b>1.86</b>	<b>2,523</b>
<i>Probable Mineral Reserves</i>			
LaRonde mine (not including Zone 5)	9,533	5.66	1,735
LaRonde Zone 5	2,477	1.97	157
Canadian Malartic mine (attributable 50.0%)	65,509	1.15	2,429
Goldex mine	18,006	1.57	907
Akasaba West project	5,194	0.87	145
Meadowbank mine	2,888	2.86	265
Amaruq satellite deposit (part of Meadowbank Complex)	20,063	3.67	2,366
Meliadine mine project	16,010	7.12	3,666
Upper Beaver project	3,996	5.43	698
Kittila mine	25,894	4.75	3,957
Pinos Altos mine	12,132	2.36	920
Creston Mascota deposit at Pinos Altos	2,368	1.47	112
La India mine	30,394	0.69	674
<b>Total Probable Mineral Reserves</b>	<b>214,464</b>	<b>2.62</b>	<b>18,031</b>
<b>Total Proven and Probable Mineral Reserves</b>	<b>256,696</b>	<b>2.49</b>	<b>20,554</b>

Notes:

- (i) Amounts presented in this table have been rounded to the nearest thousand and therefore totals may differ slightly from the addition of the numbers.
- (ii) Complete information on the verification procedures, quality assurance program, quality control procedures, expected payback period of capital, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A and definitions of certain terms used herein may be found in: the AIF under the heading "Information on Mineral Reserves and Mineral Resources of the Company"; the Technical Report on the 2005 LaRonde Mineral Resource & Mineral Reserve Estimate filed with Canadian securities regulatory authorities on SEDAR on March 23, 2005; the Technical Report on the December 31, 2009, Mineral Resource and Mineral Reserve Estimate and

the Suuri Extension Project, Kittila Mine, Finland filed with the Canadian securities regulatory authorities on SEDAR on March 4, 2010; the Technical Report on the Mineral Resources and Mineral Reserves at Meadowbank Gold Complex including the Amaruq satellite deposit, Nunavut, Canada as at December 31, 2017 filed with Canadian securities regulatory authorities on SEDAR on March 22, 2018; the Pinos Altos Gold-Silver Mining Project, Chihuahua State, Mexico, Technical Report on Mineral Resources and Reserves as of December 31, 2008 filed with Canadian securities regulatory authorities on March 25, 2009; the Updated Technical Report on the Meliadine Gold Project, Nunavut, Canada dated February 11, 2015 filed with Canadian securities regulatory authorities on SEDAR on March 12, 2015; the Technical Report on the June 30, 2012 Update of the Mineral Resources and Mineral Reserves, La India Gold Project, Municipality of Sahuaripa, Sonora, Mexico dated August 31, 2012 filed with Canadian securities regulatory authorities on SEDAR on October 12, 2012; the Technical Report on Production of the M and E Zones at Goldex Mine dated October 14, 2012 filed with the Canadian securities regulatory authorities on SEDAR on November 1, 2012; and the Technical Report on the Mineral Resource and Mineral Reserve Estimates for the Canadian Malartic Property as at June 16, 2014 filed with Canadian securities regulatory authorities on SEDAR on August 13, 2014.

(iii) Total contained gold ounces does not include equivalent gold ounces for the by-product metals contained in the mineral reserves.

## **Non-GAAP Financial Performance Measures**

This MD&A presents certain financial performance measures, including adjusted net income, total cash costs per ounce of gold produced (on both a by-product and co-product basis), minesite costs per tonne and all-in sustaining costs per ounce of gold produced (on both a by-product and co-product basis), that are not recognized measures under IFRS. This data may not be comparable to data presented by other gold producers. Non-GAAP financial performance measures should be considered together with other data prepared in accordance with IFRS.

## Adjusted Net Income

Adjusted net income is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. This measure is calculated by adjusting net income as recorded in the consolidated statements of income and comprehensive income for non-recurring, unusual and other items. The Company believes that this generally accepted industry measure allows the evaluation of the results of continuing operations and is useful in making comparisons between periods. Adjusted net income is intended to provide investors with information about the Company's continuing income generating capabilities. Management uses this measure to monitor and plan for the operating performance of the Company in conjunction with other data prepared in accordance with IFRS.

	2017	2016	2015 <sup>(i)</sup>
	<i>(thousands of United States dollars)</i>		
<b>Net income for the year</b>	\$243,887	\$158,824	\$ 24,583
Impairment loss on available-for-sale securities	8,532	–	12,035
Gain on sale of available-for-sale securities	(168)	(3,500)	(24,600)
Foreign currency translation loss (gain)	13,313	13,157	(4,728)
(Gain) loss on derivative financial instruments <sup>(ii)</sup>	(20,990)	(9,468)	19,608
Mark-to-market loss on CMGP Convertible Debentures <sup>(iii)</sup>	–	–	2,416
Gain on impairment reversal, net of tax	–	(81,210)	–
Income and mining taxes adjustments <sup>(iv)</sup>	(24,921)	4,755	24,742
Other <sup>(v)</sup>	14,174	26,963	19,442
<b>Adjusted net income for the year</b>	<b>\$233,827</b>	<b>\$109,521</b>	<b>\$ 73,498</b>
Net income per share – basic	\$ 1.06	\$ 0.71	\$ 0.11
Net income per share – diluted	\$ 1.05	\$ 0.70	\$ 0.11
Adjusted net income per share – basic	\$ 1.02	\$ 0.49	\$ 0.34
Adjusted net income per share – diluted	\$ 1.01	\$ 0.49	\$ 0.34

### Notes:

- (i) Beginning in 2016, the Company began to exclude stock based compensation expense from the calculation of adjusted net income. Adjusted net income for the year ended December 31, 2015 has been restated to reflect this change. Stock option expense for the year ended December 31, 2017 was \$19.2 million (2016 – \$16.3 million; 2015 – \$19.5 million).
- (ii) The Company uses derivative financial instruments as economic hedges to reduce the variability in expected future cash flows arising from changes in foreign currency exchange rates and to mitigate the risk of fluctuating diesel fuel prices. During the year ended December 31, 2017, the Company recognized a gain of \$18.1 million (2016 – gain of \$6.8 million; 2015 – loss of \$29.1 million) within the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income related to currency and commodity derivatives that were acting as economic hedges. For more information please see Note 20 in the Company's annual consolidated financial statements.
- (iii) In connection with the joint acquisition of Osisko on June 16, 2014, Agnico Eagle indirectly assumed its attributable interest in the senior unsecured convertible debentures previously issued by Osisko and assumed by the Partnership (the "CMGP Convertible Debentures"). On June 30, 2015, the negotiated early settlement of all the CMGP Convertible Debentures was completed, resulting in principal outstanding of nil. The dilutive impact of the CMGP Convertible Debentures was excluded from the calculation of diluted net income, diluted adjusted net income, diluted net income per share and diluted adjusted net income per share for the year ended December 31, 2015 as their impact would have been anti-dilutive for the portion of the year they were outstanding.
- (iv) Income and mining tax adjustments reflect foreign currency translation recorded to the income and mining taxes expense, recognition of previously unrecognized capital losses, the result of income and mining tax audits, impact of tax law changes and reflective adjustments to prior period operating results.
- (v) The Company includes certain adjustments in "Other" to the extent that management believes that these items are not reflective of the underlying performance of the Company's core operating business. Examples of items historically included in "Other" include changes in estimates of asset retirement obligations at closed sites, gains and losses on the disposal of assets and other non-recurring items. For the year ended December 31, 2015, the "Other" line item also included adjustments for a catch-up of amortization expense related to the finalization of the acquisition date fair value estimates of depreciable mining properties included in the purchase price allocation of the Company's June 16, 2014 joint acquisition of Osisko and payments made related to the June 30, 2015 negotiated early settlement of the CMGP Convertible Debentures that were assumed by the Partnership in connection with the Company's joint acquisition of Osisko.

### ***Total Cash Costs per Ounce of Gold Produced and Minesite Costs per Tonne***

The Company believes that total cash costs per ounce of gold produced and minesite costs per tonne are realistic indicators of operating performance and facilitate period over period comparisons. However, both of these non-GAAP generally accepted industry measures should be considered together with other data prepared in accordance with IFRS. These measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

Total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash cost per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs per ounce of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne (discussed below) as well as other data prepared in accordance with IFRS. Management also performs sensitivity analysis in order to quantify the effects of fluctuating metal prices and exchange rates.

Agnico Eagle's primary business is gold production and the focus of its current operations and future development is on maximizing returns from gold production, with other metal production being incidental to the gold production process. Accordingly, all metals other than gold are considered by-products.

Total cash costs per ounce of gold produced is reported on a by-product basis because (i) the majority of the Company's revenues are gold revenues, (ii) the Company mines ore, which contains gold, silver, zinc, copper and other metals, (iii) it is not possible to specifically assign all costs to revenues from the gold, silver, zinc, copper and other metals the Company produces and (iv) it is a method used by management and the Board to monitor operations.

Minesite costs per tonne is calculated by adjusting production costs as shown in the consolidated statements of income and comprehensive income for inventory production costs and other adjustments and then dividing by tonnes of ore processed. As the total cash costs per ounce of gold produced measure can be impacted by fluctuations in by-product metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations. Management also uses minesite costs per tonne 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 of performance can be impacted by fluctuations in production levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with IFRS.

The following tables set out a reconciliation of total cash costs per ounce of gold produced (on both a by-product basis and co-product basis) and minesite costs per tonne to production costs, exclusive of amortization, as presented in the consolidated statements of income and comprehensive income in accordance with IFRS.

## Total Production Costs by Mine

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
<i>(thousands of United States dollars)</i>			
LaRonde mine	\$ 185,488	\$ 179,496	\$ 172,283
Lapa mine	38,786	52,974	52,571
Goldex mine	71,015	63,310	61,278
Meadowbank mine	224,364	218,963	230,564
Canadian Malartic mine <sup>(i)</sup>	188,568	183,635	171,473
Kittila mine	148,272	141,871	126,095
Pinos Altos mine	108,726	114,557	105,175
Creston Mascota deposit at Pinos Altos	31,490	27,341	26,278
La India mine	61,133	49,745	49,578
Production costs per the consolidated statements of income and comprehensive income	\$1,057,842	\$1,031,892	\$ 995,295

## Reconciliation of Production Costs to Total Cash Costs per Ounce of Gold Produced<sup>(ii)</sup> by Mine and Reconciliation of Production Costs to Minesite Costs per Tonne<sup>(iii)</sup> by Mine

*(thousands of United States dollars, except as noted)*

LaRonde Mine Per Ounce of Gold Produced <sup>(ii)(vi)</sup>	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		348,870		305,788		267,921
Production costs	\$ 185,488	\$ 532	\$ 179,496	\$ 587	\$ 172,283	\$ 643
Inventory and other adjustments <sup>(iv)</sup>	26,246	75	24,914	81	31,417	117
Cash operating costs (co-product basis)	\$ 211,734	\$ 607	\$ 204,410	\$ 668	\$ 203,700	\$ 760
By-product metal revenues	(70,054)	(201)	(51,136)	(167)	(45,678)	(170)
Cash operating costs (by-product basis)	\$ 141,680	\$ 406	\$ 153,274	\$ 501	\$ 158,022	\$ 590

LaRonde Mine Per Tonne <sup>(iii)(vii)</sup>	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		2,246		2,240		2,241
Production costs	\$ 185,488	\$ 83	\$ 179,496	\$ 80	\$ 172,283	\$ 77
Production costs (C\$)	C\$ 243,638	C\$ 108	C\$ 237,934	C\$ 106	C\$ 218,649	C\$ 98
Inventory and other adjustments (C\$) <sup>(v)</sup>	(1,107)	–	(1,447)	–	4,150	1
Minesite operating costs (C\$)	C\$ 242,531	C\$ 108	C\$ 236,487	C\$ 106	C\$ 222,799	C\$ 99

<b>Lapa Mine Per Ounce of Gold Produced<sup>(ii)(viii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		48,410		73,930		90,967
Production costs	\$ 38,786	\$ 801	\$ 52,974	\$ 717	\$ 52,571	\$ 578
Inventory and other adjustments <sup>(iv)</sup>	(2,143)	(44)	1,173	15	1,161	13
Cash operating costs (co-product basis)	\$ 36,643	\$ 757	\$ 54,147	\$ 732	\$ 53,732	\$ 591
By-product metal revenues	(112)	(2)	(28)	–	(62)	(1)
Cash operating costs (by-product basis)	\$ 36,531	\$ 755	\$ 54,119	\$ 732	\$ 53,670	\$ 590

<b>Lapa Mine Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		398		593		560
Production costs	\$ 38,786	\$ 97	\$ 52,974	\$ 89	\$ 52,571	\$ 94
Production costs (C\$)	C\$ 50,976	C\$ 128	C\$ 69,941	C\$ 118	C\$ 66,396	C\$ 119
Inventory and other adjustments (C\$) <sup>(iv)</sup>	(3,166)	(8)	1,580	3	(710)	(2)
Minesite operating costs (C\$)	C\$ 47,810	C\$ 120	C\$ 71,521	C\$ 121	C\$ 65,686	C\$ 117

<b>Goldex Mine Per Ounce of Gold Produced<sup>(ii)(ix)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		110,906		120,704		115,426
Production costs	\$ 71,015	\$ 640	\$ 63,310	\$ 525	\$ 61,278	\$ 531
Inventory and other adjustments <sup>(iv)</sup>	(3,289)	(29)	912	7	878	7
Cash operating costs (co-product basis)	\$ 67,726	\$ 611	\$ 64,222	\$ 532	\$ 62,156	\$ 538
By-product metal revenues	(24)	(1)	(26)	–	(23)	–
Cash operating costs (by-product basis)	\$ 67,702	\$ 610	\$ 64,196	\$ 532	\$ 62,133	\$ 538

<b>Goldex Mine Per Tonne<sup>(iii)(x)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		2,396		2,545		2,313
Production costs	\$ 71,015	\$ 30	\$ 63,310	\$ 25	\$ 61,278	\$ 26
Production costs (C\$)	C\$ 91,998	C\$ 38	C\$ 83,835	C\$ 33	C\$ 77,589	C\$ 34
Inventory and other adjustments (C\$) <sup>(iv)</sup>	(2,404)	(1)	1,231	–	(1,181)	(1)
Minesite operating costs (C\$)	C\$ 89,594	C\$ 37	C\$ 85,066	C\$ 33	C\$ 76,408	C\$ 33

<b>Meadowbank Mine Per Ounce of Gold Produced<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		352,526		312,214		381,804
Production costs	\$ 224,364	\$ 636	\$ 218,963	\$ 701	\$ 230,564	\$ 604
Inventory and other adjustments <sup>(iv)</sup>	(3,127)	(8)	8,105	26	7,282	19
Cash operating costs (co-product basis)	\$ 221,237	\$ 628	\$ 227,068	\$ 727	\$ 237,846	\$ 623
By-product metal revenues	(4,714)	(14)	(3,837)	(12)	(3,665)	(10)
Cash operating costs (by-product basis)	\$ 216,523	\$ 614	\$ 223,231	\$ 715	\$ 234,181	\$ 613

<b>Meadowbank Mine Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		3,853		3,915		4,033
Production costs	\$ 224,364	\$ 58	\$ 218,963	\$ 56	\$ 230,564	\$ 57
Production costs (C\$)	C\$ 292,216	C\$ 76	C\$ 284,748	C\$ 73	C\$ 285,023	C\$ 71
Inventory and other adjustments (C\$) <sup>(iv)</sup>	1,512	–	5,681	1	(4,073)	(1)
Minesite operating costs (C\$)	C\$ 293,728	C\$ 76	C\$ 290,429	C\$ 74	C\$ 280,950	C\$ 70

<b>Canadian Malartic Mine<sup>(i)</sup> Per Ounce of Gold Produced<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		316,731		292,514		285,809
Production costs	\$ 188,568	\$ 595	\$ 183,635	\$ 628	\$ 171,473	\$ 600
Inventory and other adjustments <sup>(iv)</sup>	(497)	(1)	(553)	(2)	3,630	13
Cash operating costs (co-product basis)	\$ 188,071	\$ 594	\$ 183,082	\$ 626	\$ 175,103	\$ 613
By-product metal revenues	(5,759)	(18)	(5,821)	(20)	(4,689)	(17)
Cash operating costs (by-product basis)	\$ 182,312	\$ 576	\$ 177,261	\$ 606	\$ 170,414	\$ 596

<b>Canadian Malartic Mine<sup>(i)</sup> Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		10,179		9,821		9,545
Production costs	\$ 188,568	\$ 19	\$ 183,635	\$ 19	\$ 171,473	\$ 18
Production costs (C\$)	C\$ 243,903	C\$ 24	C\$ 244,333	C\$ 25	C\$ 222,717	C\$ 23
Inventory and other adjustments (C\$) <sup>(iv)</sup>	(3,567)	–	(3,399)	–	(3,003)	–
Minesite operating costs (C\$)	C\$ 240,336	C\$ 24	C\$ 240,934	C\$ 25	C\$ 219,714	C\$ 23



<b>Kittila Mine Per Ounce of Gold Produced<sup>(ii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		196,938		202,508		177,374
Production costs	\$ 148,272	\$ 753	\$ 141,871	\$ 701	\$ 126,095	\$ 711
Inventory and other adjustments <sup>(iv)</sup>	213	1	(26)	(1)	(187)	(1)
Cash operating costs (co-product basis)	\$ 148,485	\$ 754	\$ 141,845	\$ 700	\$ 125,908	\$ 710
By-product metal revenues	(192)	(1)	(200)	(1)	(155)	(1)
Cash operating costs (by-product basis)	\$ 148,293	\$ 753	\$ 141,645	\$ 699	\$ 125,753	\$ 709

<b>Kittila Mine Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore milled (thousands of tonnes)		1,685		1,667		1,464
Production costs	\$ 148,272	\$ 88	\$ 141,871	\$ 85	\$ 126,095	\$ 86
Production costs (€)	€ 131,111	€ 78	€ 128,599	€ 77	€ 112,285	€ 77
Inventory and other adjustments (€) <sup>(v)</sup>	(79)	–	(505)	–	(956)	(1)
Minesite operating costs (€)	€ 131,032	€ 78	€ 128,094	€ 77	€ 111,329	€ 76

<b>Pinos Altos Mine Per Ounce of Gold Produced<sup>(ii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		180,859		192,772		192,974
Production costs	\$ 108,726	\$ 601	\$ 114,557	\$ 594	\$ 105,175	\$ 545
Inventory and other adjustments <sup>(iv)</sup>	5,926	33	(1,840)	(9)	6,458	33
Cash operating costs (co-product basis)	\$ 114,652	\$ 634	\$ 112,717	\$ 585	\$ 111,633	\$ 578
By-product metal revenues	(43,169)	(239)	(44,118)	(229)	(37,030)	(191)
Cash operating costs (by-product basis)	\$ 71,483	\$ 395	\$ 68,599	\$ 356	\$ 74,603	\$ 387

<b>Pinos Altos Mine Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore processed (thousands of tonnes)		2,308		2,260		2,378
Production costs	\$ 108,726	\$ 47	\$ 114,557	\$ 51	\$ 105,175	\$ 44
Inventory and other adjustments <sup>(v)</sup>	6,065	3	(3,698)	(2)	2,481	1
Minesite operating costs	\$ 114,791	\$ 50	\$ 110,859	\$ 49	\$ 107,656	\$ 45

<b>Creston Mascota deposit at Pinos Altos Per Ounce of Gold Produced<sup>(ii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		48,384		47,296		54,703
Production costs	\$ 31,490	\$ 651	\$ 27,341	\$ 578	\$ 26,278	\$ 480
Inventory and other adjustments <sup>(iv)</sup>	862	18	472	10	(328)	(6)
Cash operating costs (co-product basis)	\$ 32,352	\$ 669	\$ 27,813	\$ 588	\$ 25,950	\$ 474
By-product metal revenues	(4,535)	(94)	(3,426)	(72)	(2,412)	(44)
Cash operating costs (by-product basis)	\$ 27,817	\$ 575	\$ 24,387	\$ 516	\$ 23,538	\$ 430

<b>Creston Mascota deposit at Pinos Altos Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore processed (thousands of tonnes)		2,196		2,119		2,099
Production costs	\$ 31,490	\$ 14	\$ 27,341	\$ 13	\$ 26,278	\$ 13
Inventory and other adjustments <sup>(v)</sup>	559	1	(77)	–	(757)	(1)
Minesite operating costs	\$ 32,049	\$ 15	\$ 27,264	\$ 13	\$ 25,521	\$ 12

<b>La India Mine Per Ounce of Gold Produced<sup>(ii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Gold production (ounces)		101,150		115,162		104,362
Production costs	\$ 61,133	\$ 604	\$ 49,745	\$ 432	\$ 49,578	\$ 475
Inventory and other adjustments <sup>(iv)</sup>	2,958	30	4,189	36	(28)	–
Cash operating costs (co-product basis)	\$ 64,091	\$ 634	\$ 53,934	\$ 468	\$ 49,550	\$ 475
By-product metal revenues	(5,392)	(54)	(8,453)	(73)	(4,058)	(39)
Cash operating costs (by-product basis)	\$ 58,699	\$ 580	\$ 45,481	\$ 395	\$ 45,492	\$ 436

<b>La India Mine Per Tonne<sup>(iii)</sup></b>	<b>Year Ended December 31, 2017</b>		<b>Year Ended December 31, 2016</b>		<b>Year Ended December 31, 2015</b>	
	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per tonne)</i>	<i>(thousands)</i>	<i>(\$ per ounce)</i>
Tonnes of ore processed (thousands of tonnes)		5,965		5,837		5,371
Production costs	\$ 61,133	\$ 10	\$ 49,745	\$ 9	\$ 49,578	\$ 9
Inventory and other adjustments <sup>(v)</sup>	1,545	1	2,909	–	(657)	–
Minesite operating costs	\$ 62,678	\$ 11	\$ 52,654	\$ 9	\$ 48,921	\$ 9

Notes:

- (i) The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine.
- (ii) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. Total cash costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated

statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these non-GAAP generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

- (iii) Minesite costs per tonne is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. This measure is calculated by adjusting production costs as shown in the consolidated statements of income and comprehensive income for inventory production costs, and then dividing by tonnes of ore milled. As the total cash costs per ounce of gold produced measure can be affected by fluctuations in by-product metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations, eliminating the impact of 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 of performance can be impacted by fluctuations in processing levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with IFRS.
- (iv) Under the Company's revenue recognition policy, revenue is recognized when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, an inventory adjustment is made to reflect the portion of production not yet recognized as revenue. Other adjustments include the addition of smelting, refining and marketing charges to production costs.
- (v) This inventory and other adjustment reflects production costs associated with the portion of production still in inventory.
- (vi) The LaRonde mine's data presented on a per ounce of gold produced basis for the year ended December 31, 2017 excludes 515 ounces of payable gold production and the associated costs related to LaRonde Zone 5 which were produced prior to the achievement of commercial production.
- (vii) The LaRonde mine's data presented on a per tonne basis excludes 7,709 tonnes processed and the associated costs at LaRonde Zone 5 which occurred prior to the achievement of commercial production.
- (viii) The Lapa mine's data presented on a per ounce of gold produced basis for the year ended December 31, 2017 excludes 203 ounces of payable gold production as a result of the Lapa mill being placed on temporary maintenance.
- (ix) The Goldex mine's data presented on a per ounce of gold produced basis for the year ended December 31, 2017 excludes 8,041 ounces of payable gold production and the associated costs related to the Deep 1 Zone which were produced prior to the achievement of commercial production.
- (x) The Goldex mine's data presented on a per tonne basis for the year ended December 31, 2017 excludes 175,514 tonnes processed and the associated costs related to the Deep 1 Zone which were processed prior to the achievement of commercial production.

### ***All-in Sustaining Costs per Ounce of Gold Produced***

All-in sustaining costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data reported by other gold producers. The Company believes that this measure provides information about operating performance. However, this non-GAAP measure should be considered together with other data prepared in accordance with IFRS as it is not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

All-in sustaining costs per ounce of gold produced is reported on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). All-in sustaining costs per ounce of gold produced on a by-product basis is calculated as the aggregate of total cash costs per ounce of gold produced on a by-product basis and sustaining capital expenditures (including capitalized exploration), general and administrative expenses (including stock options) and non-cash reclamation provision expense per ounce of gold produced. All-in sustaining costs per ounce of gold produced on a co-product basis is calculated in the same manner as all-in sustaining costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made to total cash costs per ounce of gold produced. The calculation of all-in sustaining costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals.

The following table sets out a reconciliation of production costs to all-in sustaining costs per ounce of gold produced for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues).

### Reconciliation of Production Costs to All-in Sustaining Costs per Ounce of Gold Produced

<i>(United States dollars per ounce of gold produced, except where noted)</i>	<b>Year Ended December 31, 2017</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>
Production costs per the consolidated statements of income and comprehensive income (thousands of United States dollars)	\$1,057,842	\$1,031,892	\$995,295
Adjusted gold production (ounces) <sup>(i)(ii)(iii)</sup>	1,704,774	1,662,888	1,671,340
Production costs per ounce of adjusted gold production <sup>(i)(ii)(iii)</sup>	\$621	\$621	\$596
Adjustments:			
Inventory and other adjustments <sup>(iv)</sup>	16	22	30
Total cash costs per ounce of gold produced (co-product basis) <sup>(v)</sup>	\$637	\$643	\$626
By-product metal revenues	(79)	(70)	(59)
Total cash costs per ounce of gold produced (by-product basis) <sup>(v)</sup>	\$558	\$573	\$567
Adjustments:			
Sustaining capital expenditures (including capitalized exploration)	176	187	183
General and administrative expenses (including stock options)	67	62	58
Non-cash reclamation provision and other	3	2	2
All-in sustaining costs per ounce of gold produced (by-product basis)	\$804	\$824	\$810
By-product metal revenues	79	70	59
All-in sustaining costs per ounce of gold produced (co-product basis)	\$883	\$894	\$869

#### Notes:

- (i) Adjusted gold production for the year ended December 31, 2017 excludes 515 ounces of payable gold production at LaRonde Zone 5 which were produced prior to the achievement of commercial production.
- (ii) Adjusted gold production for the year ended December 31, 2017 excludes 203 ounces of payable gold production at the Lapa mill being placed on temporary maintenance.
- (iii) Adjusted gold production for the year ended December 31, 2017 excludes 8,041 ounces of payable gold production at Goldex's the Deep 1 Zone which were produced prior to the achievement of commercial production.
- (iv) Under the Company's revenue recognition policy, revenue is recognized when legal title and risk is transferred. As total cash costs per ounce of gold produced are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of production not yet recognized as revenue.
- (v) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. Total cash costs per ounce of gold produced is presented on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. Accordingly, the calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these non-GAAP generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
<b>Operating margin<sup>(i)</sup>:</b>					
Revenues from mining operations	\$ 547,459	\$ 549,883	\$ 580,008	\$ 565,254	\$ 2,242,604
Production costs	240,339	267,641	262,173	287,689	1,057,842
Total operating margin <sup>(i)</sup>	307,120	282,242	317,835	277,565	1,184,762
<b>Operating margin<sup>(i)</sup> by mine:</b>					
Northern Business					
LaRonde mine	70,702	54,062	100,550	73,686	299,000
Lapa mine	6,205	8,189	9,825	1,567	25,786
Goldex mine	20,854	15,990	18,274	13,532	68,650
Meadowbank mine	57,473	62,668	55,324	49,196	224,661
Canadian Malartic mine <sup>(ii)</sup>	51,586	51,237	56,702	56,348	215,873
Kittila mine	29,841	21,741	25,662	23,245	100,489
Southern Business					
Pinos Altos mine	42,033	41,138	29,445	36,563	149,179
Creston Mascota deposit at Pinos Altos	8,057	8,114	6,993	9,144	32,308
La India mine	20,369	19,103	15,060	14,284	68,816
Total operating margin <sup>(i)</sup>	307,120	282,242	317,835	277,565	1,184,762
Amortization of property, plant and mine development	132,509	128,440	118,312	129,478	508,739
Exploration, corporate and other	71,964	82,044	94,521	85,113	333,642
Income before income and mining taxes	102,647	71,758	105,002	62,974	342,381
Income and mining taxes	26,697	9,874	34,047	27,876	98,494
Net income for the period	\$ 75,950	\$ 61,884	\$ 70,955	\$ 35,098	\$ 243,887
Net income per share – basic (US\$)	\$ 0.33	\$ 0.27	\$ 0.31	\$ 0.15	\$ 1.06
Net income per share – diluted (US\$)	\$ 0.33	\$ 0.26	\$ 0.30	\$ 0.15	\$ 1.05
<b>Cash flows:</b>					
Cash provided by operating activities	\$ 222,611	\$ 183,950	\$ 194,066	\$ 166,930	\$ 767,557
Cash used in investing activities	\$(153,687)	\$(203,444)	\$(265,617)	\$(377,304)	\$(1,000,052)
Cash provided by (used in) financing activities	\$ 181,571	\$ 169,836	\$ (12,139)	\$ (10,101)	\$ 329,167

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
<b>Realized prices (US\$):</b>					
Gold (per ounce)	\$ 1,223	\$ 1,260	\$ 1,282	\$ 1,279	\$ 1,261
Silver (per ounce)	\$ 17.62	\$ 17.03	\$ 16.92	\$ 16.72	\$ 17.07
Zinc (per tonne)	\$ 2,782	\$ 2,642	\$ 2,780	\$ 3,215	\$ 2,829
Copper (per tonne)	\$ 6,277	\$ 5,660	\$ 6,412	\$ 6,806	\$ 6,345
<b>Payable production<sup>(iii)</sup>:</b>					
Gold (ounces)					
Northern Business					
LaRonde mine	78,912	72,090	105,860	92,523	349,385
Lapa mine	15,360	15,881	17,169	203	48,613
Goldex mine	32,671	30,337	28,906	27,033	118,947
Meadowbank mine	85,370	95,289	86,821	85,046	352,526
Canadian Malartic mine <sup>(ii)</sup>	71,382	82,509	82,097	80,743	316,731
Kittila mine	51,621	47,156	50,415	47,746	196,938
Southern Business					
Pinos Altos mine	45,360	48,196	46,897	40,406	180,859
Creston Mascota deposit at Pinos Altos	11,244	12,074	11,054	14,012	48,384
La India mine	26,296	24,211	25,143	25,500	101,150
<b>Total gold (ounces)</b>	<b>418,216</b>	<b>427,743</b>	<b>454,362</b>	<b>413,212</b>	<b>1,713,533</b>
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	272	337	285	360	1,254
Lapa mine	1	1	1	–	3
Goldex mine	–	1	–	–	1
Meadowbank mine	71	65	72	67	275
Canadian Malartic mine <sup>(ii)</sup>	84	89	80	88	341
Kittila mine	3	3	4	3	13
Southern Business					
Pinos Altos mine	583	645	695	612	2,535
Creston Mascota deposit at Pinos Altos	56	70	71	84	281
La India mine	128	74	60	51	313
<b>Total silver (thousands of ounces)</b>	<b>1,198</b>	<b>1,285</b>	<b>1,268</b>	<b>1,265</b>	<b>5,016</b>
Zinc (tonnes)	1,005	1,724	1,771	2,010	6,510
Copper (tonnes)	1,272	907	1,056	1,266	4,501

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
<b>Payable metal sold:</b>					
Gold (ounces)					
Northern Business					
LaRonde mine	85,456	72,706	103,483	91,795	353,440
Lapa mine	15,407	15,870	16,843	2,808	50,928
Goldex mine	33,212	30,165	28,026	27,797	119,200
Meadowbank mine	90,555	92,038	89,923	80,990	353,506
Canadian Malartic mine <sup>(ii)(iv)</sup>	63,860	77,380	74,040	83,750	299,030
Kittila mine	53,900	46,210	49,513	48,079	197,702
Southern Business					
Pinos Altos mine	45,133	47,839	35,704	44,350	173,026
Creston Mascota deposit at Pinos Altos	11,626	11,414	10,763	13,448	47,251
La India mine	25,680	26,251	23,781	23,979	99,691
<b>Total gold (ounces)</b>	<b>424,829</b>	<b>419,873</b>	<b>432,076</b>	<b>416,996</b>	<b>1,693,774</b>
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	288	319	296	348	1,251
Lapa mine	–	6	–	1	7
Goldex mine	–	1	–	–	1
Meadowbank mine	63	73	54	85	275
Canadian Malartic mine <sup>(ii)(iv)</sup>	79	75	85	90	329
Kittila mine	2	3	4	2	11
Southern Business					
Pinos Altos mine	606	586	550	655	2,397
Creston Mascota deposit at Pinos Altos	50	70	63	82	265
La India mine	129	86	51	50	316
<b>Total silver (thousands of ounces)</b>	<b>1,217</b>	<b>1,219</b>	<b>1,103</b>	<b>1,313</b>	<b>4,852</b>
Zinc (tonnes)	2,136	1,645	1,314	1,221	6,316
Copper (tonnes)	1,229	885	1,157	1,328	4,599

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
<b>Operating margin<sup>(i)</sup>:</b>					
Revenues from mining operations	\$ 490,531	\$ 537,628	\$ 610,863	\$ 499,210	\$2,138,232
Production costs	243,973	255,436	277,371	255,112	1,031,892
Total operating margin <sup>(i)</sup>	246,558	282,192	333,492	244,098	1,106,340
<b>Operating margin<sup>(i)</sup> by mine:</b>					
Northern Business					
LaRonde mine	48,055	54,985	61,587	44,058	208,684
Lapa mine	10,806	14,437	10,181	3,762	39,186
Goldex mine	22,184	22,896	27,834	13,506	86,420
Meadowbank mine	33,329	34,733	46,190	50,807	165,060
Canadian Malartic mine <sup>(ii)</sup>	41,740	50,133	55,981	40,430	188,285
Kittila mine	24,086	22,079	36,714	27,596	110,475
Southern Business					
Pinos Altos mine	35,820	48,392	60,699	34,909	179,820
Creston Mascota deposit at Pinos Altos	8,989	9,719	10,448	6,470	35,626
La India mine	21,549	24,818	23,858	22,560	92,784
Total operating margin <sup>(i)</sup>	246,558	282,192	333,492	244,098	1,106,340
Gain on impairment reversal	–	–	–	(120,161)	(120,161)
Amortization of property, plant and mine development	145,631	154,658	161,472	151,399	613,160
Exploration, corporate and other	73,730	89,624	84,079	97,447	344,880
Income before income and mining taxes	27,197	37,910	87,941	115,413	268,461
Income and mining taxes (recovery)	(591)	18,920	38,549	52,759	109,637
Net income for the period	\$ 27,788	\$ 18,990	\$ 49,392	\$ 62,654	\$ 158,824
Net income per share – basic (US\$)	\$ 0.13	\$ 0.09	\$ 0.22	\$ 0.28	\$ 0.71
Net income per share – diluted (US\$)	\$ 0.13	\$ 0.08	\$ 0.22	\$ 0.28	\$ 0.70
<b>Cash flows:</b>					
Cash provided by operating activities	\$ 145,704	\$ 229,456	\$ 282,856	\$ 120,601	\$ 778,617
Cash used in investing activities	\$(107,595)	\$(122,651)	\$(142,701)	\$(180,543)	\$ (553,490)
Cash (used in) provided by financing activities	\$ (1,588)	\$ 199,494	\$ 11,840	\$ (19,360)	\$ 190,386



**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
<b>Realized prices (US\$):</b>					
Gold (per ounce)	\$ 1,192	\$ 1,268	\$ 1,332	\$ 1,196	\$ 1,249
Silver (per ounce)	\$ 15.09	\$ 17.21	\$ 19.52	\$ 16.76	\$ 17.28
Zinc (per tonne)	\$ 1,540	\$ 1,852	\$ 2,170	\$ 2,346	\$ 2,047
Copper (per tonne)	\$ 4,297	\$ 4,714	\$ 4,819	\$ 5,578	\$ 4,827
<b>Payable production<sup>(iii)</sup>:</b>					
Gold (ounces)					
Northern Business					
LaRonde mine	75,337	75,159	71,784	83,508	305,788
Lapa mine	21,709	21,914	16,242	14,065	73,930
Goldex mine	32,340	31,452	32,742	24,710	120,704
Meadowbank mine	72,311	72,402	72,731	94,770	312,214
Canadian Malartic mine <sup>(ii)</sup>	73,613	72,502	76,428	69,971	292,514
Kittila mine	48,127	46,209	54,835	53,557	202,508
Southern Business					
Pinos Altos mine	48,117	49,458	48,512	46,685	192,772
Creston Mascota deposit at Pinos Altos	11,551	12,398	12,134	11,213	47,296
La India mine	28,231	27,438	30,779	28,714	115,162
<b>Total gold (ounces)</b>	<b>411,336</b>	<b>408,932</b>	<b>416,187</b>	<b>426,433</b>	<b>1,662,888</b>
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	247	266	203	272	988
Lapa mine	3	1	1	–	5
Goldex mine	–	1	–	–	1
Meadowbank mine	43	66	59	53	221
Canadian Malartic mine <sup>(ii)</sup>	77	86	96	81	340
Kittila mine	3	2	3	4	12
Southern Business					
Pinos Altos mine	587	633	644	641	2,505
Creston Mascota deposit at Pinos Altos	48	50	55	48	201
La India mine	117	105	126	138	486
<b>Total silver (thousands of ounces)</b>	<b>1,125</b>	<b>1,210</b>	<b>1,187</b>	<b>1,237</b>	<b>4,759</b>
Zinc (tonnes)	614	1,318	1,010	1,745	4,687
Copper (tonnes)	1,154	1,141	1,177	944	4,416

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

	Three Months Ended				Total 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
<b>Payable metal sold:</b>					
Gold (ounces)					
Northern Business					
LaRonde mine	75,257	72,005	78,096	67,803	293,161
Lapa mine	19,836	22,911	16,851	14,621	74,219
Goldex mine	31,955	30,605	33,275	24,059	119,894
Meadowbank mine	71,589	70,021	78,710	85,318	305,638
Canadian Malartic mine <sup>(ii)(iv)</sup>	65,085	72,259	72,950	67,900	278,194
Kittila mine	50,725	44,580	55,710	51,687	202,702
Southern Business					
Pinos Altos mine	43,224	52,287	60,541	43,410	199,462
Creston Mascota deposit at Pinos Altos	11,845	12,117	12,655	11,695	48,312
La India mine	26,165	27,748	26,050	29,320	109,283
<b>Total gold (ounces)</b>	<b>395,681</b>	<b>404,533</b>	<b>434,838</b>	<b>395,813</b>	<b>1,630,865</b>
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	232	267	225	257	981
Lapa mine	1	–	–	1	2
Goldex mine	–	–	1	–	1
Meadowbank mine	43	66	53	58	222
Canadian Malartic mine <sup>(ii)(iv)</sup>	73	77	87	77	312
Kittila mine	3	2	3	3	11
Southern Business					
Pinos Altos mine	530	647	812	598	2,587
Creston Mascota deposit at Pinos Altos	48	49	38	58	193
La India mine	86	123	91	152	452
<b>Total silver (thousands of ounces)</b>	<b>1,016</b>	<b>1,231</b>	<b>1,310</b>	<b>1,204</b>	<b>4,761</b>
Zinc (tonnes)	605	673	1,374	902	3,554
Copper (tonnes)	1,156	1,164	1,201	1,001	4,522

Notes:

(i) Operating margin is calculated as revenues from mining operations less production costs.

(ii) The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine.

**AGNICO EAGLE MINES LIMITED**  
**SUMMARIZED QUARTERLY DATA**  
*(thousands of United States dollars, except where noted)*

- (iii) Payable production (a non-GAAP non-financial performance measure) is 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 inventories at the end of the period.
- (iv) The Canadian Malartic mine's payable metal sold excludes the 5.0% net smelter royalty transferred to Osisko Gold Royalties Ltd., pursuant to the Osisko Arrangement.

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2017	2016	2015
Revenues from mining operations	\$ 2,242,604	\$ 2,138,232	\$ 1,985,432
Production costs	1,057,842	1,031,892	995,295
Operating margin <sup>(i)</sup>	1,184,762	1,106,340	990,137
Amortization of property, plant and mine development	508,739	613,160	608,609
Gain on impairment reversal	–	(120,161)	–
Exploration, corporate and other	333,642	344,880	298,900
Income before income and mining taxes	342,381	268,461	82,628
Income and mining taxes	98,494	109,637	58,045
Net income for the year	\$ 243,887	\$ 158,824	\$ 24,583
Net income per share – basic	\$ 1.06	\$ 0.71	\$ 0.11
Net income per share – diluted	\$ 1.05	\$ 0.70	\$ 0.11
Operating cash flow	\$ 767,557	\$ 778,617	\$ 616,238
Investing cash flow	\$(1,000,052)	\$ (553,490)	\$ (374,519)
Financing cash flow	\$ 329,167	\$ 190,386	\$ (280,760)
Dividends declared per share	\$ 0.41	\$ 0.36	\$ 0.32
Capital expenditures per Consolidated Statements of Cash Flows	\$ 874,153	\$ 516,050	\$ 449,758
Average gold price per ounce realized	\$ 1,261	\$ 1,249	\$ 1,156
Average silver price per ounce realized	\$ 17.07	\$ 17.28	\$ 15.63
Average zinc price per tonne realized	\$ 2,829	\$ 2,047	\$ 1,875
Average copper price per tonne realized	\$ 6,345	\$ 4,827	\$ 5,023
Weighted average number of common shares outstanding – basic (thousands)	230,252	222,737	216,168
Working capital (including undrawn credit lines)	\$ 2,326,939	\$ 2,005,785	\$ 1,441,991
Total assets	\$ 7,865,601	\$ 7,107,951	\$ 6,683,180
Long-term debt	\$ 1,371,851	\$ 1,072,790	\$ 1,118,187
Shareholders' equity	\$ 4,946,991	\$ 4,492,474	\$ 4,141,020

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2017	2016	2015
<b>Operating Summary</b>			
<b><i>LaRonde mine</i></b>			
Revenues from mining operations	\$ 484,488	\$ 388,180	\$ 318,207
Production costs	185,488	179,496	172,283
Operating margin <sup>(i)</sup>	\$ 299,000	\$ 208,684	\$ 145,924
Amortization of property, plant and mine development	82,979	85,292	80,298
Gross profit	\$ 216,021	\$ 123,392	\$ 65,626
Tonnes of ore milled	2,253,823	2,240,144	2,241,424
Gold – grams per tonne	5.05	4.44	3.91
Gold production – ounces	349,385	305,788	267,921
Silver production – thousands of ounces	1,254	988	916
Zinc production – tonnes	6,510	4,687	3,501
Copper production – tonnes	4,501	4,416	4,941
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 532	\$ 587	\$ 643
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	75	81	117
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)(iv)</sup>	\$ 607	\$ 668	\$ 760
By-product metal revenues	(201)	(167)	(170)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)(iv)</sup>	\$ 406	\$ 501	\$ 590
Minesite costs per tonne <sup>(v)(vi)</sup>	C\$ 108	C\$ 106	C\$ 99
<b><i>Lapa mine</i></b>			
Revenues from mining operations	\$ 64,572	\$ 92,160	\$ 104,785
Production costs	38,786	52,974	52,571
Operating margin <sup>(i)</sup>	\$ 25,786	\$ 39,186	\$ 52,214
Amortization of property, plant and mine development	1,736	30,915	30,939
Gross profit	\$ 24,050	\$ 8,271	\$ 21,275
Tonnes of ore milled	398,248	592,683	559,926
Gold – grams per tonne	4.24	4.64	5.83
Gold production – ounces	48,613	73,930	90,967

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

*(thousands of United States dollars, except where noted)*

	2017	2016	2015
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 801	\$ 717	\$ 578
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	(44)	15	13
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)(vii)</sup>	\$ 757	\$ 732	\$ 591
By-product metal revenues	(2)	–	(1)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)(vii)</sup>	\$ 755	\$ 732	\$ 590
Minesite costs per tonne <sup>(v)</sup>	C\$ 120	C\$ 121	C\$ 117
<b>Goldex mine</b>			
Revenues from mining operations	\$ 139,665	\$ 149,730	\$ 133,845
Production costs	71,015	63,310	61,278
Operating margin <sup>(i)</sup>	\$ 68,650	\$ 86,420	\$ 72,567
Amortization of property, plant and mine development	36,488	41,278	55,728
Gross profit	\$ 32,162	\$ 45,142	\$ 16,839
Tonnes of ore milled	2,572,014	2,545,300	2,312,567
Gold – grams per tonne	1.53	1.60	1.66
Gold production – ounces	118,947	120,704	115,426
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 640	\$ 525	\$ 531
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	(29)	7	7
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)(viii)</sup>	\$ 611	\$ 532	\$ 538
By-product metal revenues	(1)	–	–
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)(viii)</sup>	\$ 610	\$ 532	\$ 538
Minesite costs per tonne <sup>(v)(ix)</sup>	C\$ 37	C\$ 33	C\$ 33
<b>Meadowbank mine</b>			
Revenues from mining operations	\$ 449,025	\$ 384,023	\$ 446,898
Production costs	224,364	218,963	230,564
Operating margin <sup>(i)</sup>	\$ 224,661	\$ 165,060	\$ 216,334
Amortization of property, plant and mine development	74,130	122,545	144,931
Gross profit	\$ 150,531	\$ 42,515	\$ 71,403

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

*(thousands of United States dollars, except where noted)*

	2017	2016	2015
Tonnes of ore milled	3,853,034	3,915,102	4,032,852
Gold – grams per tonne	3.12	2.70	3.16
Gold production – ounces	352,526	312,214	381,804
Silver production – thousands of ounces	275	221	221
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 636	\$ 701	\$ 604
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	(8)	26	19
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 628	\$ 727	\$ 623
By-product metal revenues	(14)	(12)	(10)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 614	\$ 715	\$ 613
Minesite costs per tonne <sup>(v)</sup>	C\$ 76	C\$ 74	C\$ 70
<b><i>Canadian Malartic mine<sup>(x)</sup></i></b>			
Revenues from mining operations	\$ 404,441	\$ 371,920	\$ 333,280
Production costs	188,568	183,635	171,473
Operating margin <sup>(i)</sup>	\$ 215,873	\$ 188,285	\$ 161,807
Amortization of property, plant and mine development	122,368	117,665	103,050
Gross profit	\$ 93,505	\$ 70,621	\$ 58,757
Tonnes of ore milled	10,178,803	9,820,696	9,544,763
Gold – grams per tonne	1.09	1.04	1.05
Gold production – ounces	316,731	292,514	285,809
Silver production – thousands of ounces	341	340	300
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 595	\$ 628	\$ 600
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	(1)	(2)	13
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 594	\$ 626	\$ 613
By-product metal revenues	(18)	(20)	(17)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 576	\$ 606	\$ 596
Minesite costs per tonne <sup>(v)</sup>	C\$ 24	C\$ 25	C\$ 23

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2017	2016	2015
<b><i>Kittila mine</i></b>			
Revenues from mining operations	\$ 248,761	\$ 252,346	\$ 206,357
Production costs	148,272	141,871	126,095
Operating margin <sup>(i)</sup>	\$ 100,489	\$ 110,475	\$ 80,262
Amortization of property, plant and mine development	58,682	57,361	48,648
Gross profit	\$ 41,807	\$ 53,114	\$ 31,614
Tonnes of ore milled	1,684,626	1,666,732	1,464,038
Gold – grams per tonne	4.15	4.41	4.44
Gold production – ounces	196,938	202,508	177,374
Silver production – thousands of ounces	13	12	11
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 753	\$ 701	\$ 711
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	1	(1)	(1)
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 754	\$ 700	\$ 710
By-product metal revenues	(1)	(1)	(1)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 753	\$ 699	\$ 709
Minesite costs per tonne <sup>(v)</sup>	€ 78	€ 77	€ 76
<b><i>Pinos Altos mine</i></b>			
Revenues from mining operations	\$ 257,905	\$ 294,377	\$ 250,909
Production costs	108,726	114,557	105,175
Operating margin <sup>(i)</sup>	\$ 149,179	\$ 179,820	\$ 145,734
Amortization of property, plant and mine development	59,970	64,101	41,894
Gross profit	\$ 89,209	\$ 115,719	\$ 103,840
Tonnes of ore processed	2,307,872	2,260,155	2,378,406
Gold – grams per tonne	2.86	3.04	2.68
Gold production – ounces	180,859	192,772	192,974
Silver production – thousands of ounces	2,535	2,505	2,384



### THREE YEAR FINANCIAL AND OPERATING SUMMARY

*(thousands of United States dollars, except where noted)*

	2017	2016	2015
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 601	\$ 594	\$ 545
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	33	(9)	33
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 634	\$ 585	\$ 578
By-product metal revenues	(239)	(229)	(191)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 395	\$ 356	\$ 387
Minesite costs per tonne <sup>(v)</sup>	\$ 50	\$ 49	\$ 45
<b><i>Creston Mascota deposit at Pinos Altos</i></b>			
Revenues from mining operations	\$ 63,798	\$ 62,967	\$ 66,472
Production costs	31,490	27,341	26,278
Operating margin <sup>(i)</sup>	\$ 32,308	\$ 35,626	\$ 40,194
Amortization of property, plant and mine development	22,605	18,898	17,868
Gross profit	\$ 9,703	\$ 16,728	\$ 22,326
Tonnes of ore processed	2,195,655	2,119,245	2,098,812
Gold – grams per tonne	1.23	1.12	1.34
Gold production – ounces	48,384	47,296	54,703
Silver production – thousands of ounces	281	201	159
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 651	\$ 578	\$ 480
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	18	10	(6)
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 669	\$ 588	\$ 474
By-product metal revenues	(94)	(72)	(44)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 575	\$ 516	\$ 430
Minesite costs per tonne <sup>(v)</sup>	\$ 15	\$ 13	\$ 12

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

*(thousands of United States dollars, except where noted)*

	2017	2016	2015
<b>La India mine</b>			
Revenues from mining operations	\$ 129,949	\$ 142,529	\$ 124,679
Production costs	61,133	49,745	49,578
Operating margin <sup>(i)</sup>	\$ 68,816	\$ 92,784	\$ 75,101
Amortization of property, plant and mine development	46,918	72,043	81,430
Gross profit	\$ 21,898	\$ 20,741	\$ (6,329)
Tonnes of ore processed	5,965,250	5,837,404	5,371,419
Gold – grams per tonne	0.69	0.81	0.95
Gold production – ounces	101,150	115,162	104,362
Silver production – thousands of ounces	313	486	263
Total cash costs per ounce of gold produced (\$ per ounce basis):			
Production costs	\$ 604	\$ 432	\$ 475
Adjustments:			
Inventory and other adjustments <sup>(ii)</sup>	30	36	–
Total cash costs per ounce of gold produced – co-product basis <sup>(iii)</sup>	\$ 634	\$ 486	\$ 475
By-product metal revenues	(54)	(73)	(39)
Total cash costs per ounce of gold produced – by-product basis <sup>(iii)</sup>	\$ 580	\$ 395	\$ 436
Minesite costs per tonne <sup>(v)</sup>	\$ 11	\$ 9	\$ 9

Notes:

- (i) Operating margin is calculated as revenues from mining operations less production costs.
- (ii) Under the Company's revenue recognition policy, revenue is recognized when legal title and risk has transferred. As total cash costs per ounce of gold produced are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of production not yet recognized as revenue. Other adjustments include the addition of smelting, refining and marketing charges to production costs.
- (iii) Total cash costs per ounce of gold produced is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. Total cash costs per ounce of gold produced is presented on both a by-product basis (deducting by-product metal revenues from production costs) and co-product basis (without deducting by-product metal revenues). Total cash costs per ounce of gold produced on a by-product basis is calculated by adjusting production costs as recorded in the consolidated statements of income and comprehensive income for by-product metal revenues, inventory production costs, smelting, refining and marketing charges and other adjustments, and then dividing by the number of ounces of gold produced. Total cash costs per ounce of gold produced on a co-product basis is calculated in the same manner as total cash costs per ounce of gold produced on a by-product basis except that no adjustment for by-product metal revenues is made. The calculation of total cash costs per ounce of gold produced on a co-product basis does not reflect a reduction in production costs or smelting, refining and marketing charges associated with the production and sale of by-product metals. The Company believes that these generally accepted industry measures provide a realistic indication of operating performance and provide useful comparison points between periods. Total cash costs per ounce of gold produced is intended to provide information about the cash generating capabilities of the Company's mining operations. Management also uses these measures to monitor the performance of the Company's mining operations. As market prices for gold are quoted on a per ounce basis, using the total cash costs per ounce of gold produced on a by-product basis measure allows management to assess a mine's cash generating capabilities at various gold prices. Management is aware that these per ounce measures of performance can be affected by fluctuations in exchange rates and, in the case of total cash costs of gold produced on a by-product basis, by-product metal prices. Management compensates for these inherent limitations by using these measures in conjunction with minesite costs per tonne (discussed below) as well as other data prepared in accordance with IFRS. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.
- (iv) The LaRonde mine's per ounce of gold produced calculations for the year ended December 31, 2017 excludes 515 ounces of payable gold production and the associated costs at LaRonde Zone 5 which were produced prior to the achievement of commercial production.

### THREE YEAR FINANCIAL AND OPERATING SUMMARY

*(thousands of United States dollars, except where noted)*

- (v) Minesite costs per tonne is not a recognized measure under IFRS and this data may not be comparable to data presented by other gold producers. This measure is calculated by adjusting production costs as shown in the consolidated statements of income and comprehensive income for inventory production costs, and then dividing by tonnes of ore milled. As the total cash costs per ounce of gold produced measure can be impacted by fluctuations in by-product metal prices and exchange rates, management believes that the minesite costs per tonne measure provides additional information regarding the performance of mining operations, eliminating the impact of 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 of performance can be impacted by fluctuations in processing levels and compensates for this inherent limitation by using this measure in conjunction with production costs prepared in accordance with IFRS.
- (vi) The LaRonde mine's data presented on a per tonne basis excludes 7,709 tonnes processed and the associated costs at LaRonde Zone 5 which occurred prior to the achievement of commercial production.
- (vii) The Lapa mine's data presented on a per ounce of gold produced basis for the year ended December 31, 2017 excludes 203 ounces of payable gold production as a result of the Lapa mill being placed on temporary maintenance.
- (viii) The Goldex mine's data presented on a per ounce of gold produced basis for the year ended December 31, 2017 excludes 8,041 ounces of payable gold production and the associated costs related to the Deep 1 Zone which were produced prior to the achievement of commercial production.
- (ix) The Goldex mine's data presented on a per tonne basis for the year ended December 31, 2017 excludes 175,514 tonnes processed and the associated costs related to the Deep 1 Zone which were processed prior to the achievement of commercial production.
- (x) The information set out in this table reflects the Company's 50% interest in the Canadian Malartic mine.

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# Annual Audited Consolidated Financial Statements

(Prepared in accordance with International  
Financial Reporting Standards)



**AGNICO EAGLE**

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

### **Opinion on Internal Control over Financial Reporting**

We have audited Agnico Eagle Mines Limited's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Agnico Eagle Mines Limited. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes and our report dated March 23, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Certification Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

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

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

/s/ Ernst & Young LLP

Toronto, Canada  
March 23, 2018

## MANAGEMENT CERTIFICATION

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

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017. In making this assessment, the Company’s management used the criteria outlined by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework issued in 2013. Based on its assessment, management concluded that, as of December 31, 2017, the Company’s internal control over financial reporting was effective.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2017 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada  
March 23, 2018

By /s/ SEAN BOYD

Sean Boyd  
*Vice-Chairman and  
Chief Executive Officer*

By /s/ DAVID SMITH

David Smith  
*Senior Vice-President, Finance and  
Chief Financial Officer*

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Agnico Eagle Mines Limited (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, shareholders’ equity and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its consolidated cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on Internal Control over Financial Reporting**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 23, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Toronto, Canada  
March 23, 2018

/s/ Ernst & Young LLP  
We have served as the Company’s auditor since 1983



# AGNICO EAGLE MINES LIMITED

## CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars, except share amounts)

	As at December 31, 2017	As at December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 632,978	\$ 539,974
Short-term investments	10,919	8,424
Restricted cash	422	398
Trade receivables (notes 6 and 17)	12,000	8,185
Inventories (note 7)	500,976	443,714
Income taxes recoverable (note 23)	13,598	–
Available-for-sale securities (notes 6 and 8)	122,775	92,310
Fair value of derivative financial instruments (notes 6 and 20)	17,240	364
Other current assets (note 9(a))	150,626	136,810
<b>Total current assets</b>	<b>1,461,534</b>	<b>1,230,179</b>
Non-current assets:		
Restricted cash	801	764
Goodwill	696,809	696,809
Property, plant and mine development (note 10)	5,626,552	5,106,036
Other assets (note 9(b))	79,905	74,163
<b>Total assets</b>	<b>\$7,865,601</b>	<b>\$7,107,951</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 290,722	\$ 228,566
Reclamation provision (note 12)	10,038	9,193
Interest payable (note 14)	12,894	14,242
Income taxes payable (note 23)	16,755	35,070
Finance lease obligations (note 13(a))	3,412	5,535
Current portion of long-term debt (note 14)	–	129,896
Fair value of derivative financial instruments (notes 6 and 20)	–	1,120
<b>Total current liabilities</b>	<b>333,821</b>	<b>423,622</b>
Non-current liabilities:		
Long-term debt (note 14)	1,371,851	1,072,790
Reclamation provision (note 12)	345,268	265,308
Deferred income and mining tax liabilities (note 23)	827,341	819,562
Other liabilities (note 15)	40,329	34,195
<b>Total liabilities</b>	<b>2,918,610</b>	<b>2,615,477</b>
<b>EQUITY</b>		
Common shares (note 16):		
Outstanding — 232,793,335 common shares issued, less 542,894 shares held in trust	5,288,432	4,987,694
Stock options (notes 16 and 18)	186,754	179,852
Contributed surplus	37,254	37,254
Deficit	(595,797)	(744,453)
Accumulated other comprehensive income	30,348	32,127
<b>Total equity</b>	<b>4,946,991</b>	<b>4,492,474</b>
<b>Total liabilities and equity</b>	<b>\$7,865,601</b>	<b>\$7,107,951</b>
Commitments and contingencies (note 25)		

On behalf of the Board:

  
Sean Boyd, CPA, CA, Director

  
Dr. Leanne M. Baker, Director

See accompanying notes

# AGNICO EAGLE MINES LIMITED

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Year Ended December 31,	
	2017	2016
<b>REVENUES</b>		
Revenues from mining operations (note 17)	\$2,242,604	\$2,138,232
<b>COSTS, EXPENSES AND OTHER INCOME</b>		
Production <sup>(i)</sup>	1,057,842	1,031,892
Exploration and corporate development	141,450	146,978
Amortization of property, plant and mine development (note 10)	508,739	613,160
General and administrative	115,064	102,781
Impairment loss on available-for-sale securities (note 8)	8,532	–
Finance costs (note 14)	78,931	74,641
Gain on derivative financial instruments (note 20)	(20,990)	(9,468)
Gain on sale of available-for-sale securities (note 8)	(168)	(3,500)
Environmental remediation (note 12)	1,219	4,058
Gain on impairment reversal (note 22)	–	(120,161)
Foreign currency translation loss	13,313	13,157
Other (income) expenses	(3,709)	16,233
Income before income and mining taxes	342,381	268,461
Income and mining taxes expense (note 23)	98,494	109,637
Net income for the year	\$ 243,887	\$ 158,824
Net income per share — basic (note 16)	\$ 1.06	\$ 0.71
Net income per share — diluted (note 16)	\$ 1.05	\$ 0.70
Cash dividends declared per common share	\$ 0.41	\$ 0.36
<b>COMPREHENSIVE INCOME</b>		
Net income for the year	\$ 243,887	\$ 158,824
Other comprehensive income (loss):		
Items that may be subsequently reclassified to net income:		
Available-for-sale securities and other investments (note 8):		
Unrealized change in fair value of available-for-sale securities	(21,179)	36,757
Reclassification to impairment loss on available-for-sale securities	8,532	–
Reclassification to gain on sale of available-for-sale securities	(168)	(3,500)
Derivative financial instruments (note 20):		
Unrealized gain	10,763	–
Income tax impact of reclassification items (note 23)	(1,117)	467
Income tax impact of other comprehensive income (loss) items (note 23)	1,390	(4,925)
	(1,779)	28,799
Items that will not be subsequently reclassified to net income:		
Pension benefit obligations:		
Remeasurement (loss) gain of pension benefit obligations (note 15(a))	(1,772)	612
Income tax impact (note 23)	399	76
	(1,373)	688
Other comprehensive income (loss) for the year	(3,152)	29,487
Comprehensive income for the year	\$ 240,735	\$ 188,311

Note:

(i) Exclusive of amortization, which is shown separately.

See accompanying notes

# AGNICO EAGLE MINES LIMITED

## CONSOLIDATED STATEMENTS OF EQUITY

(thousands of United States dollars, except share and per share amounts)

	Common Shares Outstanding		Stock Options	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
	Shares	Amount					
<b>Balance at December 31, 2015</b>	217,650,795	\$4,707,940	\$216,232	\$37,254	\$(823,734)	\$ 3,328	\$4,141,020
Net income	–	–	–	–	158,824	–	158,824
Other comprehensive income	–	–	–	–	688	28,799	29,487
Total comprehensive income	–	–	–	–	159,512	28,799	188,311
Transactions with owners:							
Shares issued under employee stock option plan (notes 16 and 18(a))	6,492,907	245,128	(53,025)	–	–	–	192,103
Stock options (notes 16 and 18(a))	–	–	16,645	–	–	–	16,645
Shares issued under incentive share purchase plan (note 18(b))	344,778	15,443	–	–	–	–	15,443
Shares issued under dividend reinvestment plan	224,732	8,893	–	–	–	–	8,893
Shares issued under flow-through share private placement (note 16)	374,869	13,593	–	–	–	–	13,593
Dividends declared (\$0.36 per share)	–	–	–	–	(80,231)	–	(80,231)
Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan (note 16 and 18(c,d))	(122,941)	(3,303)	–	–	–	–	(3,303)
<b>Balance at December 31, 2016</b>	224,965,140	\$4,987,694	\$179,852	\$37,254	\$(744,453)	\$32,127	\$4,492,474
Net income	–	–	–	–	243,887	–	243,887
Other comprehensive loss	–	–	–	–	(1,373)	(1,779)	(3,152)
Total comprehensive income (loss)	–	–	–	–	242,514	(1,779)	240,735
Transactions with owners:							
Shares issued under employee stock option plan (notes 16 and 18(a))	1,538,729	56,802	(12,603)	–	–	–	44,199
Stock options (notes 16 and 18(a))	–	–	19,505	–	–	–	19,505
Shares issued under incentive share purchase plan (note 18(b))	382,663	17,379	–	–	–	–	17,379
Shares issued under dividend reinvestment plan	402,877	17,816	–	–	–	–	17,816
Equity issuance (net of transaction costs) (note 16)	5,003,412	215,013	–	–	–	–	215,013
Dividends declared (\$0.41 per share)	–	–	–	–	(93,858)	–	(93,858)
Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan (note 16 and 18(c,d))	(42,380)	(6,272)	–	–	–	–	(6,272)
<b>Balance at December 31, 2017</b>	232,250,441	\$5,288,432	\$186,754	\$37,254	\$(595,797)	\$30,348	\$4,946,991

See accompanying notes

# AGNICO EAGLE MINES LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars)

	Year Ended December 31,	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net income for the year	\$ 243,887	\$ 158,824
Add (deduct) items not affecting cash:		
Amortization of property, plant and mine development (note 10)	508,739	613,160
Deferred income and mining taxes (note 23)	10,855	7,609
Gain on sale of available-for-sale securities (note 8)	(168)	(3,500)
Stock-based compensation (note 18)	43,674	33,804
Impairment loss on available-for-sale securities (note 8)	8,532	–
Gain on impairment reversal (note 22)	–	(120,161)
Foreign currency translation loss	13,313	13,157
Other	15,362	14,012
Adjustment for settlement of reclamation provision	(4,824)	(2,719)
Changes in non-cash working capital balances:		
Trade receivables	(3,815)	(471)
Income taxes	(31,913)	28,082
Inventories	(64,889)	20,355
Other current assets	(13,722)	53,009
Accounts payable and accrued liabilities	44,694	(35,408)
Interest payable	(2,168)	(1,136)
Cash provided by operating activities	767,557	778,617
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and mine development (note 10)	(874,153)	(516,050)
Acquisitions, net of cash and cash equivalents acquired (note 5)	(71,989)	(12,434)
Net purchases of short-term investments	(2,495)	(980)
Net proceeds from sale of available-for-sale securities and other investments (note 8)	333	9,461
Purchases of available-for-sale securities and other investments (note 8)	(51,724)	(33,774)
(Increase) decrease in restricted cash	(24)	287
Cash used in investing activities	(1,000,052)	(553,490)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(76,075)	(71,375)
Repayment of finance lease obligations (note 13(a))	(5,252)	(10,004)
Proceeds from long-term debt (note 14)	280,000	125,000
Repayment of long-term debt (note 14)	(410,412)	(405,374)
Notes issuance (note 14)	300,000	350,000
Long-term debt financing (note 14)	(3,505)	(3,415)
Repurchase of common shares for stock-based compensation plans (notes 16 and 18(c,d))	(24,684)	(15,576)
Proceeds on exercise of stock options (note 18(a))	44,199	192,103
Common shares issued (note 16)	224,896	29,027
Cash provided by financing activities	329,167	190,386
Effect of exchange rate changes on cash and cash equivalents	(3,668)	311
Net increase in cash and cash equivalents during the year	93,004	415,824
Cash and cash equivalents, beginning of year	539,974	124,150
Cash and cash equivalents, end of year	\$ 632,978	\$ 539,974
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid (note 14)	\$ 78,885	\$ 71,401
Income and mining taxes paid	\$ 127,915	\$ 105,184

See accompanying notes

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 2017

### 1. CORPORATE INFORMATION

Agnico Eagle Mines Limited (“Agnico Eagle” or the “Company”) is principally engaged in the production and sale of gold, as well as related activities such as exploration and mine development. The Company’s mining operations are located in Canada, Mexico and Finland and the Company has exploration activities in Canada, Europe, Latin America and the United States. Agnico Eagle is a public company incorporated under the laws of the Province of Ontario, Canada with its head and registered office located at 145 King Street East, Suite 400, Toronto, Ontario, M5C 2Y7. The Company’s common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange. Agnico Eagle sells its gold production into the world market.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company (the “Board”) on March 23, 2018.

### 2. BASIS OF PRESENTATION

#### A) *Statement of Compliance*

The accompanying consolidated financial statements of Agnico Eagle have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in United States (“US”) dollars.

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. Significant accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented.

#### B) *Basis of Presentation*

##### *Subsidiaries*

These consolidated financial statements include the accounts of Agnico Eagle and its consolidated subsidiaries. All intercompany balances, transactions, income and expenses and gains or losses have been eliminated on consolidation. Subsidiaries are consolidated where Agnico Eagle has the ability to exercise control. Control of an investee exists when Agnico Eagle is exposed to variable returns from the Company’s involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

##### *Joint Arrangements*

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement between two or more parties. This exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. These consolidated financial statements include the Company’s interests in the assets, liabilities, revenues and expenses of the joint operations, from the date that joint control commenced. Agnico Eagle’s 50% interest in each of Canadian Malartic Corporation (“CMC”) and Canadian Malartic GP (“the Partnership”), the general partnership that holds the Canadian Malartic mine located in Quebec, has been accounted for as a joint operation.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A) *Business Combinations*

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition related costs are expensed as incurred.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the consolidated statements of income and comprehensive income, unless the preliminary fair value of contingent consideration as at the acquisition date is finalized before the twelve month measurement period in which case the adjustment is allocated to the identifiable assets acquired and liabilities assumed retrospectively to the acquisition date.

Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the consolidated statements of income and comprehensive income if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

Non-controlling interests represent the fair value of net assets in subsidiaries that are not held by the Company as at the date of acquisition. Non-controlling interests are presented in the equity section of the consolidated balance sheets.

In a business combination achieved in stages, the Company remeasures any previously held equity interest at its acquisition date fair value and recognizes any gain or loss in the consolidated statements of income and comprehensive income.

#### B) *Non-current Assets and Disposal Groups Held For Sale and Discontinued Operations*

The Company classifies a non-current asset or disposal group as held for sale if it is highly probable that they will be sold in their current condition within one year from the date of classification. Assets and disposal groups that meet the criteria to be classified as an asset held for sale are measured at the lower of carrying amount and fair value less costs to dispose and the Company stops amortizing such assets from the date they are classified as held for sale. Assets and disposal groups that meet the criteria to be classified as held for sale are presented separately in the consolidated balance sheets.

If the carrying amount of the asset prior to being classified as held for sale is greater than the fair value less costs to dispose, the Company recognizes an impairment loss. Any subsequent change in the measurement amount of items classified as held for sale is recognized as a gain, to the extent of any cumulative impairment charges previously recognized to the related asset or disposal group, or as a further impairment loss.

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the entity, both operationally and for financial reporting purposes, that has been disposed of or is classified as held for sale and represents: a) a separate significant line of business or geographical area of operations; b) a part of a single co-ordinated plan to dispose of an area of operations; or c) a subsidiary acquired exclusively for resale. The results of the disposal groups or regions which are discontinued operations are presented separately in the consolidated statements of income and comprehensive income.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **C) Foreign Currency Translation**

The functional currency of the Company, for each subsidiary and for joint arrangements, is the currency of the primary economic environment in which it operates. The functional currency of all of the Company's operations is the US dollar.

Once the Company determines the functional currency of an entity, it is not changed unless there is a significant change in the relevant underlying transactions, events and circumstances. Any change in an entity's functional currency is accounted for prospectively from the date of the change, and the consolidated balance sheets are translated using the exchange rate at that date.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- Monetary items are translated at the closing rate in effect at the consolidated balance sheet date;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- Revenue and expense items are translated using the average exchange rate during the period.

#### **D) Cash and Cash Equivalents**

The Company's cash and cash equivalents include cash on hand and short-term investments in money market instruments with remaining maturities of three months or less at the date of purchase. The Company places its cash and cash equivalents and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

#### **E) Short-term Investments**

The Company's short-term investments include financial instruments with remaining maturities of greater than three months but less than one year at the date of purchase. Short-term investments are designated as held to maturity for accounting purposes and are carried at amortized cost, which approximates market value given the short-term nature of these investments.

#### **F) Inventories**

Inventories consist of ore stockpiles, concentrates, dore bars and supplies. Inventories are carried at the lower of cost and net realizable value ("NRV"). Cost is determined using the weighted average basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories includes direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, amortization of property, plant and mine development directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. When interruptions to production occur, an adjustment is made to the costs included in inventories, such that they reflect normal capacity. Abnormal costs are expensed in the period they are incurred.

The current portion of ore stockpiles, ore in leach pads and inventories is determined based on the expected amounts to be processed within the next twelve months. Ore stockpiles, ore on leach pads and inventories not expected to be processed or used within the next twelve months are classified as long-term.

NRV is estimated by calculating the net selling price less costs to be incurred in converting the relevant inventories to saleable product and delivering it to a customer. Costs to complete are based on management's best estimate as

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

at the consolidated balance sheet date. An NRV impairment may be reversed in a subsequent period if the circumstances that triggered the impairment no longer exist.

#### **G) Financial Instruments**

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, short-term investments, restricted cash, trade receivables, available-for-sale securities, accounts payable and accrued liabilities, long-term debt and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as trade receivables, accounts payable and accrued liabilities and long-term debt are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value through the consolidated statements of income and comprehensive income.

##### *Available-for-sale Securities*

The Company's investments in available-for-sale securities consist primarily of investments in common shares of entities in the mining industry recorded using trade date accounting. Investments are designated as available-for-sale based on the criteria that the Company does not hold these for trading purposes. The cost basis of available-for-sale securities is determined using the average cost method and they are carried at fair value. Unrealized gains and losses recorded to measure available-for-sale securities at fair value are recognized in other comprehensive income.

In the event that a decline in the fair value of an investment in available-for-sale securities occurs and the decline in value is considered to be significant or prolonged, an impairment charge is recorded in the consolidated statements of income and comprehensive income. The Company assesses whether a decline in value is considered to be significant or prolonged by considering available evidence, including changes in general market conditions, specific industry and investee data, the length of time and the extent to which the fair value has been less than cost and the financial condition of the investee.

##### *Derivative Instruments and Hedge Accounting*

The Company uses derivative financial instruments (primarily option and forward contracts) to manage exposure to fluctuations in by-product metal prices, interest rates and foreign currency exchange rates and may use such means to manage exposure to certain input costs. The Company does not hold financial instruments or derivative financial instruments for trading purposes.

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

#### **H) Goodwill**

Goodwill is recognized in a business combination if the cost of the acquisition exceeds the fair values of the identifiable net assets acquired. Goodwill is then allocated to the cash generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.



# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, the Company assesses for indicators of impairment at each reporting period end and, if an indicator of impairment is identified, goodwill is tested for impairment at that time. If the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount, an impairment loss is recognized. Goodwill impairment losses are not reversed.

The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal.

#### ***1) Mining Properties, Plant and Equipment and Mine Development Costs***

During the year ended December 31, 2017, the Company made a voluntary change to its accounting policy on Mining Properties, Plant and Equipment and Mine Development Costs, which is set out below.

The Company's previous accounting policy was to use proven and probable reserves as the denominator for calculating depreciation when using the units-of-production method. The Company has updated its policy to also include the mineral resources included in the current life of mine plan as the denominator for calculating depreciation when using the units-of-production method as the Company believes it is probable that mineral resources included in a current life of mine plan will be economically extracted. The Company believes this information is more useful to financial statement users by better representing management's best estimate of the remaining useful life of the corresponding assets and, consequently, the revised treatment results in more reliable and relevant information. The change in accounting policy has been adopted retrospectively in accordance with IAS 8 and there was no impact on previously disclosed financial information.

Mining properties, plant and equipment and mine development costs are recorded at cost, less accumulated amortization and accumulated impairment losses.

#### *Mining Properties*

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing costs.

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when commercial production commences, using the units-of-production method, based on estimated proven and probable mineral reserves and the mineral resources included in the current life of mine plan. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value. Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category of plant and equipment.

#### *Plant and Equipment*

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income and comprehensive income when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the end of the construction period or once commercial production is achieved. Amortization is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of property, plant and equipment are based on the lesser of the estimated mine lives as determined by proven and probable mineral reserves and the mineral resources included in the current life of mine plan and the estimated useful life of the asset. Remaining mine lives at December 31, 2017 range from 1 to 17 years.

The following table sets out the useful lives of certain assets:

	<u>Useful Life</u>
Building	5 to 30 years
Leasehold Improvements	15 years
Software and IT Equipment	1 to 10 years
Furniture and Office Equipment	3 to 5 years
Machinery and Equipment	1 to 26 years

#### *Mine Development Costs*

Mine development costs incurred after the commencement of commercial production are capitalized when they are expected to have a future economic benefit. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors which enables the Company to extract ore underground.

The Company records amortization on underground mine development costs on a units-of-production basis based on the estimated tonnage of proven and probable mineral reserves and the mineral resources included in the current life of mine plan of the identified component of the ore body. The units-of-production method defines the denominator as the total tonnage of proven and probable mineral reserves and the mineral resources included in the current life of mine plan.

#### *Deferred Stripping*

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

#### *Borrowing Costs*

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

#### *Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Company are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest rate method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding. The interest element of the lease is charged to the consolidated statements of income and comprehensive income as a finance cost. An asset leased under a finance lease is amortized over the shorter of the lease term and its useful life.

All other leases are recognized as operating leases. Operating lease payments are recognized as an operating expense in the consolidated statements of income and comprehensive income on a straight-line basis over the lease term.

#### **J) Development Stage Expenditures**

Development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined. Costs that are directly attributable to mine development are capitalized

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as property, plant and mine development to the extent that they are necessary to bring the property to commercial production.

Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

#### *Commercial Production*

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- Completion of a reasonable period of testing mine plant and equipment;
- Ability to produce minerals in saleable form (within specifications); and
- Ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant and mine development and open-pit stripping activities.

#### **K) Impairment of Long-lived Assets**

At the end of each reporting period the Company assesses whether there is any indication that long-lived assets may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. The impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts.

Any impairment charge that is taken on a long-lived asset except goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, a recovery should be recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. Impairments and subsequent reversals are recorded in the consolidated statements of income and comprehensive income in the period in which they occur.

#### **L) Debt**

Debt is initially recorded at fair value, net of financing costs incurred. Debt is subsequently measured at amortized cost. Any difference between the amounts received and the redemption value of the debt is recognized in the consolidated statements of income and comprehensive income over the period to maturity using the effective interest rate method.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **M) Reclamation Provisions**

Asset retirement obligations (“AROs”) arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure and rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company’s best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and mine development. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of income and comprehensive income.

Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the quantities of material in mineral reserves and mineral resources and a corresponding change in the life of mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of income and comprehensive income.

Environmental remediation liabilities (“ERLs”) are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive obligation to treat environmental contamination resulting from the acquisition, construction or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with ERLs arising from past acts. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, the Company assesses cost estimates and other assumptions used in the valuation of ERLs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the ERL. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of income and comprehensive income. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERL in the consolidated statements of income and comprehensive income.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **N) Post-employment Benefits**

In Canada, the Company maintains a defined contribution plan covering all of its employees (the “Basic Plan”). The Basic Plan is funded by Company contributions based on a percentage of income for services rendered by employees. In addition, the Company has a supplemental plan for designated executives at the level of Vice-President or above (the “Supplemental Plan”). Under the Supplemental Plan, an additional 10.0% of the designated executives’ income is contributed by the Company.

The Company provides a defined benefit retirement program (the “Retirement Program”) for certain eligible employees that provides a lump-sum payment upon retirement. The payment is based on age and length of service at retirement. An eligible employee is entitled to a benefit if they have completed more than 10 years as a permanent employee and have attained a minimum age of 55. The Retirement Program is not funded.

The Company also provides a non-registered supplementary executive retirement defined benefit plan for certain current and former senior officers (the “Executives Plan”). The Executives Plan benefits are generally based on the employee’s years of service and level of compensation. Pension expense related to the Executives Plan is the net of the cost of benefits provided (including the cost of any benefits provided for past service), the net interest cost on the net defined liability/asset, and the effects of settlements and curtailments related to special events. Pension fund assets are measured at their current fair values. The costs of pension plan improvements are recognized immediately in expense when they occur. Remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income (loss) and are subsequently transferred to retained earnings.

#### *Defined Contribution Plan*

The Company recognizes the contributions payable to a defined contribution plan in exchange for services rendered by employees as an expense, unless another policy requires or permits the inclusion of the contribution in the cost of an asset. After deducting contributions already paid, a liability is recorded throughout each period to reflect unpaid but earned contributions. If the contribution paid exceeds the contribution due for the service before the end of the reporting period, the Company recognizes that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

#### *Defined Benefit Plan*

Plan assets are measured at their fair value at the consolidated balance sheet date and are deducted from the present value of plan liabilities to arrive at a net defined benefit liability/asset. The defined benefit obligation reflects the expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost represents the actuarially calculated present value of the benefits earned by the active employees in each period and reflects the economic cost for each period based on current market conditions. The current service cost is based on the most recent actuarial valuation. The net interest on the net defined benefit liability/asset is the change during the period in the defined benefit liability/asset that arises from the passage of time.

Past service cost represents the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service costs from plan amendments that increase or decrease vested or unvested benefits are recognized immediately in net income at the earlier of when the related plan amendment occurs or when the entity recognizes related restructuring costs or termination benefits.

Gains or losses on plan settlements are measured as the difference in the present value of the defined benefit obligation and settlement price. This results in a gain or loss being recognized when the benefit obligation settles.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial gains and losses are recorded on the consolidated balance sheets as part of the benefit plan's funded status. Gains and losses are recognized immediately in other comprehensive income and are subsequently transferred to retained earnings and are not subsequently recognized in net income.

#### **O) Contingent Liabilities and Other Provisions**

Provisions are recognized when a present obligation exists (legal or constructive), as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the consolidated balance sheet date, measured using the expected cash flows discounted for the time value of money. The increase in provision (accretion) due to the passage of time is recognized as a finance cost in the consolidated statements of income and comprehensive income.

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

#### **P) Stock-based Compensation**

The Company offers equity-settled awards (the employee stock option plan, incentive share purchase plan, restricted share unit plan and performance share unit plan) to certain employees, officers and directors of the Company.

##### *Employee Stock Option Plan ("ESOP")*

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

Fair value is determined using the Black-Scholes option valuation model, which requires the Company to estimate the expected volatility of the Company's share price and the expected life of the stock options. Limitations with existing option valuation models and the inherent difficulties associated with estimating these variables create difficulties in determining a reliable single measure of the fair value of stock option grants. The cost is recorded over the vesting period of the award to the same expense category of the award recipient's payroll costs and the corresponding entry is recorded in equity. Equity-settled awards are not remeasured subsequent to the initial grant date. The dilutive impact of stock option grants is factored into the Company's reported diluted net income per share. The stock option expense incorporates an expected forfeiture rate, estimated based on expected employee turnover.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Incentive Share Purchase Plan ("ISPP")*

Under the ISPP, directors (excluding non-executive directors), officers and employees (the "Participants") of the Company may contribute up to 10.0% of their basic annual salaries and the Company contributes an amount equal to 50.0% of each Participant's contribution. All common shares subscribed for under the ISPP are issued by the Company.

The Company records an expense equal to its cash contribution to the ISPP. No forfeiture rate is applied to the amounts accrued. Where an employee leaves prior to the vesting date, any accrual for contributions by the Company during the vesting period related to that employee is reversed.

#### *Restricted Share Unit ("RSU") Plan*

The RSU plan is open to directors and certain employees, including senior executives, of the Company. Common shares are purchased and held in a trust until they have vested. The cost is recorded over the vesting period of the award to the same expense category as the award recipient's payroll costs. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

#### *Performance Share Unit ("PSU") Plan*

The PSU plan is open to senior executives of the Company. Common shares are purchased and held in a trust until they have vested. PSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the PSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the PSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

#### **Q) Revenue Recognition**

Revenue from mining operations consists of gold revenues, net of smelting, refining, transportation and other marketing charges. Revenues from by-product metal sales are shown net of smelter charges as part of revenues from mining operations.

Revenue from the sale of gold and silver is recognized when the following conditions have been met:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Under the terms of the Company's concentrate sales contracts with third-party smelters, final prices for the metals contained in the concentrate are determined based on the prevailing spot market metal prices on a specified future



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

date, which is established as of the date the concentrate is delivered to the smelter. The Company records revenues under these contracts based on forward prices at the time of delivery, which is when the risks and rewards of ownership of the concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

#### **R) Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item of the consolidated balance sheets.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

#### **S) Net Income Per Share**

Basic net income per share is calculated by dividing net income for a given period by the weighted average number of common shares outstanding during that same period. Diluted net income per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. The weighted average number of common shares used to determine diluted net income per share includes an adjustment, using the treasury stock method, for stock options outstanding. Under the treasury stock method:

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

#### **T) Income Taxes**

Current and deferred tax expenses are recognized in the consolidated statements of income and comprehensive income except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income (loss).

Current tax expense is based on substantively enacted statutory tax rates and laws at the consolidated balance sheet date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax basis of such assets and liabilities measured using tax rates and laws that are substantively enacted at the consolidated balance sheet date and effective for the reporting period when the temporary differences are expected to reverse.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred taxes are not recognized in the following circumstances:

- Where a deferred tax liability arises from the initial recognition of goodwill;
- Where a deferred tax asset or liability arises on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither net income nor taxable profits; and
- For temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses and tax credits carried forward and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized except as noted above.

At each reporting period, previously unrecognized deferred tax assets are reassessed to determine whether it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

#### Recently Adopted Accounting Pronouncements

In January 2016, the IASB amended IAS 7 *Statement of Cash Flows*. The amendments require entities to provide disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The Company has adopted the amendments effective January 1, 2017 and has included the additional disclosure in the consolidated financial statements.

#### Recently Issued Accounting Pronouncements

##### ***IFRS 15 – Revenue from Contracts with Customers***

In May 2014, IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) was issued which establishes a five-step model to account for revenue arising from contracts with customers. The standard sets out the principles required to report useful information to financial statement users about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a modified retrospective application or a full retrospective application is required for annual periods beginning on or after January 1, 2018. The Company will adopt the new standard beginning January 1, 2018 using the modified retrospective approach.

The Company reviewed its sales contracts and applied the five-step model established in IFRS 15 to assess the implications of adopting the new standard on existing contracts. Based on the work completed to date, the Company has not identified any material changes in either the timing or measurement of revenue recognition under IFRS 15. The Company has concluded that the point of transfer of risks and rewards for its metals under IAS 18 – *Revenue* and the point of transfer of control under IFRS 15 occur at the same time.

##### *Provisionally priced sales*

For sales of metal in concentrate, control of the concentrate generally passes to the customer at the time of delivery. Certain concentrate sales contracts contain provisional pricing. Under IFRS 15, the Company expects that revenue from provisionally priced sales will be measured on the date that control transfers based on a forward price for a specified future date. Subsequent changes in the measurement of receivables relating to provisionally priced concentrate sales will continue to be

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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December 31, 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recorded as revenue and these amounts will be separately disclosed in the Company's revenue note disclosure. During the year ended December 31, 2017, revenue from provisional price adjustments was \$3.0 million.

#### *Other presentation and disclosure requirements*

IFRS 15 contains presentation and disclosure requirements that are more detailed than the current standards. The presentation requirements represent a significant change from current practice and will increase the amount of disclosure required in the financial statements. Many of the disclosure requirements in IFRS 15 are completely new. During 2017, the Company has continued to consider the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

The estimated impact of the adoption of IFRS 15 is based on the assessments undertaken by the Company to date. The actual impact of adopting this new standard at January 1, 2018 may be different should there be any changes in the Company's assessment of the impact of the adoption of IFRS 15 or interpretations of the new standard in the industry prior to the Company presenting its first consolidated financial statements that include the date of initial adoption.

#### **IFRS 9 – Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") that replaces IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company adopted IFRS 9 with an effective date of January 1, 2018 on a modified retrospective basis. The Company has completed its assessment of the impact of the IFRS 9 and a summary of these impacts is provided below.

#### *Classification and measurement*

The Company will apply the irrevocable election available under IFRS 9 to designate equity investments as financial assets at fair value through other comprehensive income. This election will be applied to all equity investments held upon adoption. As a result, changes in the fair value of equity investments will be recognized permanently in other comprehensive income with no reclassification to the profit or loss even upon eventual disposition. On adoption, all accumulated impairment losses on equity investments held on the date of adoption that had previously been recorded in profit or loss will be reclassified from deficit to accumulated other comprehensive income. This adjustment will be \$44.1 million and will reduce the opening deficit.

The Company has determined that the classification of certain other financial assets will change to conform to the revised model for classifying financial assets; however, the Company expects there will be no impact on the recognition or measurement of the Company's other financial assets. There will be no significant impact on the classification and measurement of the Company's financial liabilities.

#### *Impairment*

The impairment requirements are based on a forward-looking expected credit loss model. The adoption of the expected credit loss model is not expected to have a significant impact on the Company's financial statements.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Hedge accounting*

The Company has reassessed all of its existing hedging relationships that qualify for hedge accounting under IAS 39 and concluded that these will continue to qualify for hedge accounting under IFRS 9. The Company will not apply hedge accounting under IFRS 9 for any economic hedges that did not qualify for hedge accounting under IAS 39.

Upon adoption of IFRS 9, there will be a change in the presentation of the time value portion of changes in the value of an option that is a hedging item. Under IFRS 9, the time value component of options in designated hedging relationships will be recorded in other comprehensive income, rather than in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income. Amounts accumulated in other comprehensive income will be transferred to net income in the period when the forecasted transaction affects net income.

The Company will reflect the retrospective impact of the adoption of IFRS 9 due to the change in accounting for the time value of options as an adjustment to opening deficit on January 1, 2018. There will be a corresponding adjustment to accumulated other comprehensive income. This adjustment will be \$3.1 million and will increase the opening deficit.

#### **IFRS 16 – Leases**

In January 2016, IFRS 16 – *Leases* was issued, which requires lessees to recognize assets and liabilities for most leases, as well as corresponding amortization and finance expense. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company plans to adopt the new standard beginning January 1, 2019.

The Company expects that the new standard will result in an increase in assets and liabilities, as well as a corresponding increase in amortization and finance expense. The Company also expects that cash flow from operating activities will increase under the new standard because lease payments for most leases will be recorded as cash outflows from financing activities in the statements of cash flows. The magnitude of these impacts of adopting the new standard have not yet been determined.

The Company has established an implementation plan to assess the accounting impacts of the new standard and the related impacts on internal controls over the remainder of 2018. The Company is currently conducting a review of its contracts with suppliers to assess the impact of the new standard and to collect data necessary for adoption of the new standard. The Company expects to report more detailed information, including the quantitative impact, if material, in its consolidated financial statements as the effective date approaches.

#### **IFRIC 23 – Uncertainty Over Income Tax Treatments**

In June 2017, the IASB issued IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments* (“IFRIC 23”). IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 – *Income Taxes* when there is uncertainty over income tax treatments. More specifically, it will provide guidance in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when uncertainty exists. IFRIC 23 is applicable for annual reporting periods beginning on or after January 1, 2019, but earlier application is permitted. The Company will determine the extent of the impact on the Company’s current and deferred income tax balances as a result of the adoption of IFRIC 23 in the future.

### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates used in the preparation of the consolidated financial

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

statements are reasonable; however, actual results may differ materially from these estimates. The key areas where significant judgments, estimates and assumptions have been made are summarized below.

#### ***Mineral Reserve and Mineral Resource Estimates***

Mineral reserves and mineral resources are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The estimates are based on information compiled by "qualified persons" as defined under the Canadian Securities Administrators' National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). Such an analysis relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates requires complex geological judgments to interpret the data. The estimation of mineral reserves and mineral resources are based upon factors such as estimates of commodity prices, future capital requirements and production costs, geological and metallurgical assumptions and judgments made in estimating the size and grade of the ore body and foreign exchange rates.

As the economic assumptions used may change and as additional geological information is acquired during the operation of a mine, estimates of mineral reserves and mineral resources may change. Such changes may impact the Company's consolidated balance sheets and consolidated statements of income and comprehensive income, including:

- The carrying value of the Company's property, plant and mine development and goodwill may be affected due to changes in estimated future cash flows;
- Amortization charges in the consolidated statements of income and comprehensive income may change where such charges are determined using the units-of-production method or where the useful life of the related assets change;
- Capitalized stripping costs recognized in the consolidated balance sheets as either part of mining properties or as part of inventories or charged to income may change due to changes in the ratio of ore to waste extracted;
- Reclamation provisions may change where changes to the mineral reserve and mineral resource estimates affect expectations about when such activities will occur and the associated cost of these activities; and
- Mineral reserve and mineral resource estimates are used to calculate the estimated recoverable amounts of CGU's for impairment tests of goodwill and non-current assets.

#### ***Exploration and Evaluation Expenditures***

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

#### ***Production Stage of a Mine***

As each mine is unique, significant judgment is required to determine the date that a mine enters the commercial production stage. The Company considers the factors outlined in note 3 to these consolidated financial statements to make this determination.

#### ***Contingencies***

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

# **AGNICO EAGLE MINES LIMITED**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

### **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

#### ***Reclamation Provisions***

Environmental remediation costs will be incurred by the Company at the end of the operating life of the Company's mining properties. Management assesses its reclamation provision each reporting period and when new information becomes available. The ultimate environmental remediation costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of reclamation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate and changes in discount rates. These uncertainties may result in future actual expenditures differing from the amount of the current provision. As a result, there could be significant adjustments to the provisions established that would affect future financial results. The reclamation provision at each reporting date represents management's best estimate of the present value of the future environmental remediation costs required.

#### ***Income and Mining Taxes***

Management is required to make estimates regarding the tax basis of assets and liabilities and related deferred income and mining tax assets and liabilities, amounts recorded for uncertain tax positions, the measurement of income and mining tax expense, and estimates of the timing of repatriation of income. Several of these estimates require management to make assessments of future taxable profit and, if actual results are significantly different than the Company's estimates, the ability to realize the deferred income and mining tax assets recorded on the consolidated balance sheets could be affected.

#### ***Amortization***

Property, plant and mine development comprise a large portion of the Company's total assets and as such the amortization of these assets has a significant effect on the Company's consolidated financial statements. Amortization is charged according to the pattern in which an asset's future economic benefits are expected to be consumed. The determination of this pattern of future economic benefits requires management to make estimates and assumptions about useful lives and residual values at the end of the asset's useful life. Actual useful lives and residual values may differ significantly from current assumptions.

#### ***Impairment and Impairment Reversals***

The Company evaluates each asset or CGU (excluding goodwill, which is assessed for impairment annually regardless of indicators and is not eligible for impairment reversals) in each reporting period to determine if any indicators of impairment or impairment reversal exist. When completing an impairment test, the Company calculates the estimated recoverable amount of CGUs, which requires management to make estimates and assumptions with respect to items such as future production levels, operating and capital costs, long-term commodity prices, foreign exchange rates, discount rates, amounts of recoverable reserves, mineral resources and exploration potential, and closure and environmental remediation costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Accordingly, it is possible that some or the entire carrying amount of the assets or CGUs may be further impaired or the impairment charge reversed with the impact recognized in the consolidated statements of income and comprehensive income.

#### ***Development Stage Expenditures***

The application of the Company's accounting policy for development stage expenditures requires judgment to determine when the technical feasibility and commercial viability of extracting a mineral resource has been determined.

Some of the factors that the Company may consider in its assessment of technical feasibility and commercial viability are listed below:

- The level of geological certainty of the mineral deposit;

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

- Life of mine plans or economic models to support the economic extraction of reserves and mineral resources;
- A preliminary economic assessment, prefeasibility study or feasibility study that demonstrates the reserves and mineral resources will generate a positive commercial outcome;
- Reasonable expectations that operating permits will be obtained; and
- Approval by the Board of Directors for development of the project.

#### **Joint Arrangements**

Judgment is required to determine when the Company has joint control of a contractual arrangement, which requires a continuous assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Management evaluated its joint arrangement with Yamana Gold Inc. (“Yamana”) to each acquire 50.0% of the shares of Osisko (now CMC) under the principles of IFRS 11 – *Joint Arrangements*. The Company concluded that the arrangement qualified as a joint operation upon considering the following significant factors:

- The requirement that the joint operators purchase all output from the investee and investee restrictions on selling the output to any third party;
- The parties to the arrangement are substantially the only source of cash flow contributing to the continuity of the arrangement; and
- If the selling price drops below cost, the joint operators are required to cover any obligations the Partnership cannot satisfy.

### 5. ACQUISITIONS

#### **Santa Gertrudis Project**

On November 1, 2017, the Company acquired 100% of the issued and outstanding shares of Animas Resources Ltd. (“Animas”), a wholly-owned Canadian subsidiary of GoGold Resources Inc. (“GoGold”) by way of a subscription and share purchase agreement (the “Animas Agreement”) dated September 5, 2017. On the closing of the transactions relating to the Animas Agreement, Animas owned a 100% interest in the Santa Gertrudis exploration project located in Sonora, Mexico, indirectly, through three wholly-owned Mexican subsidiaries.

Pursuant to the Animas Agreement, consideration for the acquisition of the shares of Animas totaled \$80.0 million less a working capital adjustment of \$0.4 million, comprised of \$72.0 million in cash payable at closing and the extinguishment of a \$7.5 million loan advanced to GoGold on the date of the Animas Agreement that bore interest at a rate of 10% per annum. The principal amount of the loan, along with all accrued interest, was repaid upon closing of the Animas Agreement by way of a set-off against the purchase price.

In connection with the transaction, GoGold was granted a 2.0% net smelter return royalty on production from the Santa Gertrudis project, 50% of which may be repurchased by the Company at any time for \$7.5 million.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 5. ACQUISITIONS (Continued)

The acquisition was accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling \$0.9 million were capitalized to the mining properties acquired separately from the purchase price allocation set out below.

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

##### Total purchase price:

Cash paid for acquisition	\$71,999
Loan obligation set-off	7,621
Total purchase price to allocate	\$79,620

##### Fair value of assets acquired and liabilities assumed:

Mining properties	\$79,201
Cash and cash equivalents	10
Other current assets	1,214
Accounts payable and accrued liabilities	(805)
Net assets acquired	\$79,620

#### 6. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

For items that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing their classification at the end of each reporting period.

During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The Company's financial assets and liabilities include cash and cash equivalents, short-term investments, restricted cash, trade receivables, available-for-sale securities, accounts payable and accrued liabilities, long-term debt and derivative financial instruments.



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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 6. FAIR VALUE MEASUREMENT (Continued)

The fair values of cash and cash equivalents, short-term investments, restricted cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

Long-term debt is recorded on the consolidated balance sheets at December 31, 2017 at amortized cost. The fair value of long-term debt is determined by applying a discount rate, reflecting the credit spread based on the Company's credit rating, to future related cash flows which is categorized within Level 2 of the fair value hierarchy. As at December 31, 2017, the Company's long-term debt had a fair value of \$1,499.4 million (2016 – \$1,319.7 million).

The following table sets out the Company's financial assets measured at fair value on a recurring basis as at December 31, 2017 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Trade receivables	\$ –	\$12,000	\$ –	\$ 12,000
Available-for-sale securities	110,664	12,111	–	122,775
Fair value of derivative financial instruments	–	17,240	–	17,240
Total financial assets	\$110,664	\$41,351	\$ –	\$152,015

The following table sets out the Company's financial assets and liabilities measured at fair value on a recurring basis as at December 31, 2016 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Trade receivables	\$ –	\$ 8,185	\$ –	\$ 8,185
Available-for-sale securities	86,736	5,574	–	92,310
Fair value of derivative financial instruments	–	364	–	364
Total financial assets	\$86,736	\$14,123	\$ –	\$100,859
<b>Financial liabilities:</b>				
Fair value of derivative financial instruments	\$ –	\$ 1,120	\$ –	\$ 1,120
Total financial liabilities	\$ –	\$ 1,120	\$ –	\$ 1,120

#### Valuation Techniques

##### Trade Receivables

Trade receivables from provisional invoices for concentrate sales are valued using quoted forward rates derived from observable market data based on the month of expected settlement (classified within Level 2 of the fair value hierarchy).

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 6. FAIR VALUE MEASUREMENT (Continued)

##### Available-for-sale Securities

Available-for-sale securities representing shares of publicly traded entities are recorded at fair value using quoted market prices (classified within Level 1 of the fair value hierarchy). Available-for-sale securities representing shares of non-publicly traded entities or non-transferable shares of publicly traded entities are recorded at fair value using external broker-dealer quotations corroborated by option pricing models (classified within Level 2 of the fair value hierarchy).

##### Derivative Financial Instruments

Derivative financial instruments classified within Level 2 of the fair value hierarchy are recorded at fair value using external broker-dealer quotations corroborated by option pricing models or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs.

#### 7. INVENTORIES

	As at December 31, 2017	As at December 31, 2016
Ore in stockpiles and on leach pads	\$108,161	\$ 90,536
Concentrates and dore bars	123,047	108,193
Supplies	269,768	244,985
Total current inventories	\$500,976	\$443,714
Non-current ore in stockpiles and on leach pads <sup>(i)</sup>	69,587	62,780
Total inventories	\$570,563	\$506,494

Note:

(i) Ore that the Company does not expect to process within 12 months is classified as long-term and is recorded in the other assets line item on the consolidated balance sheets.

During the year ended December 31, 2017, a charge of \$2.5 million (2016 – \$6.6 million) was recorded within production costs to reduce the carrying value of inventories to their net realizable value.

#### 8. AVAILABLE-FOR-SALE SECURITIES

	As at December 31, 2017	As at December 31, 2016
Cost	\$142,546	\$ 91,200
Accumulated impairment losses	(44,070)	(36,017)
Unrealized gains in accumulated other comprehensive income	24,669	37,634
Unrealized losses in accumulated other comprehensive income	(370)	(507)
Total estimated fair value of available-for-sale securities	\$122,775	\$ 92,310

**AGNICO EAGLE MINES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

December 31, 2017

**8. AVAILABLE-FOR-SALE SECURITIES (Continued)**

During the year ended December 31, 2017, the Company received net proceeds of \$0.3 million (2016 – \$6.0 million) and recognized a gain before income taxes of \$0.2 million (2016 – \$3.5 million) on the sale of certain available-for-sale securities.

During the year ended December 31, 2017, the Company recorded an impairment loss of \$8.5 million (2016 – nil) on certain available-for-sale securities that were determined to have an impairment that was significant or prolonged.

**9. OTHER ASSETS**

**(A) Other Current Assets**

	As at December 31, 2017	As at December 31, 2016
Federal, provincial and other sales taxes receivable	\$ 83,593	\$ 77,380
Prepaid expenses	53,503	47,416
Other	13,530	12,014
<b>Total other current assets</b>	<b>\$150,626</b>	<b>\$136,810</b>

**(B) Other Assets**

	As at December 31, 2017	As at December 31, 2016
Non-current ore in stockpiles and on leach pads	\$69,587	\$62,780
Other assets	10,318	11,383
<b>Total other assets</b>	<b>\$79,905</b>	<b>\$74,163</b>

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 10. PROPERTY, PLANT AND MINE DEVELOPMENT

	Mining Properties	Plant and Equipment	Mine Development Costs	Total
<b>As at December 31, 2015</b>	\$ 1,665,610	\$ 2,064,406	\$1,358,951	\$ 5,088,967
Additions	53,072	244,018	279,119	576,209
Gain on impairment reversal	83,992	36,169	–	120,161
Disposals	(1,890)	(17,658)	–	(19,548)
Amortization	(207,383)	(342,208)	(110,162)	(659,753)
Transfers between categories	12,135	39,556	(51,691)	–
<b>As at December 31, 2016</b>	1,605,536	2,024,283	1,476,217	5,106,036
Additions	174,374	221,924	648,242	1,044,540
Disposals	(6,750)	(9,354)	–	(16,104)
Amortization	(127,579)	(276,493)	(103,848)	(507,920)
Transfers between categories	19,946	30,761	(50,707)	–
<b>As at December 31, 2017</b>	\$ 1,665,527	\$ 1,991,121	\$1,969,904	\$ 5,626,552
<b>As at December 31, 2016</b>				
Cost	\$ 2,593,659	\$ 4,233,945	\$2,050,980	\$ 8,878,584
Accumulated amortization and net impairments	(988,123)	(2,209,662)	(574,763)	(3,772,548)
Carrying value – December 31, 2016	\$ 1,605,536	\$ 2,024,283	\$1,476,217	\$ 5,106,036
<b>As at December 31, 2017</b>				
Cost	\$ 2,782,732	\$ 4,602,106	\$2,648,514	\$10,033,352
Accumulated amortization and net impairments	(1,117,205)	(2,610,985)	(678,610)	(4,406,800)
Carrying value – December 31, 2017	\$ 1,665,527	\$ 1,991,121	\$1,969,904	\$ 5,626,552

As at December 31, 2017, assets under construction, and therefore not yet being depreciated, included in the carrying value of property, plant and mine development amounted to \$910.6 million (2016 – \$532.3 million).

During the year ended December 31, 2017, the Company disposed of property, plant and mine development with a carrying value of \$16.1 million (2016 – \$19.5 million). The loss on disposal was recorded in the other (income) expenses line item in the consolidated statements of income and comprehensive income.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 10. PROPERTY, PLANT AND MINE DEVELOPMENT (Continued)

##### Geographic Information:

	As at December 31, 2017	As at December 31, 2016
<b>Northern Business:</b>		
Canada	\$3,730,809	\$3,266,594
Finland	889,610	853,445
Sweden	13,812	13,812
<b>Southern Business:</b>		
Mexico	982,115	961,943
United States	10,206	10,242
Total property, plant and mine development	\$5,626,552	\$5,106,036

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2017	As at December 31, 2016
Trade payables	\$144,135	\$111,173
Wages payable	50,380	42,522
Accrued liabilities	76,562	55,893
Other liabilities	19,645	18,978
Total accounts payable and accrued liabilities	\$290,722	\$228,566

In 2017 and 2016, the other liabilities balance consisted primarily of various employee payroll tax withholdings and other payroll taxes.

#### 12. RECLAMATION PROVISION

Agnico Eagle's reclamation provision includes both asset retirement obligations and environmental remediation liabilities. Reclamation provision estimates are based on current legislation, third party estimates, management's estimates and feasibility study calculations. Assumptions based on current economic conditions, which the Company believes are reasonable, have been used to estimate the reclamation provision. However, actual reclamation costs will ultimately depend on future economic conditions and costs for the necessary reclamation work. Changes in reclamation provision estimates during the period reflect changes in cash flow estimates as well as assumptions including discount and inflation rates. The discount rates used in the calculation of the reclamation provision at December 31, 2017 ranged between 1.14% and 2.39% (2016 – between 0.74% and 2.35%).

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 12. RECLAMATION PROVISION (Continued)

The following table reconciles the beginning and ending carrying amounts of the Company's asset retirement obligations. The settlement of the obligation is estimated to occur through to 2067.

	Year Ended December 31, 2017	Year Ended December 31, 2016
Asset retirement obligations – long-term, beginning of year	\$259,706	\$269,068
Asset retirement obligations – current, beginning of year	5,953	4,443
Current year additions and changes in estimate, net	58,891	(9,112)
Current year accretion	5,247	3,847
Liabilities settled	(1,115)	(1,113)
Foreign exchange revaluation	21,004	(1,474)
Reclassification from long-term to current, end of year	(8,609)	(5,953)
Asset retirement obligations – long-term, end of year	\$341,077	\$259,706

The following table reconciles the beginning and ending carrying amounts of the Company's environmental remediation liability. The settlement of the obligation is estimated to occur through to 2025.

	Year Ended December 31, 2017	Year Ended December 31, 2016
Environmental remediation liability – long-term, beginning of year	\$ 5,602	\$ 7,231
Environmental remediation liability – current, beginning of year	3,240	1,802
Current year additions and changes in estimate, net	850	243
Liabilities settled	(4,559)	(1,606)
Foreign exchange revaluation	487	1,172
Reclassification from long-term to current, end of year	(1,429)	(3,240)
Environmental remediation liability – long-term, end of year	\$ 4,191	\$ 5,602

#### 13. LEASES

##### (A) Finance Leases

The Company has entered into sale-leaseback agreements with third parties for various fixed and mobile equipment within Canada. These arrangements represent sale-leaseback transactions in accordance with IAS 17 – Leases ("IAS 17"). The sale-leaseback agreements have an average effective annual interest rate of 3.3% and maturities up to 2019.

**AGNICO EAGLE MINES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

December 31, 2017

**13. LEASES (Continued)**

All of the sale-leaseback agreements have end of lease clauses that qualify as bargain purchase options that the Company expects to execute. As at December 31, 2017, the total net book value of assets recorded under sale-leaseback finance leases amounted to \$3.3 million (2016 – \$5.3 million).

The Company has agreements with third party providers of mobile equipment with an average effective annual interest rate of 4.3% and maturities up to 2019. These arrangements represent finance leases in accordance with the guidance in IAS 17. As at December 31, 2017, the Company’s attributable finance lease obligations were \$3.3 million (2016 – \$5.9 million).

The following table sets out future minimum lease payments under finance leases together with the present value of the net minimum lease payments:

	As at December 31, 2017			As at December 31, 2016		
	Minimum Finance Lease Payments	Interest	Present Value	Minimum Finance Lease Payments	Interest	Present Value
Within 1 year	\$3,570	\$ 158	\$3,412	\$ 5,955	\$420	\$ 5,535
Between 1 – 5 years	1,971	56	\$1,915	6,630	311	6,319
<b>Total</b>	<b>\$5,541</b>	<b>\$ 214</b>	<b>\$5,327</b>	<b>\$12,585</b>	<b>\$731</b>	<b>\$11,854</b>

As at December 31, 2017, the total net book value of assets recorded under finance leases, including sale-leaseback finance leases, was \$8.4 million (2016 – \$21.1 million). The amortization of assets recorded under finance leases is included in the amortization of property, plant and mine development line item of the consolidated statements of income and comprehensive income.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 13. LEASES (Continued)

##### (B) Operating Leases

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

	As at December 31, 2017	As at December 31, 2016
Within 1 year	\$ 4,305	\$ 3,691
Between 1 – 3 years	7,415	4,780
Between 3 – 5 years	7,484	2,127
Thereafter	9,429	9,543
<b>Total</b>	<b>\$28,633</b>	<b>\$20,141</b>

During the year ended December 31, 2017, \$6.3 million (2016 – \$2.1 million) of operating lease payments were recognized in the consolidated statements of income and comprehensive income.

#### 14. LONG-TERM DEBT

	As at December 31, 2017	As at December 31, 2016
Credit Facility <sup>(i)(ii)</sup>	\$ (6,181)	\$ (6,416)
2017 Notes <sup>(i)(iii)</sup>	297,784	–
2016 Notes <sup>(i)(iii)</sup>	348,002	347,716
2015 Note <sup>(i)(iii)</sup>	49,495	49,429
2012 Notes <sup>(i)(iii)</sup>	199,063	198,894
2010 Notes <sup>(i)(iii)</sup>	483,688	598,167
Other attributable debt instruments	–	14,896
<b>Total debt</b>	<b>\$1,371,851</b>	<b>\$1,202,686</b>
Less: current portion	–	129,896
<b>Total long-term debt</b>	<b>\$1,371,851</b>	<b>\$1,072,790</b>

Note:

(i) Inclusive of unamortized deferred financing costs.

(ii) There were no amounts outstanding under the Credit Facility (as defined below) as at December 31, 2017 and December 31, 2016. The December 31, 2017 and December 31, 2016 balances relate to deferred financing costs which are being amortized on a straight-line basis until the maturity date of June 22, 2022. Credit Facility availability is reduced by outstanding letters of credit, amounting to \$0.8 million as at December 31, 2017.

(iii) The terms 2017 Notes, 2016 Notes, 2015 Note, 2012 Notes and 2010 Notes are defined below.



## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 14. LONG-TERM DEBT (Continued)

##### Scheduled Debt Principal Repayments

	2018	2019	2020	2021	2022	2023 and Thereafter	Total
2017 Notes	\$ –	\$ –	\$ –	\$ –	\$ –	\$300,000	\$ 300,000
2016 Notes	–	–	–	–	–	350,000	350,000
2015 Note	–	–	–	–	–	50,000	50,000
2012 Notes	–	–	–	–	100,000	100,000	200,000
2010 Notes	–	–	360,000	–	125,000	–	485,000
Total	\$ –	\$ –	\$360,000	\$ –	\$225,000	\$800,000	\$1,385,000

##### Credit Facility

On October 26, 2016, the Company amended its \$1.2 billion unsecured revolving bank credit facility (the “Credit Facility”), extending the maturity date from June 22, 2020 to June 22, 2021 and amending pricing terms.

On October 25, 2017, the Company further amended the Credit Facility to, among other things, extend the maturity date from June 22, 2021 to June 22, 2022 and amend pricing terms.

As at December 31, 2017 and December 31, 2016, no amounts were outstanding under the Credit Facility. Outstanding letters of credit under the Credit Facility resulted in Credit Facility availability of \$1,199.2 million as at December 31, 2017 (2016 – \$1,199.2 million).

The lenders under the Credit Facility are each paid a standby fee at a rate that ranges from 0.29% to 0.55% per annum of the undrawn portion of the facility, depending on the Company’s credit rating.

##### 2017 Notes

On May 5, 2017, the Company agreed to a \$300.0 million private placement of guaranteed senior unsecured notes (the “2017 Notes”) which closed on June 29, 2017. Upon issuance, the 2017 Notes had a weighted average maturity of 10.9 years and weighted average yield of 4.67%. Proceeds from the 2017 Notes were used for working capital and general corporate purposes.

The following table sets out details of the individual series of the 2017 Notes:

	Principal	Interest Rate	Maturity Date
Series A	\$ 40,000	4.42%	6/29/2025
Series B	100,000	4.64%	6/29/2027
Series C	150,000	4.74%	6/29/2029
Series D	10,000	4.89%	6/29/2032
Total	\$300,000		

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 14. LONG-TERM DEBT (Continued)

##### 2016 Notes

On June 30, 2016, the Company closed a \$350.0 million private placement of guaranteed senior unsecured notes (the “2016 Notes”) which, on issuance, had a weighted average maturity of 9.43 years and weighted average yield of 4.77%. Proceeds from the offering of the 2016 Notes were used to repay amounts outstanding under the Credit Facility.

The following table sets out details of the individual series of the 2016 Notes:

	Principal	Interest Rate	Maturity Date
Series A	\$100,000	4.54%	6/30/2023
Series B	200,000	4.84%	6/30/2026
Series C	50,000	4.94%	6/30/2028
Total	\$350,000		

##### 2015 Note

On September 30, 2015, the Company closed a private placement consisting of a \$50.0 million guaranteed senior unsecured note (the “2015 Note”) with a September 30, 2025 maturity date and a yield of 4.15%. Under the 2015 Note, the Company agreed that an amount equal to or greater than the net proceeds from the 2015 Note would be applied toward mining projects in the Province of Quebec, Canada.

##### 2012 Notes

On July 24, 2012, the Company closed a \$200.0 million private placement of guaranteed senior unsecured notes (the “2012 Notes”) which, on issuance, had a weighted average maturity of 11.0 years and weighted average yield of 4.95%.

The following table sets out details of the individual series of the 2012 Notes:

	Principal	Interest Rate	Maturity Date
Series A	\$100,000	4.87%	7/23/2022
Series B	100,000	5.02%	7/23/2024
Total	\$200,000		

##### 2010 Notes

On April 7, 2010, the Company closed a \$600.0 million private placement of guaranteed senior unsecured notes (the “2010 Notes”) and, together with the 2017 Notes, the 2016 Notes, the 2015 Note and the 2012 Notes, the “Notes”) which, on issuance, had a weighted average maturity of 9.84 years and weighted average yield of 6.59%.

On April 7, 2017, the Company repaid Series A of the 2010 Notes with principal of \$115.0 million and an annual interest rate of 6.13%. As at December 31, 2017, the principal amount of the 2010 Notes that remains outstanding is \$485.0 million.

# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 14. LONG-TERM DEBT (Continued)

The following table sets out details of the individual series of the 2010 Notes that remain outstanding:

	Principal	Interest Rate	Maturity Date
Series B	\$360,000	6.67%	4/7/2020
Series C	125,000	6.77%	4/7/2022
Total	\$485,000		

#### **Other Loans**

In connection with its joint acquisition of Osisko on June 16, 2014, the Partnership was assigned and assumed certain outstanding debt obligations of Osisko relating to the Canadian Malartic mine. Agnico Eagle's indirect attributable interest in such debt obligations included a secured loan facility (the "CMGP Loan"). A scheduled repayment of C\$20.0 million (\$15.4 million) was made on June 30, 2016, resulting in attributable outstanding principal of C\$20.0 million (\$14.9 million) as at December 31, 2016. The final scheduled repayment of C\$20.0 million (\$14.9 million) was made on June 30, 2017, resulting in attributable outstanding principal of nil as at December 31, 2017.

#### **Covenants**

Payment and performance of Agnico Eagle's obligations under the Credit Facility and the Notes is guaranteed by each of its material subsidiaries and certain of its other subsidiaries (the "Guarantors").

The Credit Facility contains covenants that limit, among other things, the ability of the Company to incur additional indebtedness, make distributions in certain circumstances and sell material assets.

The note purchase agreements pursuant to which the Notes were issued (the "Note Purchase Agreements") contain covenants that restrict, among other things, the ability of the Company to amalgamate or otherwise transfer its assets, sell material assets, carry on a business other than one related to mining and the ability of the Guarantors to incur indebtedness.

The Credit Facility and Note Purchase Agreements also require the Company to maintain a total net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio below a specified maximum value and the Note Purchase Agreements (other than the 2018 Notes) require the Company to maintain a minimum tangible net worth.

The Company was in compliance with all covenants contained in the Credit Facility and Note Purchase Agreements as at December 31, 2017.

#### **Interest on Long-term Debt**

Total long-term debt interest costs incurred during the year ended December 31, 2017 were \$70.0 million (2016 – \$63.1 million).

Total borrowing costs capitalized to property, plant and mine development during the year ended December 31, 2017 were \$6.4 million (2016 – \$3.1 million) at a capitalization rate of 1.37% (2016 – 1.70%).

During the year ended December 31, 2017, cash interest paid on the Credit Facility was \$0.1 million (2016 – \$3.6 million), cash standby fees paid on the Credit Facility were \$5.6 million (2016 – \$5.2 million) and cash interest paid on the Notes was \$71.3 million (2016 – \$59.8 million).

## AGNICO EAGLE MINES LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 15. OTHER LIABILITIES

Other liabilities consist of the following:

	As at December 31, 2017	As at December 31, 2016
Long-term portion of finance lease obligations (note 13(a))	\$ 1,915	\$ 6,319
Pension benefit obligations	33,542	19,273
Other	4,872	8,603
Total other liabilities	\$40,329	\$34,195

#### ***Pension Benefit Obligations***

The Company provides the Executives Plan for certain current and former senior officers and the Retirement Program for eligible employees, which are both considered defined benefit plans under IAS 19 – *Employee Benefits*. The funded status of the plans are based on actuarial valuations performed as at December 31, 2017. The plans operate under similar regulatory frameworks and generally face similar risks.

The Executives Plan pension formula is based on final average earnings in excess of the amounts payable from the registered plan. Assets for the Executives Plan consist of deposits on hand with regulatory authorities that are refundable when benefit payments are made or on the ultimate wind-up of the plan. The estimated average remaining service life of the plan as at December 31, 2017 is 1.0 years.

The Company provides a defined benefit retirement program for certain eligible employees that provides a lump-sum payment upon retirement. The payment is based on age and length of service at retirement. An eligible employee is entitled to a benefit if they have completed more than 10 years as a permanent employee and have attained a minimum age of 55. The Retirement Program is not funded.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 15. OTHER LIABILITIES (Continued)

The funded status of the Company's defined benefit obligations relating to the Company's Executives Plan and Retirement Program for 2017 and 2016, is as follows:

	Year Ended December 31,	
	2017	2016
<b>Reconciliation of plan assets:</b>		
Plan assets, beginning of year	\$ 2,192	\$ 2,011
Agnico Eagle's contributions	303	327
Benefit payments	(90)	(88)
Administrative expenses	(106)	(119)
Interest on assets	87	86
Net return on assets excluding interest	(87)	(86)
Effect of exchange rate changes	158	61
Plan assets, end of year	2,457	2,192
<b>Reconciliation of defined benefit obligation:</b>		
Defined benefit obligation, beginning of year	11,867	10,641
Current service cost	493	326
Past service cost	8,754	—
Benefit payments	(90)	(88)
Interest cost	544	456
Actuarial losses arising from changes in economic assumptions	1,035	400
Actuarial losses (gains) arising from experience	421	(185)
Effect of exchange rate changes	1,219	317
Defined benefit obligation, end of year	24,243	11,867
<b>Net defined benefit liability, end of year</b>	<b>\$21,786</b>	<b>\$ 9,675</b>

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 15. OTHER LIABILITIES (Continued)

The components of Agnico Eagle's pension expense recognized in net income relating to the Executives Plan and the Retirement Program are as follows:

	Year Ended December 31,	
	2017	2016
Current service cost	\$ 493	\$326
Past service cost	8,754	—
Administrative expenses	106	119
Interest cost on defined benefit obligation	544	456
Interest on assets	(87)	(86)
Pension expense	\$9,810	\$815

The remeasurements of the net defined benefit liability recognized in other comprehensive income (loss) relating to the Company's Executives Plan and the Retirement Program are as follows:

	Year Ended December 31,	
	2017	2016
Actuarial losses relating to the defined benefit obligation	\$1,456	\$215
Net return on assets excluding interest	87	86
Total remeasurements of the net defined benefit liability	\$1,543	\$301

In 2018, the Company expects to make contributions of \$0.8 million and benefit payments of \$0.7 million related to the Executive Plan and the Retirement Program.

The following table sets out significant assumptions used in measuring the Company's Executives Plan defined benefit obligations:

	As at December 31,	
	2017	2016
Assumptions:		
Discount rate – beginning of year	3.8%	4.0%
Discount rate – end of year	3.3%	3.8%
Rate of compensation increase	3.0%	3.0%

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 15. OTHER LIABILITIES (Continued)

Significant actuarial assumptions used in measuring the Company's Retirement Program defined benefit obligations included a discount rate of 3.25% at the beginning of the period, a discount rate of 3.0% as at the end of the year and mine closure estimates based on the current life of mine plans.

The following is a summary of the effect of changes in significant actuarial assumptions on the Company's Executives Plan and Retirement Program defined benefit obligations:

	<b>As at December 31, 2017</b>
<b>Change in assumption:</b>	
0.5% increase in discount rate	(1,214)
0.5% decrease in discount rate	1,324

The summary of the effect of changes in significant actuarial assumptions was prepared using the same methods and actuarial assumptions as those used for the calculation of the Company's defined benefit obligation related to the Executives Plan and Retirement Program as at the end of the fiscal year, except for the change in the single actuarial assumption being evaluated. The modification of several actuarial assumptions at the same time could lead to different results.

#### *Other Plans*

In addition to its defined benefit pension plans, the Company maintains the Basic Plan and the Supplemental Plan. Under the Basic Plan, Agnico Eagle contributes 5.0% of certain employees' base employment compensation to a defined contribution plan. In 2017, \$10.6 million (2016 – \$9.7 million) was contributed to the Basic Plan, \$0.2 million of which related to contributions for key management personnel (2016 – \$0.2 million). The Company also maintains the Supplemental Plan for designated executives at the level of Vice-President or above. The Supplemental Plan is funded by the Company through notional contributions equal to 10.0% of the designated executive's earnings for the year (including salary and short-term bonus). In 2017, the Company made \$1.4 million (2016 – \$1.4 million) in notional contributions to the Supplemental Plan, \$1.0 million (2016 – \$0.9 million) of which related to contributions for key management personnel. The Company's liability related to the Supplemental Plan is \$8.2 million at December 31, 2017 (2016 – \$7.1 million). The Supplemental Plan is accounted for as a cash balance plan.

#### 16. EQUITY

##### **Common Shares**

The Company's authorized share capital includes an unlimited number of common shares with no par value. As at December 31, 2017, Agnico Eagle's issued common shares totaled 232,793,335 (December 31, 2016 – 225,465,654), less 542,894 common shares held in a trust (2016 – 500,514).

360,381 common shares are held in a trust in connection with the Company's RSU plan (2016 – 369,972). 176,333 common shares are held in a trust in connection with the Company's PSU plan (2016 – 124,500).

In the first quarter of 2015, a Long Term Incentive Plan ("LTIP") was implemented for certain employees of the Partnership and CMC, both of which are jointly-owned, comprised of 50.0% deferred cash, 25.0% Agnico Eagle common shares and 25.0% Yamana common shares and vesting over a period ranging between 18 to 36 months. As at December 31, 2017, 6,180 Agnico Eagle common shares were held in a trust in connection with the LTIP (2016 – 6,042).

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 16. EQUITY (Continued)

The trusts have been evaluated under IFRS 10 – *Consolidated Financial Statements* and are consolidated in the accounts of the Company, with shares held in trust offset against the Company's issued shares in its consolidated financial statements. The common shares purchased and held in a trust are excluded from the basic net income per share calculations until they have vested. All of the non-vested common shares held in the trusts are included in the diluted net income per share calculations, unless the impact is anti-dilutive.

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding as at December 31, 2017 were exercised:

Common shares outstanding at December 31, 2017	232,250,441
Employee stock options	5,857,504
Common shares held in a trust in connection with the RSU plan (note 18(c)), PSU plan (note 18(d)) and LTIP	542,894
<b>Total</b>	<b>238,650,839</b>

#### **Net Income Per Share**

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

	Year Ended December 31,	
	2017	2016
Net income for the year	\$243,887	\$158,824
Weighted average number of common shares outstanding – basic (in thousands)	230,252	222,737
Add: Dilutive impact of common shares related to the RSU plan, PSU plan and LTIP	694	639
Add: Dilutive impact of employee stock options	1,515	2,378
Weighted average number of common shares outstanding – diluted (in thousands)	232,461	225,754
Net income per share – basic	\$ 1.06	\$ 0.71
Net income per share – diluted	\$ 1.05	\$ 0.70

Diluted net income per share has been calculated using the treasury stock method. In applying the treasury stock method, outstanding employee stock options with an exercise price greater than the average quoted market price of the common shares for the period outstanding are not included in the calculation of diluted net income per share as the impact would be anti-dilutive.

For the year ended December 31, 2017, 52,000 (2016 – 20,000) employee stock options were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.



## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

#### **16. EQUITY (continued)**

##### ***Equity Issuance***

On March 31, 2017, the Company issued and sold 5,003,412 common shares of the Company to an institutional investor in the United States at a price of \$43.97 per common share, for total consideration of approximately \$220.0 million. Transaction costs of approximately \$5.0 million (net of tax of \$1.7 million) were incurred, resulting in a net increase to share capital of \$215.0 million.

##### ***Flow-through share private placement***

On March 10, 2016, the Company raised approximately C\$25.0 million (\$18.7 million) through the issuance of 374,869 flow-through common shares at a price of C\$66.69 per common share. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the issuer under a renouncement process. At the time the flow-through shares were issued, the sale of tax deductions were deferred and were presented in the accounts payable and accrued liabilities line item in the consolidated balance sheets because the Company had not yet fulfilled its obligation to pass on the tax deductions to the investor. At the time the Company fulfills its obligation, the sale of tax deductions is recognized in the consolidated statements of income and comprehensive income as a reduction of deferred tax expense. The closing price of the Company's common shares on the March 10, 2016 issuance date was C\$48.49, resulting in an increase to share capital of approximately C\$18.2 million (\$13.6 million). The initial C\$6.8 million (\$5.1 million) liability is drawn down as eligible expenditures are incurred because the Company has a positive intention to renounce these expenses. During the year ended December 31, 2016, the liability was fully extinguished based on eligible expenditures incurred.

#### **17. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES**

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

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

During the year ended December 31, 2017, four customers each contributed more than 10.0% of total revenues from mining operations for a combined total of approximately 78.1% of revenues from mining operations in the Northern and Southern business units. However, because gold can be sold through numerous gold market traders worldwide, the Company is not economically dependent on a limited number of customers for the sale of its product.

Trade receivables are recognized once the transfer of ownership for the metals sold has occurred and reflect the amounts owing to the Company in respect of its sales of concentrates to third parties prior to the satisfaction in full of the payment obligations of the third parties. As at December 31, 2017, the Company had \$12.0 million (2016 – \$8.2 million) in receivables relating to provisionally priced concentrate sales.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 17. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES (Continued)

	Year Ended December 31,	
	2017	2016
Revenues from mining operations:		
Gold	\$2,140,890	\$2,049,871
Silver	86,262	85,096
Zinc	9,177	1,413
Copper	6,275	1,852
Total revenues from mining operations	\$2,242,604	\$2,138,232

In 2017, precious metals (gold and silver) accounted for 99.3% of Agnico Eagle's revenues from mining operations (2016 – 99.8%). The remaining revenues from mining operations consisted of net by-product metal revenues from non-precious metals.

#### 18. STOCK-BASED COMPENSATION

##### (A) Employee Stock Option Plan

The Company's ESOP provides for the grant of stock options to directors, officers, employees and service providers to purchase common shares. Under the ESOP, stock options are granted at the fair market value of the underlying shares on the day prior to the date of grant. The number of common shares that may be reserved for issuance to any one person pursuant to stock options (under the ESOP or otherwise), warrants, share purchase plans or other arrangements may not exceed 5.0% of the Company's common shares issued and outstanding at the date of grant.

On April 24, 2001, the Compensation Committee of the Board adopted a policy pursuant to which stock options granted after that date have a maximum term of five years. In 2016, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP to 31,300,000 common shares.

Of the 2,018,140 stock options granted under the ESOP in 2017, 499,796 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2022, vest in equal installments on each anniversary date of the grant over a three-year period. Of the 2,160,075 stock options granted under the ESOP in 2016, 540,027 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2021, vest in equal installments on each anniversary date of the grant over a three-year period. Upon the exercise of stock options under the ESOP, the Company issues common shares from treasury to settle the obligation.

## AGNICO EAGLE MINES LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 18. STOCK-BASED COMPENSATION (Continued)

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

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,478,837	C\$34.40	12,082,212	C\$43.65
Granted	2,018,140	56.57	2,160,075	36.65
Exercised	(1,538,729)	37.18	(6,492,907)	38.48
Forfeited	(99,644)	42.09	(141,038)	38.42
Expired	(1,100)	37.05	(2,129,505)	76.46
Outstanding, end of year	5,857,504	C\$41.18	5,478,837	C\$34.40
Options exercisable, end of year	2,628,998	C\$37.66	1,606,558	C\$40.27

The average share price of Agnico Eagle's common shares during the year ended December 31, 2017 was C\$59.47 (2016 – C\$58.52).

The weighted average grant date fair value of stock options granted in 2017 was C\$14.51 (2016 – C\$9.69).

The following table sets out information about Agnico Eagle's stock options outstanding and exercisable as at December 31, 2017:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
C\$28.03 – C\$38.15	3,638,052	2.30 years	C\$32.10	1,903,646	C\$31.05
C\$40.66 – C\$66.57	2,219,452	3.52 years	56.05	725,352	55.01
C\$28.03 – C\$66.57	5,857,504	2.76 years	C\$41.18	2,628,998	C\$37.66

The weighted average remaining contractual term of stock options exercisable as at December 31, 2017 was 2.17 years.

The Company has reserved for issuance 5,857,504 common shares in the event that these stock options are exercised.

The number of common shares available for the grant of stock options under the ESOP as at December 31, 2017 and December 31, 2016 was 4,371,663 and 6,289,059, respectively.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 18. STOCK-BASED COMPENSATION (Continued)

Subsequent to the year ended December 31, 2017, 1,990,850 stock options were granted under the ESOP, of which 496,973 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2023, vest in equal installments on each anniversary date of the grant over a three-year period.

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

	Year Ended December 31,	
	2017	2016
Risk-free interest rate	1.15%	0.89%
Expected life of stock options (in years)	2.3	2.5
Expected volatility of Agnico Eagle's share price	45.0%	45.0%
Expected dividend yield	1.09%	1.33%

The Company uses historical volatility to estimate the expected volatility of Agnico Eagle's share price. The expected term of stock options granted is derived from historical data on employee exercise and post-vesting employment termination experience.

The total compensation expense for the ESOP recorded in the general and administrative line item of the consolidated statements of income and comprehensive income for 2017 was \$19.5 million (2016 – \$16.6 million). Of the total compensation cost for the ESOP, \$0.3 million was capitalized as part of the property, plant and mine development line item of the consolidated balance sheets in 2017 (2016 – \$0.3 million).

#### **(B) Incentive Share Purchase Plan**

On June 26, 1997, the Company's shareholders approved the ISPP to encourage Participants to purchase Agnico Eagle's common shares at market value. In 2009, the ISPP was amended to remove non-executive directors as eligible Participants.

Under the ISPP, Participants may contribute up to 10.0% of their basic annual salaries and the Company contributes an amount equal to 50.0% of each Participant's contribution. All common shares subscribed for under the ISPP are issued by the Company. The total compensation cost recognized in 2017 related to the ISPP was \$5.8 million (2016 – \$5.1 million).

In 2017, 382,663 common shares were subscribed for under the ISPP (2016 – 344,778) for a value of \$17.4 million (2016 – \$15.4 million). In May 2015, the Company's shareholders approved an increase in the maximum number of common shares reserved for issuance under the ISPP to 7,100,000 from 6,100,000. As at December 31, 2017, Agnico Eagle has reserved for issuance 1,172,307 common shares (2016 – 1,554,970) under the ISPP.

#### **(C) Restricted Share Unit Plan**

In 2009, the Company implemented the RSU plan for certain employees. Effective January 1, 2012, the RSU plan was amended to include directors and senior executives of the Company as eligible participants.

## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

#### **18. STOCK-BASED COMPENSATION (Continued)**

A deferred compensation balance is recorded for the total grant date value on the date of each RSU plan grant. The deferred compensation balance is recorded as a reduction of equity and is amortized as compensation expense over the vesting period of up to three years.

In 2017, 369,623 (2016 – 354,592) RSUs were granted with a grant date fair value of \$44.42 (2016 – \$28.62). In 2017, the Company funded the RSU plan by transferring \$16.4 million (2016 – \$10.1 million) to an employee benefit trust that then purchased common shares of the Company in the open market. The grant date fair value of the RSUs generally approximates the cost of purchasing the shares in the open market. Once vested, the common shares in the trust are distributed to settle the obligation along with a cash payment reflecting the accumulated amount that would have been paid as dividends had the common shares been outstanding.

Compensation expense related to the RSU plan was \$13.1 million in 2017 (2016 – \$10.4 million). Compensation expense related to the RSU plan is included as part of the general and administrative line item of the consolidated statements of income and comprehensive income.

Subsequent to the year ended December 31, 2017, 372,200 RSUs were granted under the RSU plan.

##### **(D) Performance Share Unit Plan**

Beginning in 2016, the Company adopted a PSU plan for senior executives of the Company. PSUs are subject to vesting requirements over a three year period based on specific performance measurements established by the Company. The fair value for the portion of the PSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest.

In 2017, 182,000 (2016 – 183,000) PSUs were granted with a grant date fair value of \$49.38 (2016 – \$32.20). The Company funded the PSU plan by transferring \$8.1 million (2016 – \$5.3 million) to an employee benefit trust that then purchased common shares of the Company in the open market. Once vested, the common shares in the trust are distributed to settle the obligation along with a cash payment reflecting the accumulated amount that would have been paid as dividends had the common shares been outstanding.

Compensation expense related to the PSU plan was \$6.0 million in 2017 (2016 – \$2.2 million). Compensation expense related to the PSU plan is included as part of the general and administrative line item of the consolidated statements of income and comprehensive income.

Subsequent to the year ended December 31, 2017, 180,000 PSUs were granted under the PSU plan.

#### **19. CAPITAL AND FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, commodity price risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management policy is to support the delivery of the Company's financial targets while minimizing the potential adverse effects on the Company's performance.

Risk management is carried out by a centralized treasury department under policies approved by the Board. The Company's financial activities are governed by policies and procedures and its financial risks are identified, measured and managed in accordance with its policies and risk tolerance.

## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

#### **19. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)**

##### **A) Market Risk**

Market risk is the risk that changes in market factors, such as interest rates, commodity prices and foreign exchange rates, will affect the value of Agnico Eagle's financial instruments. The Company can choose to either accept market risk or mitigate it through the use of derivatives and other economic hedging strategies.

##### **i. Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations that have floating interest rates.

There is no impact on income before income and mining taxes or equity of a 1.0% increase or decrease in interest rates as at December 31, 2017 (2016 – \$2.6 million).

##### **ii. Commodity Price Risk**

###### **a. Metal Prices**

Agnico Eagle's revenues from mining operations and net income are sensitive to metal prices. Changes in the market price of gold may be attributed to numerous factors such as demand, global mine production levels, central bank purchases and sales and investor sentiment. Changes in the market prices of by-product metals (silver, zinc and copper) may be attributed to factors such as demand and global mine production levels.

In order to mitigate the impact of fluctuating by-product metal prices, the Company occasionally enters into derivative financial instrument contracts under its Board-approved Risk Management Policies and Procedures. The Company has a long-standing policy of no forward gold sales. However, the policy does allow the Company to use other economic hedging strategies, where appropriate, to mitigate by-product metal pricing risks. The Company's policy does not allow speculative trading.

###### **b. Fuel**

To mitigate the risks associated with fluctuating diesel fuel prices, the Company uses derivative financial instruments as economic hedges of the price risk on a portion of its diesel fuel costs (refer to note 20 to these consolidated financial statements for further details on the Company's derivative financial instruments).

##### **iii. Foreign Currency Risk**

The Company receives payment for all of its metal sales in US dollars and pays most of its operating and capital costs in Canadian dollars, Euros or Mexican pesos. This gives rise to significant foreign currency risk exposure. The Company enters into currency economic hedging transactions under the Board-approved Foreign Exchange Risk Management Policies and Procedures to hedge part of its foreign currency exposure. The policy does not permit the hedging of translation exposure (that is, the gains and losses that arise from the accounting translation of Canadian dollar, Euro or Mexican peso denominated assets and liabilities into US dollars), as it does not give rise to cash exposure. The Company's foreign currency derivative financial instrument strategy includes the use of purchased puts, sold calls, collars and forwards that are not held for speculative purposes (refer to note 20 to these consolidated financial statements for further details on the Company's derivative financial instruments).

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 19. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

The following table sets out the translation impact on income before income and mining taxes and equity for the year ended December 31, 2017 of a 10.0% change in the exchange rate of the US dollar relative to the Canadian dollar, Euro and Mexican peso, with all other variables held constant.

	Impact on Income Before Income and Mining Taxes and Equity	
	10.0% Strengthening of the US Dollar	10.0% Weakening of the US Dollar
Canadian dollar	\$ 8,435	\$(8,435)
Euro	\$ 2,477	\$(2,477)
Mexican peso	\$(6,710)	\$ 6,710

#### B) Credit Risk

Credit risk is the risk that a third party might fail to fulfill its obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents, short-term investments, restricted cash, trade receivables and derivative financial instruments. The Company holds its cash and cash equivalents, restricted cash and short-term investments in highly rated financial institutions resulting in a low level of credit risk. For trade receivables and derivative financial instruments, historical levels of default have been negligible, resulting in a low level of credit risk. The Company mitigates credit risk by dealing with recognized credit-worthy counterparties and limiting concentration risk. For derivative financial instrument liabilities, the Company assumes no credit risk when the fair value of an instrument is negative. The maximum exposure to credit risk is equal to the carrying amount of the instruments as follows:

	As at December 31, 2017	As at December 31, 2016
Cash and cash equivalents	\$632,978	\$539,974
Short-term investments	10,919	8,424
Restricted cash	1,223	1,162
Trade receivables	12,000	8,185
Derivative financial instrument assets	17,240	364
Total	\$674,360	\$558,109

#### C) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its risk of a shortage of funds by monitoring its debt rating and projected cash flows taking into account the maturity dates of existing debt and other payables. The Company manages exposure to liquidity risk by maintaining cash balances, having access to undrawn credit facilities and access to public debt markets. Contractual maturities relating to finance lease obligations are detailed in note 13(a) to these consolidated financial statements and contractual maturities

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 19. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

relating to long-term debt are detailed in note 14 to these consolidated financial statements. Other financial liabilities, including accounts payable and accrued liabilities and derivative financial instruments, have maturities within one year of December 31, 2017.

##### D) Capital Risk Management

The Company's primary capital management objective is to maintain an optimal capital structure to support current and long-term business activities and to provide financial flexibility in order to maximize value for equity holders.

Agnico Eagle's capital structure comprises a mix of long-term debt and total equity as follows:

	As at December 31, 2017	As at December 31, 2016
Long-term debt	\$1,371,851	\$1,202,686
Total equity	4,946,991	4,492,474
Total	\$6,318,842	\$5,695,160

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the requirements of financial covenants. To effectively manage its capital requirements, Agnico Eagle has in place a rigorous planning, budgeting and forecasting process to ensure it has the appropriate liquidity to meet its operating and growth objectives. The Company has the ability to adjust its capital structure by various means.

See note 14 to these consolidated financial statements for details related to Agnico Eagle's compliance with its long-term debt covenants.

##### E) Changes in liabilities arising from financing activities

	As at December 31, 2016	Cash Flows	Foreign Exchange	Other <sup>(i)</sup>	As at December 31, 2017
Current portion of long-term debt	\$ 129,896	\$(130,412)	\$516	\$ –	\$ –
Long-term debt	1,072,790	296,495	–	2,566	1,371,851
Finance lease obligations <sup>(ii)</sup>	11,854	(5,252)	174	(1,449)	5,327
Total liabilities from financing activities	\$1,214,540	\$ 160,831	\$690	\$ 1,117	\$1,377,178

Note:

(i) Includes the amortization of deferred financing costs on long-term debt and various non-cash adjustments.

(ii) The finance lease obligations balance includes the long-term portion of finance lease obligations of \$1,915 (2016 – \$6,319) (note 13(a)) which is recorded in the other liabilities line item on the consolidated balance sheets.



# AGNICO EAGLE MINES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

#### ***Currency Risk Management***

The Company uses foreign exchange economic hedges to reduce the variability in expected future cash flows arising from changes in foreign currency exchange rates. The Company is primarily exposed to currency fluctuations relative to the US dollar as a significant portion of the Company's operating costs and capital expenditures are denominated in foreign currencies; primarily the Canadian dollar, the Euro and the Mexican peso. These potential currency fluctuations increase the volatility of, and could have a significant impact on, the Company's production costs. The economic hedges relate to a portion of the foreign currency denominated cash outflows arising from foreign currency denominated expenditures.

As at December 31, 2017, the Company had outstanding foreign exchange zero cost collars with a cash flow hedging relationship that did qualify for hedge accounting under IAS 39. The purchase of US dollar put options was financed through selling US dollar call options at a higher level such that the net premium payable to the different counterparties by the Company was nil. At December 31, 2017, the zero cost collars hedged \$276.0 million of 2018 expenditures. The Company recognized the effective intrinsic value component of the mark-to-market adjustment in other comprehensive income. The time value portion of the mark-to-market adjustment is recognized in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income. Amounts deferred in other comprehensive income are reclassified when the hedged transaction has occurred.

As at December 31, 2017, the Company also had outstanding foreign exchange zero cost collars where hedge accounting was not applied. The purchase of US dollar put options was financed through selling US dollar call options at a higher level such that the net premium payable to the different counterparties by the Company was nil. At December 31, 2017, the zero cost collars related to \$84.0 million of 2018 expenditures and the Company recognized mark-to-market adjustments in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income.

Mark-to-market gains and losses related to foreign exchange derivative financial instruments are recorded at fair value based on broker-dealer quotations corroborated by option pricing models that utilize period end forward pricing of the applicable foreign currency to calculate fair value.

The Company's other foreign currency derivative strategies in 2017 and 2016 consisted mainly of writing US dollar call options with short maturities to generate premiums that would, in essence, enhance the spot transaction rate received when exchanging US dollars for Canadian dollars and Mexican pesos. All of these derivative transactions expired prior to period end such that no derivatives were outstanding as at December 31, 2017 or December 31, 2016. The call option premiums were recognized in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income.

#### ***Commodity Price Risk Management***

To mitigate the risks associated with fluctuating diesel fuel prices, the Company uses derivative financial instruments as economic hedges of the price risk on a portion of diesel fuel costs associated with the Meadowbank mine's diesel fuel exposure as it relates to operating costs. There were derivative financial instruments outstanding as at December 31, 2017 relating to 5.0 million gallons of heating oil (2016 – 1.0 million). The related mark-to-market adjustments prior to settlement were recognized in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income. The Company does not apply hedge accounting to these arrangements.

Mark-to-market gains and losses related to heating oil derivative financial instruments are based on broker-dealer quotations that utilize period end forward pricing to calculate fair value.

As at December 31, 2017 and December 31, 2016, there were no metal derivative positions. The Company may from time to time utilize short-term financial instruments as part of its strategy to minimize risks and optimize returns on its by-product metal sales.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The following table sets out a summary of the amounts recognized in the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income:

	Year Ended December 31,	
	2017	2016
Premiums realized on written foreign exchange call options	\$ (2,925)	\$ (2,569)
Realized loss on warrants	–	543
Unrealized loss (gain) on warrants <sup>(i)</sup>	15	(580)
Realized (gain) loss on currency and commodity derivatives	(10,832)	357
Unrealized gain on currency and commodity derivatives <sup>(i)</sup>	(7,248)	(7,219)
Gain on derivative financial instruments	\$ (20,990)	\$ (9,468)

Note:

(i) Unrealized gains and losses on financial instruments that did not qualify for hedge accounting are recognized through the gain on derivative financial instruments line item of the consolidated statements of income and comprehensive income and through the other line item of the consolidated statements of cash flows.

#### 21. SEGMENTED INFORMATION

Agnico Eagle operates in a single industry, namely exploration for and production of gold. The Company's primary operations are in Canada, Mexico and Finland. The Company identifies its reportable segments as those operations whose operating results are reviewed by the Chief Operating Decision Maker ("CODM"), the Chief Executive Officer for the purpose of allocating resources and assessing performance and that represent more than 10.0% of the combined revenue from mining operations, income or loss or total assets of all operating segments. Each of the Company's significant operating mines and projects are considered to be separate operating segments. Certain operating segments that do not meet the quantitative thresholds are still disclosed where the Company believes that the information is useful. The CODM also reviews segment income (defined as revenues from mining operations less production costs, exploration and corporate development expenses and impairment losses and reversals) on a mine-by-mine basis. The following are the Company's reportable segments organized according to their relationship with the Company's three business units and reflect how the Company manages its business and how it classifies its operations for planning and measuring performance:

Northern Business:	LaRonde mine, Lapa mine, Goldex mine, Meadowbank mine including the Amaruq deposit, Canadian Malartic joint operation, Meliadine project and Kittila mine
Southern Business:	Pinos Altos mine, Creston Mascota deposit at Pinos Altos and La India mine
Exploration:	United States Exploration office, Europe Exploration office, Canada Exploration offices and Latin America Exploration office

Revenues from mining operations and production costs for the reportable segments are reported net of intercompany transactions.

Corporate and other assets and specific income and expense items are not allocated to reportable segments.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 21. SEGMENTED INFORMATION (Continued)

	Year Ended December 31, 2017			Segment Income (Loss)
	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	
<b>Northern Business:</b>				
LaRonde mine	\$ 484,488	\$ (185,488)	\$ —	\$ 299,000
Lapa mine	64,572	(38,786)	—	25,786
Goldex mine	139,665	(71,015)	—	68,650
Meadowbank mine	449,025	(224,364)	(28,871)	195,790
Canadian Malartic joint operation	404,441	(188,568)	(3,864)	212,009
Kittila mine	248,761	(148,272)	—	100,489
<b>Total Northern Business</b>	<b>1,790,952</b>	<b>(856,493)</b>	<b>(32,735)</b>	<b>901,724</b>
<b>Southern Business:</b>				
Pinos Altos mine	257,905	(108,726)	—	149,179
Creston Mascota deposit at Pinos Altos	63,798	(31,490)	—	32,308
La India mine	129,949	(61,133)	—	68,816
<b>Total Southern Business</b>	<b>451,652</b>	<b>(201,349)</b>	<b>—</b>	<b>250,303</b>
<b>Exploration</b>	<b>—</b>	<b>—</b>	<b>(108,715)</b>	<b>(108,715)</b>
<b>Segments totals</b>	<b>\$2,242,604</b>	<b>\$(1,057,842)</b>	<b>\$(141,450)</b>	<b>\$1,043,312</b>
<b>Total segments income</b>				<b>\$1,043,312</b>
Corporate and other:				
Amortization of property, plant and mine development				(508,739)
General and administrative				(115,064)
Impairment loss on available for sale securities				(8,532)
Finance costs				(78,931)
Gain on derivative financial instruments				20,990
Gain on sale of available-for-sale securities				168
Environmental remediation				(1,219)
Foreign currency translation loss				(13,313)
Other income				3,709
Income before income and mining taxes				\$ 342,381

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 21. SEGMENTED INFORMATION (Continued)

	Year Ended December 31, 2016				
	Revenues from Mining Operations	Production Costs	Exploration and Corporate Development	Gain on Impairment Reversal	Segment Income (Loss)
<b>Northern Business:</b>					
LaRonde mine	\$ 388,180	\$ (179,496)	\$ –	\$ –	\$ 208,684
Lapa mine	92,160	(52,974)	–	–	39,186
Goldex mine	149,730	(63,310)	–	–	86,420
Meadowbank mine	384,023	(218,963)	(63,488)	37,161	138,733
Canadian Malartic joint operation	371,920	(183,635)	(4,044)	–	184,241
Meliadine project	–	–	–	83,000	83,000
Kittila mine	252,346	(141,871)	–	–	110,475
<b>Total Northern Business</b>	<b>1,638,359</b>	<b>(840,249)</b>	<b>(67,532)</b>	<b>120,161</b>	<b>850,739</b>
<b>Southern Business:</b>					
Pinos Altos mine	294,377	(114,557)	–	–	179,820
Creston Mascota deposit at Pinos Altos	62,967	(27,341)	–	–	35,626
La India mine	142,529	(49,745)	–	–	92,784
<b>Total Southern Business</b>	<b>499,873</b>	<b>(191,643)</b>	<b>–</b>	<b>–</b>	<b>308,230</b>
<b>Exploration</b>	<b>–</b>	<b>–</b>	<b>(79,446)</b>	<b>–</b>	<b>(79,446)</b>
<b>Segments totals</b>	<b>\$2,138,232</b>	<b>\$(1,031,892)</b>	<b>\$(146,978)</b>	<b>\$ 120,161</b>	<b>\$1,079,523</b>
<b>Total segments income</b>					<b>\$1,079,523</b>
<b>Corporate and other:</b>					
Amortization of property, plant and mine development					(613,160)
General and administrative					(102,781)
Finance costs					(74,641)
Gain on derivative financial instruments					9,468
Gain on sale of available-for-sale securities					3,500
Environmental remediation					(4,058)
Foreign currency translation loss					(13,157)
Other expenses					(16,233)
<b>Income before income and mining taxes</b>					<b>\$ 268,461</b>

**AGNICO EAGLE MINES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

December 31, 2017

**21. SEGMENTED INFORMATION (Continued)**

	Total Assets as at	
	December 31, 2017	December 31, 2016
<b>Northern Business:</b>		
LaRonde mine	\$ 870,150	\$ 808,981
Lapa mine	17,867	16,473
Goldex mine	275,132	248,766
Meadowbank mine	565,355	500,207
Canadian Malartic joint operation	1,943,304	1,956,285
Meliadine project	1,194,414	781,999
Kittila mine	982,378	961,392
<b>Total Northern Business</b>	<b>5,848,600</b>	<b>5,274,103</b>
<b>Southern Business:</b>		
Pinos Altos mine	668,492	667,123
Creston Mascota deposit at Pinos Altos	50,144	60,308
La India mine	427,957	428,005
<b>Total Southern Business</b>	<b>1,146,593</b>	<b>1,155,436</b>
<b>Exploration</b>	<b>277,099</b>	<b>198,738</b>
<b>Corporate and other</b>	<b>593,309</b>	<b>479,674</b>
<b>Total assets</b>	<b>\$7,865,601</b>	<b>\$7,107,951</b>

The following table sets out the carrying amount of goodwill by segment for the years ended December 31, 2016 and December 31, 2017:

	Meliadine Project	La India Mine	Canadian Malartic Joint Operation	Total
Cost	\$ 200,064	\$39,017	\$657,792	\$ 896,873
Accumulated impairment	(200,064)	—	—	(200,064)
<b>Carrying amount</b>	<b>\$ —</b>	<b>\$39,017</b>	<b>\$657,792</b>	<b>\$ 696,809</b>

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 21. SEGMENTED INFORMATION (Continued)

The following table sets out capital expenditures by segment:

	Capital Expenditures Year Ended December 31,	
	2017	2016
<b>Northern Business:</b>		
LaRonde mine	\$ 89,749	\$ 64,288
Goldex mine	57,050	78,388
Meadowbank mine	111,516	38,248
Canadian Malartic joint operation	86,549	60,434
Meliadine project	372,071	116,136
Kittila mine	87,789	75,904
<b>Total Northern Business</b>	<b>804,724</b>	<b>433,398</b>
<b>Southern Business:</b>		
Pinos Altos mine	49,337	59,572
Creston Mascota deposit at Pinos Altos	8,108	9,287
La India mine	10,783	10,507
<b>Total Southern Business</b>	<b>68,228</b>	<b>79,366</b>
<b>Corporate and other</b>	<b>1,201</b>	<b>3,286</b>
<b>Total capital expenditures</b>	<b>\$874,153</b>	<b>\$516,050</b>

The following table sets out revenues from mining operations by geographic area<sup>(i)</sup>:

	Year Ended December 31,	
	2017	2016
Canada	\$1,542,191	\$1,386,013
Mexico	451,652	499,873
Finland	248,761	252,346
<b>Total revenues from mining operations</b>	<b>\$2,242,604</b>	<b>\$2,138,232</b>

Note:

(i) Presented based on the location of the mine from which the product originated.

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 21. SEGMENTED INFORMATION (Continued)

The following table sets out non-current assets by geographic area:

	Non-current Assets as at	
	December 31, 2017	December 31, 2016
Canada	\$4,452,478	\$3,970,435
Mexico	1,026,740	1,010,063
Finland	900,831	873,220
Sweden	13,812	13,812
United States	10,206	10,242
<b>Total non-current assets</b>	<b>\$6,404,067</b>	<b>\$5,877,772</b>

#### 22. IMPAIRMENT AND IMPAIRMENT REVERSALS

##### *Goodwill Impairment Testing*

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, the Company assesses for indicators of impairment at each reporting period end and if an indicator of impairment is identified, goodwill and long-lived assets are tested for impairment at that time. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. An impairment loss is recognized for any excess of the carrying amount of the asset over its recoverable amount.

The estimated recoverable amount of the Canadian Malartic joint operation segment as at December 31, 2017 and December 31, 2016 was determined on the basis of fair value less costs to dispose of the Canadian Malartic mine as well as the exploration properties included in the joint operation. The estimated recoverable amount of the Canadian Malartic mine and certain exploration properties were calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 5.75% – 9.00% (2016 – 6.00%), commensurate with the estimated level of risk. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of \$1,300 per ounce (in real terms) (2016 – \$1,250 per ounce), foreign exchange rates of US\$0.78:C\$1.00 to US\$0.80:C\$1.00 (2016 – US\$0.75:C\$1.00 to US\$0.80:C\$1.00), an inflation rate of 2.0%, and capital, operating and reclamation costs based on applicable life of mine plans. Exploration properties within the joint operation were valued by reference to comparable recent transactions or by a cashflow extension approach where the mineralization is expected to have sufficiently similar economics to the mineralization of the Canadian Malartic mine. The Canadian Malartic joint operation segment estimated recoverable amount exceeded its carrying amount at December 31, 2017 and December 31, 2016. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

##### *Impairment Reversals*

The Company assesses for indicators of impairment reversal on long-lived assets other than goodwill that have previously been impaired at each reporting period end. If an indicator of impairment reversal is identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. An impairment loss recognized in a prior period can only be reversed if there are subsequent changes in the estimates or significant assumptions that were used to determine the recoverable amount since the impairment loss was recognized. A gain on impairment reversal is recognized for any excess of the recoverable amount of the asset over its carrying amount. The amount of the reversal is limited to the

## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

#### **22. IMPAIRMENT AND IMPAIRMENT REVERSALS (Continued)**

difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued.

In 2016, the Company completed an internal technical study on the Amaruq satellite deposit at the Meadowbank mine. Board approval for the development of the project was received on February 15, 2017. The favourable project economics and the expected potential for extensions to the Company's current mine plan in relation to the Amaruq satellite deposit at the Meadowbank mine was an impairment reversal indicator for the Meadowbank mine CGU. The updated mine plan represented an observable indication that the value of the CGU had increased significantly and was a favourable change to the extent and manner in which the asset was expected to be used. There is significant judgment involved in the determination of whether a previously recognized impairment loss should be reversed.

The estimated recoverable amount of the Meadowbank mine CGU as at December 31, 2016 was determined on the basis of fair value less costs to dispose of the mine. The estimated recoverable amount of the Meadowbank mine CGU was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 7.25%, commensurate with the estimated level of risk associated with the Meadowbank mine CGU. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of \$1,250 per ounce (in real terms), foreign exchange rates of US\$0.75:C\$1.00 to US\$0.80:C\$1.00, an inflation rate of 2.0%, and capital, operating and reclamation costs based on applicable life of mine plans. The estimated recoverable amount of the Meadowbank mine CGU exceeded its carrying amount at December 31, 2016. The Meadowbank mine CGU's maximum impairment reversal is limited to the difference between the current carrying amount and the previous carrying amount less amortization that would have been recognized had the assets not been previously impaired. Certain assets that are not expected to be utilized in conjunction with the Amaruq satellite deposit had recoverable amounts less than their current carrying amounts and therefore no impairment reversal was applied. The Company determined that the Amaruq satellite deposit will utilize some of the existing infrastructure at the Meadowbank mine, primarily the mill, camp, road and airstrip, to generate cashflows at the Amaruq satellite deposit and these assets were written up to the maximum of the previous carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. At December 31, 2016, a gain on impairment reversal of \$37.2 million (\$27.6 million, net of tax) was recognized in the gain on impairment reversal line item in the consolidated statements of income and comprehensive income to increase the carrying amount of related plant and equipment. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

In 2016, the Company completed internal studies to optimize the previous Meliadine mine plan that had been outlined in an updated NI 43-101 technical report dated February 11, 2015. These internal studies evaluated various opportunities to improve the project economics and the after-tax internal rate of return. Board approval for development of the project was received on February 15, 2017. The favourable project economics and the expected potential for extensions to the Company's current mine plan was an impairment reversal indicator for the Meliadine project CGU. The updated mine plan represented an observable indication that the value of the CGU had increased significantly and was a favourable change to the extent and manner in which the asset was expected to be used. There is significant judgment involved in the determination of whether a previously recognized impairment loss should be reversed.

The estimated recoverable amount of the Meliadine project CGU as at December 31, 2016 was determined on the basis of fair value less costs to dispose of the mine. The estimated recoverable amount of the Meliadine project CGU was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 9.0%, commensurate with the estimated level of risk associated with the Meliadine project CGU. The recoverable amount calculation was based on an estimate of future production levels applying gold prices of \$1,250 per ounce (in real terms), foreign exchange rates of US\$0.75:C\$1.00 to US\$0.80:C\$1.00, an inflation rate of 2.0% and capital, operating and reclamation costs based on applicable life of mine plans. As the Meliadine project CGU's estimated recoverable amount exceeded the previous carrying amount less amortization that would have been recognized had the assets not been impaired, a gain on impairment reversal of \$83.0 million (\$53.6 million, net of tax) was recognized in the gain on impairment reversal



## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 22. IMPAIRMENT AND IMPAIRMENT REVERSALS (Continued)

line item in the consolidated statements of income and comprehensive income at December 31, 2016 to increase the carrying amount of the related mining property. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

##### **Key Assumptions**

Discount rates were based on each asset group's weighted average cost of capital, of which the two main components are the cost of equity and the after-tax cost of debt. Cost of equity was calculated based on the capital asset pricing model, incorporating the risk-free rate of return based on Government of Canada marketable bond yields as at the valuation date, the Company's beta coefficient adjustment to the market equity risk premium based on the volatility of the Company's return in relation to that of a comparable market portfolio, plus a size premium and Company-specific risk factor. Cost of debt was determined by applying an appropriate market indication of the Company's borrowing capabilities and the corporate income tax rate applicable to each asset group's jurisdiction. Gold price estimates were determined using forecasts of future prices prepared by industry analysts, which were available as at or close to the valuation date. Foreign exchange estimates are based on a combination of currency forward curves and estimates that reflect the outlooks of major global financial institutions. Estimated production volumes are based on detailed life of mine plans and also take into account management's expected development plans. The production volumes used were consistent with the Company's mineral reserve and mineral resource estimates and in certain circumstances, include expansion projects. Assumptions are also made related to the valuation of mineral resources beyond what is included in the life of mine plans.

#### 23. INCOME AND MINING TAXES

Income and mining taxes expense is made up of the following components:

	Year Ended December 31,	
	2017	2016
Current income and mining taxes	\$ 87,639	\$102,028
Deferred income and mining taxes:		
Origination and reversal of temporary differences	10,855	7,609
Total income and mining taxes expense	\$ 98,494	\$109,637

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 23. INCOME AND MINING TAXES (Continued)

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

	Year Ended December 31,	
	2017	2016
Combined federal and composite provincial tax rates	26%	26%
Expected income tax expense at statutory income tax rate	\$ 88,677	\$ 69,666
Increase (decrease) in income and mining taxes resulting from:		
Mining taxes	40,886	33,949
Tax law changes	–	(1,557)
Impact of foreign tax rates	(7,915)	(9,370)
Permanent differences	(5,275)	2,387
Impact of foreign exchange on deferred income tax balances	(17,879)	14,562
Total income and mining taxes expense	\$ 98,494	\$109,637

The following table sets out the components of Agnico Eagle's net deferred income and mining tax liabilities:

	As at December 31, 2017	As at December 31, 2016
Mining properties	\$1,089,751	\$1,046,218
Net operating and capital loss carry forwards	(97,946)	(80,227)
Mining taxes	(75,238)	(76,344)
Reclamation provisions and other liabilities	(89,226)	(70,085)
Total deferred income and mining tax liabilities	\$ 827,341	\$ 819,562

	Year Ended December 31,	
	2017	2016
Deferred income and mining tax liabilities – beginning of year	\$819,562	\$802,114
Income and mining tax impact recognized in net income	10,181	7,888
Income tax impact recognized in other comprehensive income (loss) and equity	(2,402)	4,458
Reduction of flow-through share liability	–	5,102
Deferred income and mining tax liabilities – end of year	\$827,341	\$819,562

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 23. INCOME AND MINING TAXES (Continued)

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

The deductible temporary differences and unused tax losses in respect of which a deferred tax asset has not been recognized in the consolidated balance sheets are as follows:

	As at December 31, 2017	As at December 31, 2016
Net capital loss carry forwards	\$ 54,503	\$ 34,298
Other deductible temporary differences	265,919	202,614
Unrecognized deductible temporary differences and unused tax losses	\$320,422	\$236,912

The Company also has unused tax credits of \$12.9 million as at December 31, 2017 (December 31, 2016 – \$12.9 million) for which a deferred tax asset has not been recognized.

Capital loss carry forwards and other deductible temporary differences have no expiry date while the unused tax credits expire in 2020.

The Company has \$474.9 million (2016 – \$410.5 million) of taxable temporary differences associated with its investments in subsidiaries for which deferred income tax has not been recognized, as the Company is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future.

The Company is subject to taxes in Canada, Mexico and Finland, each with varying statutes of limitations. Prior taxation years generally remain subject to examination.

#### 24. EMPLOYEE BENEFITS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

During the year ended December 31, 2017, employee benefits expense was \$526.8 million (2016 – \$479.1 million). There were no related party transactions in 2017 or 2016 other than compensation of key management personnel. Key management personnel include the members of the Board and the senior leadership team.

The following table sets out the compensation of key management personnel:

	Year Ended December 31,	
	2017	2016
Salaries, short-term incentives and other benefits	\$13,852	\$16,620
Post-employment benefits	1,928	1,489
Share-based payments	16,331	13,591
Total	\$32,111	\$31,700

## AGNICO EAGLE MINES LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

December 31, 2017

#### 25. COMMITMENTS AND CONTINGENCIES

As part of its ongoing business and operations, the Company has been required to provide assurance in the form of letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes. As at December 31, 2017, the total amount of these guarantees was \$349.0 million.

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

- The Company has a royalty agreement with the Finnish government relating to the Kittila mine. Starting 12 months after the Kittila mine's operations commenced, the Company has been required to pay 2.0% on net smelter returns, defined as revenue less processing costs. The royalty is paid on an annual basis in the following year.
- The Company is committed to pay 2.0% net smelter return on the Barsele property in Sweden. The net smelter return is defined as gross proceeds less refining costs. Payment is required quarterly one month in arrears. The Company has a buyout option to repurchase the royalty for consideration of US\$5 million.
- The Partnership is committed to pay a royalty on production from certain properties in Quebec, Canada. The type of royalty agreements include, but are not limited to, net smelter return royalties, with percentages ranging from 1.5% to 5.0%.
- The Company is committed to pay a royalty on production from certain properties in Quebec, Canada. The type of royalty agreements include, but are not limited to, net profits interest royalties and net smelter return royalties, with percentages ranging from 2.5% to 5.0%.
- The Company is committed to pay a royalty on production from certain properties in Mexico. The type of royalty agreements include, but are not limited to, net smelter return royalties, with percentages ranging from 0.5% to 3.5%.

The Company regularly enters into various earn-in and shareholder agreements, often with commitments to pay net smelter return and other royalties.

The Company had the following purchase commitments as at December 31, 2017, of which \$264.3 million related to capital expenditures:

	<b>Purchase Commitments</b>
2018	\$270,603
2019	15,533
2020	7,424
2021	5,613
2022	2,467
Thereafter	17,092
<b>Total</b>	<b>\$318,732</b>

#### 26. ONGOING LITIGATION

On August 2, 2016, Canadian Malartic General Partnership ("CMGP"), a general partnership jointly owned by the Company and Yamana (the "Partnership"), was served with a class action lawsuit filed in the Superior Court of Quebec with respect to allegations involving the Canadian Malartic mine. The complaint is in respect of "neighbourhood annoyances" arising from

## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*December 31, 2017*

#### **26. ONGOING LITIGATION (Continued)**

dust, noise, vibrations and blasts at the mine. The plaintiffs are seeking damages in an unspecified amount as well as punitive damages in the amount of C\$20 million. The class action was certified in May 2017. In November 2017, a declaratory judgment was issued allowing the Partnership to settle individually with class members for 2017. The plaintiffs have filed an application for leave to appeal from this judgment. Leave to appeal was granted on January 11, 2018 and the appeal will be heard on June 8, 2018. On December 11, 2017, hearings were completed in respect of certain preliminary matters, including the Partnership's application for partial dismissal of the class action. Judgment was rendered on the preliminary matters and the partial dismissal of the class action was granted, removing the period of August 2013 to June 2014 from the class period. The Company and the Partnership will take all necessary steps to defend themselves from this lawsuit.

On August 15, 2016, the Partnership received notice of an application for injunction relating to the Canadian Malartic mine, which had been filed under the Environment Quality Act (Quebec). A hearing related to an interlocutory injunction was completed on March 17, 2017 and a decision of the Superior Court of Quebec dismissed the injunction. An application for permanent injunction is currently pending. The Company and the Partnership have reviewed the injunction request, consider the request without merit and will take all reasonable steps to defend against this injunction. These measures include a motion for the dismissal of the application for injunction, which has been filed and will be heard at a date that has yet to be determined. While at this time the potential impacts of the injunction cannot be definitively determined, the Company expects that if the injunction were to be granted, there would be a negative impact on the operations of the Canadian Malartic mine, which could include a reduction in production and shift reductions resulting in the loss of jobs.

On June 1, 2017, the Partnership was served with an application for judicial review to obtain the annulment of a governmental decree authorizing the expansion of the Canadian Malartic mine. The Partnership is an impleaded party in the proceedings. The Company and the Partnership have reviewed the application for judicial review, consider the application without merit and will take all reasonable steps to defend against this application. The hearing on the merits is scheduled to take place in October 2018. While the Company believes it is highly unlikely that the annulment will be granted, the Company expects that if the annulment were to be granted, there would be a negative impact on the operations of the Canadian Malartic mine, which could include a reduction in anticipated future production.

#### **27. SUBSEQUENT EVENTS**

##### ***Dividends Declared***

On February 14, 2018, Agnico Eagle announced that the Board approved the payment of a quarterly cash dividend of \$0.11 per common share (a total value of approximately \$25.5 million), paid on March 15, 2018 to holders of record of the common shares of the Company on March 1, 2018.

##### ***2018 Notes Issuance***

On February 27, 2018, the Company entered into a note purchase agreement with certain institutional investors, providing for the issuance of guaranteed senior unsecured notes consisting of \$45 million 4.38% Series A senior notes due 2028, \$55 million 4.48% Series B senior notes due 2030 and \$250 million 4.63% Series C senior notes due 2033 (collectively, the "2018 Notes"). The 2018 Notes are expected to be issued on or about April 5, 2018.

##### ***CMC Exploration Asset Purchase***

On December 21, 2017, the Company announced it had entered into an agreement to acquire all of the Canadian exploration assets of CMC, including the Kirkland Lake and Hammond Reef Gold projects and additional mining claims and assets located in Ontario and Quebec (the "CMC Transaction"). The CMC Transaction is structured as an asset deal, whereby the Company will acquire all of Yamana's indirect 50% interest in the Canadian exploration assets of CMC, giving the Company 100% ownership of CMC's interest in the assets on closing of the CMC Transaction. The effective purchase price after the distribution of the sale proceeds by CMC to its shareholders will be \$162.5 million in cash. The CMC Transaction is subject to

## **AGNICO EAGLE MINES LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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#### **27. SUBSEQUENT EVENTS (Continued)**

the receipt of government, First Nations and other third party consents, as well as other customary conditions. The CMC Transaction is expected to close on or around March 28, 2018 in respect of those assets which CMC can then convey (or such other date as the parties may agree), with subsequent closings thereafter as CMC obtains the requisite consents to transfer.

#### ***Purchase of Orla Mining Ltd. Units***

On February 15, 2018, the Company completed the purchase of 1,740,500 units (“Units”) of Orla Mining Ltd. (“Orla”) at a price of C\$1.75 per Unit for total cash consideration of C\$3.0 million. Each Unit is comprised of one common share of Orla (a “Common Share”) and one-half of one common share purchase warrant of Orla (each full common share purchase warrant, a “Warrant”). Each Warrant entitles the holder to acquire one Common Share at a price of C\$2.35 prior to February 15, 2021. Upon closing of the transaction, the Company held 17,613,835 Common Shares and 870,250 Warrants, representing approximately 9.86% of the issued and outstanding Common Shares on a non-diluted basis and approximately 10.30% of the issued and outstanding Common Shares on a partially-diluted basis assuming exercise of the Warrants held by the Company.

# Shareholder Information

## Auditors

Ernst & Young LLP

## Solicitors

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

## Listings

New York Stock Exchange and  
Toronto Stock Exchange

Stock Symbol: AEM

## Transfer Agent

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

## Investor Relations

T: (416) 947-1212

## Annual Meeting of Shareholders

Friday, April 27, 2018 at 11:00 AM (E.D.T.)  
Delta Hotel (SoCo Ballroom)  
75 Lower Simcoe Street  
Toronto, Ontario, Canada

## Corporate Head Office

Agnico Eagle Mines Limited  
145 King Street East, Suite 400  
Toronto, Ontario, Canada  
M5C 2Y7

T: (416) 947-1212

## Contact Us

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

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

 [info@agnicoeagle.com](mailto:info@agnicoeagle.com)

 [agnicoeagle.com](http://agnicoeagle.com)

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**Agnico Eagle's mission is to build a high-quality, easy-to-understand business—one that generates superior long-term returns for our shareholders, creates a great place to work for our employees, and contributes positively to the communities in which we operate.**