AGNICO EAGLE 2012 ANNUAL REPORT

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It still is.

2012 ANNUAL REPORT

Financial Summary

Annualized dividend

(per share)

All dollar amounts in this report are in US$ unless otherwise indicated	**2012**	2011	2010
Operating			
Gold production (ounces)	**1,043,811**	985,460	987,609
Total cash costs per ounce[1]	**$ 640**	$ 580	$ 451
Average realized gold price	**1,667**	1,573	1,250
Financial			
(millions except per share amounts)			
Revenue from mining operations	**$ 1,917.8**	$ 1,822	$ 1,422.5
Net income	**311**	(569)[2]	332.1
Net income per share	**1.82**	(3.36)[2]	2.05
Annualized dividend per share	**0.80**[3]	0.64	0.18

[1] Total cash costs per ounce is a non-GAAP measure. Please refer to the Management's Discussion and Analysis for a reconciliation of total cash costs per ounce to the nearest GAAP measure.

[2] 2011 net income results impacted by the after-tax writedowns on Meadowbank and Goldex of $645 million and $197 million, respectively.

[3] In December 2012, the Company announced a 10% increase in the quarterly dividend to $0.22 per share, with the first payment on March 13, 2013.

Note:

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

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The choice is Gold.

A continuing bull market. A history of positive correlation. An excellent entry point for new positions in bullion and gold mining shares.

The bull market in gold remains intact. The metal rose approximately 7.1% in 2012 in US dollar terms and has increased in each of the last 12 years.

Negative real interest rates incentivize capital to move into gold. It is difficult to imagine a world of positive real interest rates, absent a significant shift in monetary and fiscal policy in the Western democracies.

Gold and gold shares historically have been positively correlated. However, during the past few years, gold mining stocks have underperformed the metal due to a host of issues, some of which still hold true.

Gold mining stock valuations are now at the low end of the historical range since the introduction of the gold ETF (GLD) in 2004, or roughly 10% (basis XAU/spot bullion). Historically, past occurrences of such compressed valuation have been followed by significant rallies in gold mining shares over the ensuing few years.

We see evidence of fundamental change within the gold mining industry which addresses many of the concerns that have caused negative investor sentiment. For example, cost pressures are leveling off, which should help margins. Investor pushback against major capital spending projects is leading to better capital allocation decisions. There have been a number of departures at the CEO level due to investor dissatisfaction, and this should heighten the sense of accountability to shareholder interests in the ranks of management. On the other hand, resource nationalism remains a strong headwind. Only the better managed companies will be able to deal successfully with these pressures.

Despite the steady rise in the gold price over many years, it has failed to exceed the 2011 high of $1,901/oz. achieved during the debt ceiling crisis and US credit downgrade. This lack of direction has hurt gold mining stocks, which do best when the upward trend of the gold price is clear. We believe that gold stocks will respond favorably to a new high in the gold price.

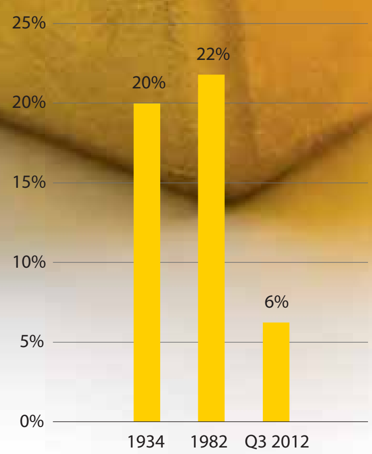
Gold needs to rise only 15% to trade at a new high. We believe that this is in the cards for 2013, and that such a move will be driven by the continuation of negative real interest rates and heightened concerns over the direction of monetary and fiscal affairs in all western democracies. Such concerns could be further exacerbated by a continuation of extremely weak economic activity in 2013.

Most investors seem to expect a gradual acceleration of economic growth in 2013. We disagree and believe that the recent tax hike,

Market cap of above ground gold as % of total US financial assets

($/tonne)

Source: Federal Reserve, World Gold Council



John Hathaway, CFA
Senior Managing Director
and Portfolio Manager,
Tocqueville Funds

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one of the largest in history, will dampen economic activity sufficiently to widen the deficit and require the extension of debt monetization by the Fed for years to come.

Polarization of public opinion and the political process over austerity versus growth agendas will also serve to paralyze economic activity. Not only will this require continued monetization of fiscal deficits, but it will affect business and consumer behavior negatively. Intractable fiscal issues such as tax and entitlement reform, in our opinion, will only be achieved through political consensus. In the absence of effective political leadership, such a consensus seems achievable only in the aftermath of a financial and economic meltdown on the order of 2008.

The case for gold stocks

In terms of potential return, gold stocks have inherent advantages over the metal itself: income, growth, and takeover potential. These three possible sources of return are beyond the scope of physical gold. As obvious as these attributes may seem, they have been periodically overlooked. Aside from speculators in Western capital markets, gold is purchased not for its return potential but rather for its traditional attributes as a safe haven and a store of value.

In the primal scramble for safety, the nuanced advantages of gold mining equities have been heavily discounted. To our thinking, the discount is sufficiently excessive to spell extraordinary opportunity.

Once gold demonstrates that it can trade sustainably above $2,000, or 20% above current levels, we believe that gold mining stocks could trade at 13%–15% of spot bullion (basis XAU). That would translate into appreciation of 60%–90% above the current XAU level of 160. Investor sentiment on gold is extremely negative, comparable to the levels of mid-May 2012, when gold was trading approximately $100/oz. below current levels. Historically, extreme negative sentiment levels such as these have provided excellent entry points for new positions in bullion and the mining shares.

Central banks net purchases
(tonnes)

Source: World Gold Council