A New Era Begins

2018 ANNUAL REPORT

Agnico Eagle Mines Limited

AGNICO EAGLE

Agnico Eagle Mines Limited is a senior Canadian gold mining company that has produced precious metals since 1957. Our operating 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. 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.

Contents

ON THE COVER (COUNTER-CLOCKWISE FROM TOP LEFT):

I. People
Underground Miner Gaetan Bouchard (left) with Supervisor Ashton Kadjuk (right). Ashton is Agnico's first Inuk underground supervisor.

II. Pipeline
With the start of new operations at both Meliadine and Amaruq this year, we anticipate record gold production in 2019.

III. Performance
Commercial production at Meliadine is now expected to be achieved early in the second quarter of 2019.

A NEW ERA BEGINS

Canada's North is rich – rich in spirit, rich in resources and rich in potential. Unlocking that potential takes insight, inclusiveness and a capacity to problem-solve. As we prepare to open our new Meliadine and Amaruq mines in Nunavut, we believe that in order for mining to work, it must work for all stakeholders. It's the only way we know how to do business. A new era begins – one that brings much-needed prosperity to Canada's North and develops these resources for the benefit of all Canadians.

Celebrating Meliadine's First Pour (left to right) Underground equipment operators Hannah Pilakapsi, Angela Misheralak, Beth Napayok & Gloria Kaludjak.

Message from the CEO

SEAN BOYD, VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Agnico Eagle is now the biggest producer of gold in Canada and with the planned opening of our Meliadine and Amaruq mines in 2019, our in-country production is expected to grow by more than 40% by 2021. As our shareholders begin to benefit from the substantial investments we have made to build our Nunavut platform, so too will our community stakeholders. We are proud to contribute to the economic prosperity of Nunavut and to help secure a better quality of life for the Nunavummiut.

Yvon Sylvestre, SVP Operations – Canada and Europe (left) and Sean Boyd, CEO with the first gold poured at Meliadine on February 21, 2019.

Agnico Eagle has stayed true to the mission, vision and values that have sustained our company for over 60 years. Our disciplined growth strategy has enabled us to deliver a track record of performance that sets a high standard within our industry.

We will not deviate from our strategy for success. It remains our mission to be 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 and countries in which we operate.

Strong Performance

Agnico Eagle recorded another year of strong production and stable costs, exceeding our forecast for the seventh year in a row and delivering over 1.6 million ounces of gold.

Our safety performance, unfortunately, fell short of our target objective mainly due to the extensive construction activities at our Nunavut operations. At our Abitibi mines, Lapa once again achieved triple zero performance.[1] This is particularly meaningful given that Lapa was officially closed in 2018, signifying that employees continued to take that extra step to ensure their colleagues' safety. We will continue to work closely with our employees and contractors to reach our ultimate goal of zero lost-time accidents.

Our operations delivered on their production and cost guidance, generating strong cash flow throughout 2018. This allowed us to exceed our production guidance for the seventh consecutive year and increase our dividend by 13.6%. With the excellent development progress we have made in Nunavut, we expect to produce record amounts of gold in 2019.

1. No lost-time accidents, light-duty assignments or fatalities during the calendar year.

"Our disciplined growth strategy has enabled us to deliver a track record of performance that sets a high standard within our industry."

Agnico Eagle's mineral reserves remain among the highest quality of our North American peers. In 2018, our geologists continued to focus on maintaining high-quality gold reserves at our key operations, growing our gold reserves by 7% while increasing grades by almost 8%.

Growth Profile and Pipeline

In 2018, we substantially completed construction of two new gold mines – the Meliadine mine and the Amaruq satellite deposit in Nunavut. Our capital expenditures are expected to decrease significantly, even as we ramp up annual gold production to over 2 million ounces. This production boost should increase cash flow per share and investment returns.

Our disciplined approach and project team is expected to deliver both Meliadine and Amaruq ahead of schedule, with commercial production at Meliadine now set for early in the second quarter of 2019 and commercial production at Amaruq's Whale Tail deposit expected in the third quarter.

It is Agnico Eagle's extensive expertise in mine finding and building – as well as the trusting relationships we have built over time – that have given us a competitive advantage in Mexico, Finland and Canada. As we continue to move major exploration projects, such as Kirkland Lake and Santa Gertrudis, through our development pipeline we are also cultivating our next generation of leaders. With their experience and ability to look through risk to see opportunity, we will continue to build Agnico Eagle into a self-sustaining, self-funding business with the financial flexibility to invest in the future growth of our company.

Gold Sparks Renewed Interest

We continue to see renewed interest in gold from fund managers who are looking to protect their portfolios and preserve wealth. The environment, however, remains risk averse, with investors seeking exposure to only the highest-quality and lowest-risk gold vehicles. Agnico Eagle's profile continued to resonate with investors, as did our disciplined and measured approach to growing our company. Our track record of delivering high-quality growth and returns is what investors are buying when they purchase shares in Agnico Eagle.

A New Era Begins

Agnico Eagle has long created value for our shareholders and employees, but we are equally proud of the value we create for our mining communities. Whether it is high-quality jobs or training opportunities or building much-needed infrastructure and supporting a higher standard of living, Agnico Eagle seeks to develop mineral resources for the benefit of all.

We are currently working with a Coalition of Inuit representatives and businesses, for example, to create energy infrastructure that would be a legacy for generations of Nunavummiut. With the region's total reliance on diesel fuel for energy production, we are pursuing a wind farm at Meliadine that, if successful, would not only provide economic benefits, but also significantly reduce our carbon footprint. The long-term goal of the Coalition is to build hydroelectric transmission and fibre-optic infrastructure from northern Manitoba to the Kivalliq region. This long-term energy solution would bring much needed power and prosperity to Canada's North, delivering a cleaner and more sustainable economy for the benefit of future generations.

We are delivering on a similar initiative in Mexico that is poised to bring a steady supply of electrical power to our La India mine, while at the same time, connecting communities near the mine with electrical power for the first time ever. This initiative will benefit over 120 local families and we expect to begin construction later in 2019.

Looking Ahead

Agnico Eagle is not only a high-quality investment, we are a high-quality business run by great people who work every day to create value and deliver responsible growth for the benefit of future generations. We will continue to execute our business strategy and work hard to deliver on our promises to all of our stakeholders.

Sean Boyd
Vice-Chairman and Chief Executive Officer

March 12, 2019

2018 OPERATIONAL HIGHLIGHTS

From an operational standpoint, 2018 was another strong year
Exceeded production forecasts at lower than expected unit costs for a seventh consecutive year, while gold reserves grew and successfully advanced our Nunavut development projects

$637
Total cash costs per ounce of gold, exceeding guidance

9%
Year-over-year increase of gold contained in measured and indicated mineral resources

19%
Year-over-year increase of gold in inferred mineral resources

14%
dividend increase

2018 At-a-Glance

OPERATIONAL HIGHLIGHTS

1.63M	4.5M	7.9K	4.2K
ounces gold production	ounces silver production	tonnes zinc production	tonnes of copper production

PERFORMANCE

6.7%
higher production than originally forecasted

PIPELINE

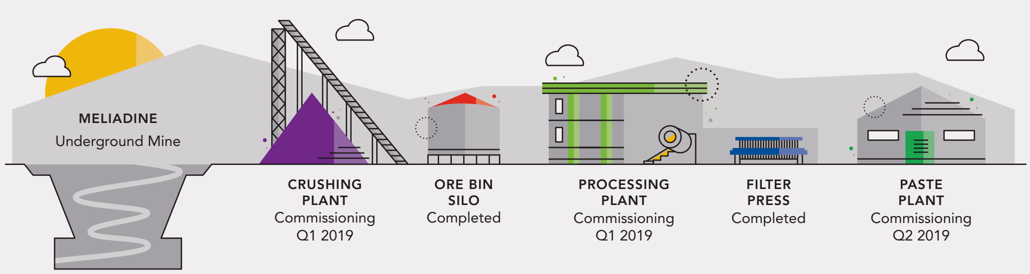
7%
increase in gold reserves in 2018

PEOPLE

9,900
people working at Agnico Eagle worldwide

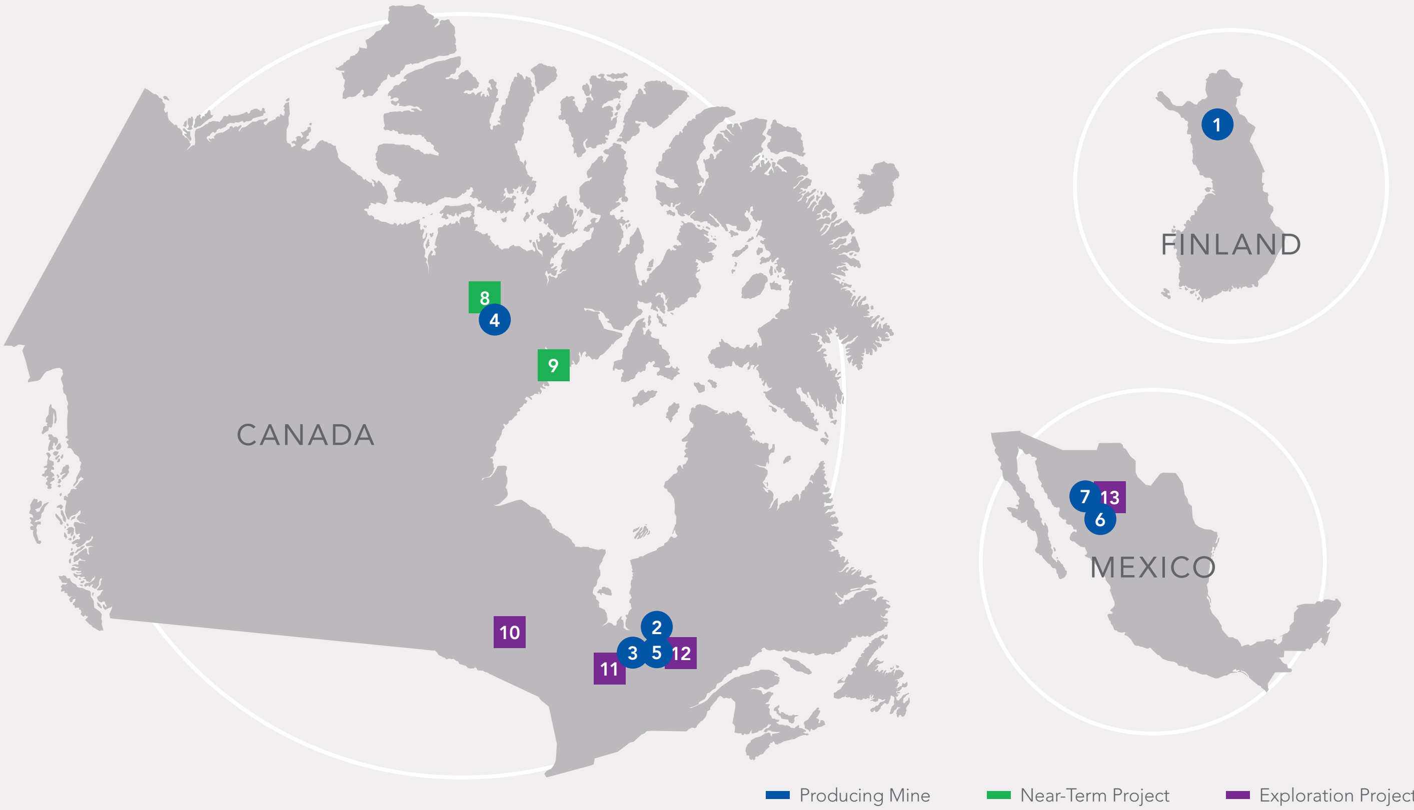
NUNAVUT OPERATIONS

A New Era Begins
Agnico Eagle has identified Nunavut as a politically attractive and stable jurisdiction with enormous geological potential. With the Company's Meadowbank mine, two significant development assets (Meliadine and the Amaruq satellite deposit at Meadowbank) and other exploration projects, Nunavut has the potential to be a strategic operating platform with the ability to generate strong gold production and cash flows over several decades.



Amaruq
Initial production from the Whale Tail deposit is expected to begin in the third quarter of 2019. The Whale Tail satellite deposit is located approximately 64 km north of the Meadowbank mine.

Meliadine
Underground development and surface construction at Meliadine are nearing completion. Commissioning of the mill is now underway, with commercial production expected to occur early in the second quarter of 2019.



MINING OPERATIONS

Agnico Eagle's operating mines are located in Canada, Mexico and Finland. We are currently completing the development of the Amaruq and Meliadine projects in Nunavut, northern Canada which are expected to add significant production starting in 2019.

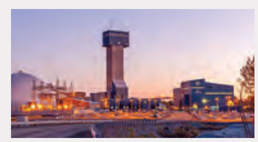
1. Kittila Mine (100%)
Lapland, Finland
Underground mine

2018 payable production:
188,979 ounces of gold

2. LaRonde Complex (100%)
Quebec, Canada
Underground mines

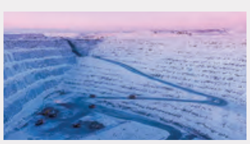
LaRonde Mine
2018 payable production:
343,686 ounces of gold

LaRonde Zone 5 Mine
2018 payable production:
18,620 ounces of gold



3. Goldex Mine (100%)
Quebec, Canada
Underground mine

2018 payable production:
121,167 ounces of gold



4. Meadowbank Complex (100%)
Nunavut, Canada
Open pit mine

2018 payable production:
248,997 ounces of gold

5. Canadian Malartic Mine (50%)
Quebec, Canada
Open pit mine

2018 payable production:
348,600 ounces of gold

6. Pinos Altos & Creston Mascota Complex (100%)
Chihuahua State, Mexico
Open pit and underground mine with milling and heap leach operation

Pinos Altos Mine
2018 payable production:
181,057 ounces of gold

Creston Mascota Mine
2018 payable production:
40,180 ounces of gold

7. La India Mine (100%)
Sonora State, Mexico
Open pit mine with heap leach operation in Mulatos Gold Belt

2018 payable production:
101,357 ounces of gold

NEAR-TERM DEVELOPMENT PROJECTS

8. Amaruq Whale Tail Project
Gold mine development project
Nunavut, Canada

Amaruq Whale Tail is being developed as a satellite mining operation to Meadowbank mine, forecast to achieve commercial production early in the third quarter of 2019.

9. Meliadine Project
Gold mine development project
Nunavut, Canada

Meliadine is forecast to achieve commercial production early in the second quarter of 2019.

EXPLORATION PROJECTS

10. Hammond Reef (100%)
Northwestern Ontario, Canada

A gold exploration project where open pit measured and indicated mineral resources have been outlined.

11. Kirkland Lake (100%)
Northeastern Ontario, Canada

The Kirkland Lake project covers approximately 27,073 hectares and mineral reserves and mineral resources have been outlined on several properties.

12. Canadian Malartic – Odyssey & East Malartic projects (50%)
Quebec, Canada

Potential new source of underground ore located east of the Canadian Malartic mill.

13. Santa Gertrudis (100%)
Sonora State, Mexico

An historical heap leach operation that produced approximately 565,000 ounces of gold at a grade of 2.1 g/t gold from 1991 to 2000.

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 consists of 10 directors, of which all but one director are independent from management. 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. The proportion of women is currently 30% of the directors and the proportion of non-residents of Canada is currently 20% of the directors. The proportion of women chairing Committees of the Board of Directors is currently 50%. The Board of Directors believes that the diversity represented by the directors seeking election at the 2019 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 of Directors 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 and developing senior management and for compensating 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.

In September 2018, Agnico Eagle revised its Aboriginal Policy to adopt an Indigenous Peoples Engagement Policy as a statement of our commitment to engage with First Nations throughout the life-cycle of our projects and 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 Corporate Social Responsibility 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.

BOARD OF DIRECTORS

James D. Nasso ICD.D[4]
Chairman of the Board
(Director since 1986)

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

Dr. Leanne M. Baker[1]
(Director since 2003)

Martine A. Celej[2,3]
(Director since 2011)

Robert J. Gemmell[2]
(Director since 2011)

Mel Leiderman FCPA, FCA, TEP, ICD.D[1]
(Director since 2003)

Deborah McCombe P.Geo[4]
(Director since 2014)

Dr. Sean Riley[4]
(Director since 2011)

J. Merfyn Roberts CA[2,3]
(Director since 2008)

Jamie Sokalsky CPA, CA[1,3]
(Director since 2015)

1. Audit Committee
2. Compensation Committee
3. Corporate Governance Committee
4. Health, Safety, Environment and Sustainable Development (HSESD) Committee

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

Financial Highlights

We continue to build Agnico Eagle into a self-sustaining, self-funding business with the financial flexibility to invest in the future growth of our Company.

2018 OPERATING AND FINANCIAL HIGHLIGHTS

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

Operating		2018		2017		2016
Payable gold production (ounces)[2]		1,626,669		1,713,533		1,662,888
Total cash costs per ounce[3]	$	637	$	558	$	573
Average realized gold price per ounce	$	1,266	$	1,261	$	1,249
Financial (millions, except per share amounts)						
Revenue from mining operations	$	2,191.2	$	2,242.6	$	2,138.2
Net income for the year[4,5]	$	(326.7)	$	240.8	$	158.8
Net income per share – basic[4,5]	$	(1.40)	$	1.05	$	0.71
Annualized dividend declared per share[1]		0.44		0.41		0.36

1. Agnico Eagle has now declared a cash dividend every year since 1983.
2. 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.
3. 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".
4. Net income for the year ended December 31, 2018, includes impairment losses of $389.7 million ($1.66 per share).
5. In accordance with the adoption of IFRS 9 on January 1, 2018, the Company has restated comparative information where required.

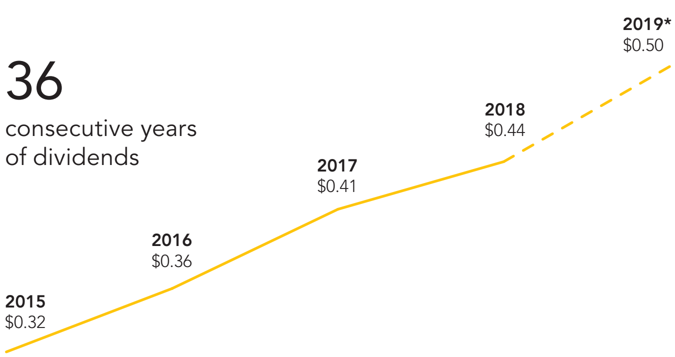
ANNUALIZED DIVIDEND

(per share)

* Assuming the Board of Directors continues to declare dividends of $0.125 per quarter.

36

consecutive years of dividends



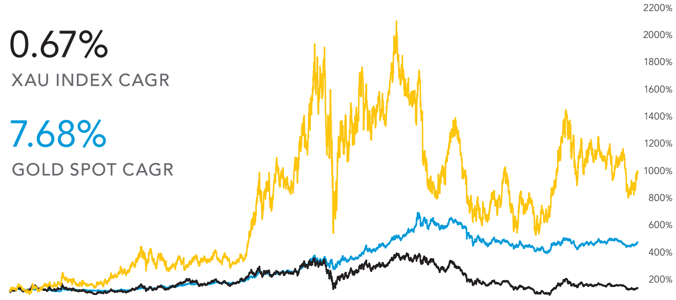
GROWING VALUE ON A PER SHARE BASIS

AEM US Equity   XAU Index   Gold Spot

11.74%
AEM US EQUITY CAGR

0.67%
XAU INDEX CAGR

7.68%
GOLD SPOT CAGR



Source: Bloomberg

MINERAL RESERVES

Gold reserves increase by 7% at higher grade in 2018

In 2018, mineral reserves grew by 1.5 million ounces of gold compared to the prior year. Agnico Eagle continues to have one of the highest mineral reserve grades among our North American peers.

The Company's proven and probable mineral reserves, net of 2018 gold production, totalled 254 million tonnes of ore grading 2.70 g/t gold, containing approximately 22.0 million ounces of gold at December 31, 2018. The ore extracted from mines in 2018 contained 1.8 million ounces of gold *in-situ* (30.4 million tonnes grading 1.86 g/t gold).

The overall mineral reserve gold grade improved 8% to 2.70 g/t from 2.49 g/t, largely due to increases in the mineral reserve at mines and projects with higher-than-average grades.

Highlights include an increase of 0.5 million ounces of gold in mineral reserves at Amaruq, part of the Meadowbank Complex, to 2.9 million ounces of gold (24.9 million tonnes grading 3.59 g/t gold) at open pit depth due to conversion from mineral resources; an increase of 0.4 million ounces of gold in mineral reserves at LaRonde (net of 2018 gold production) to 3.1 million ounces of gold (16.4 million tonnes grading 5.85 g/t gold, 18.2 g/t silver, 0.26% copper and 0.9% zinc) due to conversion of LaRonde 3 mineral resources below 3.1 kilometres depth; an increase of 0.3 million ounces of gold in mineral reserves at Kittila (net of 2018 gold production) to 4.4 million ounces of gold (30.5 million tonnes grading 4.50 g/t gold) as a result of the shaft expansion project; an increase of 0.7 million ounces of gold in mineral reserves at the Upper Beaver project in Kirkland Lake, doubling the mineral reserves to 1.4 million ounces of gold (8.0 million tonnes grading 5.43 g/t gold), as a result of acquiring the remaining 50% of the project in March 2018.

It is the Company's goal to maintain its global mineral reserves at approximately 10 to 15 times its annual gold production rate. The current mineral reserves are within this range.

The Company's current mineral reserve and mineral resource estimates are based on a gold price of $1,150 per ounce, other than the Canadian Malartic mine, the Upper Canada project and the Upper Beaver project, where mineral reserves and mineral resources are based on gold prices of $1,200 per ounce. At a gold price of $1,250 per ounce (leaving all other assumptions unchanged), the Company estimates there would be an approximate 4.2% increase in the gold contained in proven and probable mineral reserves. Conversely, using a gold price of $1,050 (leaving all other assumptions unchanged), the Company estimates there would be an approximate 6.0% decrease in the gold contained in proven and probable mineral reserves.

As of December 31, 2018

OPERATIONS			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%	4,817	4.87	754	11,561	6.26	2,327	16,378	5.85	3,081
LaRonde Zone 5	Underground	100%	4,053	2.03	264	5,377	2.41	417	9,430	2.25	681
Canadian Malartic	Open Pit	50%	23,029	0.89	658	55,799	1.18	2,122	78,828	1.10	2,780
Goldex	Underground	100%	207	2.06	14	18,717	1.58	949	18,925	1.58	962
Akasaba West	Open Pit	100%	–	–	–	5,432	0.84	147	5,432	0.84	147
Lapa	Underground	100%	–	–	–	–	–	–	–	–	–
Meadowbank	Open Pit	100%	1,141	1.57	58	464	2.68	40	1,605	1.89	98
Amaruq	Open Pit	100%	89	3.15	9	24,852	3.60	2,873	24,941	3.59	2,882
Meadowbank Complex Total			**1,230**	**1.68**	**67**	**25,315**	**3.58**	**2,913**	**26,546**	**3.49**	**2,979**
Meliadine	Open Pit	100%	150	5.67	27	3,552	5.52	630	3,702	5.52	657
Meliadine	Underground	100%	–	–	–	13,033	7.39	3,095	13,033	7.39	3,095
Meliadine Total			**150**	**5.67**	**27**	**16,585**	**6.99**	**3,725**	**16,736**	**6.97**	**3,753**
Upper Beaver	Underground	100%	–	–	–	7,992	5.43	1,395	7,992	5.43	1,395
Kittila	Underground	100%	491	4.12	65	30,040	4.50	4,349	30,531	4.50	4,414
Pinos Altos	Open Pit	100%	9	0.39	0	4,056	0.95	123	4,066	0.94	123
Pinos Altos	Underground	100%	4,772	2.71	416	8,266	2.43	645	13,039	2.53	1,061
Pinos Altos Total			**4,782**	**2.70**	**416**	**12,323**	**1.94**	**769**	**17,104**	**2.15**	**1,184**
Creston Mascota	Open Pit	100%	–	–	–	1,434	1.77	82	1,434	1.77	82
La India	Open Pit	100%	228	0.49	4	24,256	0.74	577	24,484	0.74	581
Totals			**38,987**	**1.81**	**2,268**	**214,833**	**2.86**	**19,771**	**253,820**	**2.70**	**22,039**
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%	4,817	14.63	2,265	11,561	19.72	7,331	16,378	18.22	9,597
Pinos Altos	Open Pit	100%	9	138.55	42	4,056	25.01	3,262	4,066	25.28	3,304
Pinos Altos	Underground	100%	4,772	63.21	9,698	8,266	65.91	17,517	13,039	64.92	27,215
Pinos Altos Total			**4,782**	**63.36**	**9,740**	**12,323**	**52.45**	**20,779**	**17,104**	**55.50**	**30,519**
Creston Mascota	Open Pit	100%	–	–	–	1,434	40.89	1,886	1,434	40.89	1,886
La India	Open Pit	100%	228	3.73	27	24,256	2.54	1,981	24,484	2.55	2,008
Totals			**9,826**	**38.09**	**12,032**	**49,575**	**20.06**	**31,977**	**59,401**	**23.04**	**44,010**
COPPER	Mining Method	Ownership	000 Tonnes	%	tonnes Cu	000 Tonnes	%	tonnes Cu	000 Tonnes	%	tonnes Cu
LaRonde	Underground	100%	4,817	0.20	9,874	11,561	0.28	32,877	16,378	0.26	42,751
Akasaba West	Open Pit	100%	–	–	–	5,432	0.48	25,832	5,432	0.48	25,832
Upper Beaver	Underground	100%	–	–	–	7,992	0.25	19,980	7,992	0.25	19,980
Totals			**4,817**	**0.20**	**9,874**	**24,985**	**0.31**	**78,689**	**29,802**	**0.30**	**88,563**
ZINC	Mining Method	Ownership	000 Tonnes	%	tonnes Zn	000 Tonnes	%	tonnes Zn	000 Tonnes	%	tonnes Zn
LaRonde	Underground	100%	4,817	0.54	25,797	11,561	0.99	114,430	16,378	0.86	140,226
Totals			**4,817**	**0.54**	**25,797**	**11,561**	**0.99**	**114,430**	**16,378**	**0.86**	**140,226**

MINERAL RESOURCES

Measured and indicated mineral resources increase by 9% and inferred mineral resources by 19%
In 2018, Agnico Eagle's measured and indicated mineral resources increased to 399 million tonnes grading 1.36 g/t gold, or 17.4 million ounces of gold. This represents a 9% increase in ounces of gold, but a decrease in grade to 1.36 g/t gold.

The increase was largely at the Hammond Reef project where the remaining 50% interest was purchased, adding 2.3 million ounces of gold in measured and indicated mineral resources. The same transaction doubled the mineral resources at the Kirkland Lake assets, adding 495,000 ounces of gold in indicated mineral resources.

Two other properties increased measured and indicated mineral resources. East Malartic reported initial indicated mineral resources of 5.3 million tonnes grading 2.13 g/t gold (361,000 ounces of gold) at underground depths mainly due to: the conversion of inferred mineral resources as well as the assignment of the Barnat Deep area mineral resources to East Malartic. At Amaruq, the underground indicated mineral resources, particularly at Whale Tail, expanded but this increase was largely offset by the conversion to mineral reserves in the expanded open pit plans; the net gain was 110,000 ounces of gold in indicated mineral resources at Amaruq.

The conversion of indicated mineral resources in LaRonde 3 to mineral reserves led to a depletion of 839,000 ounces of gold in indicated mineral resources at LaRonde. Because of the shaft expansion project at Kittila, 515,000 ounces of gold in indicated mineral resources were converted to mineral reserves.

Agnico Eagle's inferred mineral resources now total 209 million tonnes grading 2.69 g/t gold, or approximately 18.1 million ounces of gold. This represents an approximate 19% increase in ounces of gold, but a decrease in grade to 2.69 g/t gold. As with measured and indicated mineral resources, the increase to inferred mineral resources was mainly due to increasing ownership of Ontario properties and discovery success, partially offset by conversion to indicated mineral resources.

As of December 31, 2018

OPERATION			MEASURED			INDICATED			MEASURED & INDICATED			INFERRED		
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	000 Tonnes	g/t	000 Oz Au
LaRonde	Underground	100%	–	–	–	4,872	3.25	509	4,872	3.25	509	5,494	4.95	874
LaRonde Zone 5	Underground	100%	–	–	–	6,796	2.34	510	6,796	2.34	510	2,985	5.19	498
Ellison	Underground	100%	–	–	–	665	3.19	68	665	3.19	68	2,343	3.38	254
Canadian Malartic	Open Pit	50%	238	0.48	4	915	0.48	14	1,153	0.48	18	998	0.98	32
Canadian Malartic	Underground	50%	1,647	1.49	79	6,426	1.66	342	8,073	1.62	421	1,694	1.38	75
Canadian Malartic Total			**1,885**	**1.36**	**83**	**7,341**	**1.51**	**356**	**9,226**	**1.48**	**439**	**2,692**	**1.23**	**107**
Odyssey	Underground	50%	–	–	–	1,009	2.11	68	1,009	2.11	68	11,498	2.19	809
East Malartic	Underground	50%	–	–	–	5,265	2.13	361	5,265	2.13	361	22,021	1.98	1,403
Goldex	Underground	100%	12,360	1.86	739	15,413	1.90	944	27,773	1.88	1,683	27,791	1.50	1,338
Akasaba West	Open Pit	100%	–	–	–	2,141	0.67	46	2,141	0.67	46	–	–	–
Lapa	Underground	100%	–	–	–	–	–	–	–	–	–	–	–	–
Zulapa	Open Pit	100%	–	–	–	–	–	–	–	–	–	391	3.14	39
Meadowbank	Open Pit	100%	25	0.96	1	1,728	2.35	130	1,752	2.33	131	63	2.05	4
Amaruq	Open Pit	100%	–	–	–	4,247	3.34	455	4,247	3.34	455	899	4.20	121
Amaruq	Underground	100%	–	–	–	4,618	4.56	676	4,618	4.56	676	11,675	5.19	1,948
Amaruq Total			**–**	**–**	**–**	**8,865**	**3.97**	**1,132**	**8,865**	**3.97**	**1,132**	**12,573**	**5.12**	**2,069**
Meadowbank Complex Total			**25**	**0.96**	**1**	**10,593**	**3.71**	**1,262**	**10,618**	**3.70**	**1,263**	**12,637**	**5.10**	**2,073**
Meliadine	Open Pit	100%	–	–	–	10,643	3.51	1,200	10,643	3.51	1,200	997	4.60	148
Meliadine	Underground	100%	–	–	–	15,319	4.02	1,979	15,319	4.02	1,979	12,482	6.11	2,450
Meliadine Total			**–**	**–**	**–**	**25,962**	**3.81**	**3,179**	**25,962**	**3.81**	**3,179**	**13,479**	**6.00**	**2,598**
Hammond Reef	Open Pit	100%	165,662	0.70	3,724	42,754	0.57	777	208,416	0.67	4,501	501	0.74	12
Upper Beaver	Underground	100%	–	–	–	3,636	3.45	403	3,636	3.45	403	8,688	5.07	1,416
AK Project	Underground	100%	–	–	–	1,268	6.51	265	1,268	6.51	265	2,373	5.32	406
Anoki-McBean	Underground	100%	–	–	–	1,868	5.33	320	1,868	5.33	320	2,526	4.70	382
Upper Canada	Open Pit	100%	–	–	–	–	–	–	–	–	–	4,886	1.97	309
Upper Canada	Underground	100%	–	–	–	–	–	–	–	–	–	7,212	6.22	1,442
Upper Canada Total			**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,098**	**4.50**	**1,752**
Kittila	Open Pit	100%	–	–	–	229	3.41	25	229	3.41	25	373	3.89	47
Kittila	Underground	100%	1,776	2.62	150	16,802	2.64	1,424	18,578	2.63	1,574	7,879	3.84	972
Kittila Total			**1,776**	**2.62**	**150**	**17,030**	**2.65**	**1,449**	**18,807**	**2.64**	**1,599**	**8,252**	**3.84**	**1,019**
Kuotko	Open Pit	100%	–	–	–	–	–	–	–	–	–	284	3.18	29
Kylmäkangas	Underground	100%	–	–	–	–	–	–	–	–	–	1,896	4.11	250
Barsele	Open Pit	55%	–	–	–	3,178	1.08	111	3,178	1.08	111	2,260	1.25	91
Barsele	Underground	55%	–	–	–	1,158	1.77	66	1,158	1.77	66	13,552	2.10	914
Barsele Total			**–**	**–**	**–**	**4,335**	**1.27**	**176**	**4,335**	**1.27**	**176**	**15,811**	**1.98**	**1,005**
Pinos Altos	Open Pit	100%	–	–	–	934	0.61	18	934	0.61	18	758	0.84	20
Pinos Altos	Underground	100%	–	–	–	18,165	1.84	1,073	18,165	1.84	1,073	4,041	2.17	282
Pinos Altos Total			**–**	**–**	**–**	**19,098**	**1.78**	**1,091**	**19,098**	**1.78**	**1,091**	**4,799**	**1.96**	**302**
Creston Mascota	Open Pit	100%	–	–	–	1,345	0.65	28	1,345	0.65	28	386	1.02	13
La India	Open Pit	100%	11,908	0.57	219	2,774	0.53	47	14,682	0.57	267	1,761	0.53	30
Tarachi	Open Pit	100%	–	–	–	22,665	0.40	294	22,665	0.40	294	6,476	0.33	68
Chipriona	Open Pit	100%	–	–	–	–	–	–	–	–	–	6,355	0.78	160
El Barqueño Gold	Open Pit	100%	–	–	–	8,115	1.22	318	8,115	1.22	318	8,200	1.22	322
Santa Gertrudis	Open Pit	100%	–	–	–	–	–	–	–	–	–	27,498	1.09	962
Totals			**193,615**	**0.79**	**4,916**	**204,946**	**1.89**	**12,475**	**398,562**	**1.36**	**17,390**	**209,232**	**2.69**	**18,122**

As of December 31, 2018

OPERATION			MEASURED			INDICATED			MEASURED & INDICATED			INFERRED		
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	000 Tonnes	g/t	000 Oz Ag
LaRonde	Underground	100%	–	–	–	4,872	25.34	3,969	4,872	25.34	3,969	5,494	14.31	2,528
Kylmäkangas	Underground	100%	–	–	–	–	–	–	–	–	–	1,896	31.11	1,896
Pinos Altos	Open Pit	100%	–	–	–	934	13.05	392	934	13.05	392	758	17.41	424
Pinos Altos	Underground	100%	–	–	–	18,165	42.42	24,771	18,165	42.42	24,771	4,041	49.16	6,387
Pinos Altos Total			**–**	**–**	**–**	**19,098**	**40.98**	**25,163**	**19,098**	**40.98**	**25,163**	**4,799**	**44.15**	**6,811**
Creston Mascota	Open Pit	100%	–	–	–	1,345	8.78	380	1,345	8.78	380	386	9.91	123
La India	Open Pit	100%	11,908	3.20	1,227	2,774	4.44	396	14,682	3.44	1,623	1,761	3.37	191
Chipriona	Open Pit	100%	–	–	–	–	–	–	–	–	–	6,355	89.63	18,312
El Barqueño Silver	Open Pit	100%	–	–	–	–	–	–	–	–	–	4,108	127.97	16,901
El Barqueño Gold	Open Pit	100%	–	–	–	8,115	4.63	1,208	8,115	4.63	1,208	8,200	17.45	4,600
Totals			**11,908**	**3.20**	**1,227**	**36,205**	**26.73**	**31,116**	**48,112**	**20.91**	**32,343**	**32,998**	**48.41**	**51,362**
COPPER	Mining Method	Ownership	000 Tonnes	%	Tonnes Cu	000 Tonnes	%	Tonnes Cu	000 Tonnes	%	Tonnes Cu	000 Tonnes	%	Tonnes Cu
LaRonde	Underground	100%	–	–	–	4,872	0.16	7,582	4,872	0.16	7,582	5,494	0.24	13,248
Akasaba West	Open Pit	100%	–	–	–	2,141	0.40	8,511	2,141	0.40	8,511	–	–	–
Upper Beaver	Underground	100%	–	–	–	3,636	0.14	5,135	3,636	0.14	5,135	8,688	0.20	17,284
Chipriona	Open Pit	100%	–	–	–	–	–	–	–	–	–	6,355	0.19	11,787
El Barqueño Gold	Open Pit	100%	–	–	–	8,115	0.18	14,949	8,115	0.18	14,949	8,200	0.22	18,069
Totals			**–**	–	**–**	**18,764**	**0.19**	**36,177**	**18,764**	**0.19**	**36,177**	**28,736**	**0.21**	**60,388**
ZINC	Mining Method	Ownership	000 Tonnes	%	Tonnes Zn	000 Tonnes	%	Tonnes Zn	000 Tonnes	%	Tonnes Zn	000 Tonnes	%	Tonnes Zn
LaRonde	Underground	100%	–	–	–	4,872	0.97	47,051	4,872	0.97	47,051	5,494	0.63	34,523
Chipriona	Open Pit	100%	–	–	–	–	–	–	–	–	–	6,355	0.79	50,400
Totals			**–**	–	**–**	**4,872**	**0.97**	**47,051**	**4,872**	**0.97**	**47,051**	**11,849**	**0.72**	**84,923**

Notes: Mineral reserves are not a subset of mineral resources. Tonnage amounts and contained metal amounts set out in this table have been rounded to the nearest thousand, so aggregate amounts may differ from column totals. Please refer to the Company news release dated February 14, 2019 and the Company's Annual Information Form for the year ended December 31, 2018, for further details on mineral reserves and mineral resources. 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; relating to mineral reserves at the Canadian Malartic mine, has been approved by Sylvie Lampron, Eng., Senior Project Mine Engineer at Canadian Malartic Corporation; and relating to mineral resources at the Canadian Malartic mine and the Odyssey and East Malartic projects, has been approved by Pascal Lehouiller, P. Geo., Senior Resource Geologist at Canadian Malartic Corporation, each of whom is a "Qualified Person" for the purposes of NI 43-101.

The assumptions used for the December 31, 2018 mineral reserves estimate at all mines and advanced projects reported by the Company were as follows:

	Metal prices				Exchange rates		
	Gold (US$/oz)	Silver (US$/oz)	Copper (US$/lb)	Zinc (US$/lb)	C$ per US$1.00	Mexican peso per US$1.00	US$ per €1.00
Long-life operations and projects					$1.20	MXP16.00	$1.15
Short-life operations – Meadowbank mine, Sinter and Creston Mascota (Bravo) satellite operation at Pinos Altos	$1,150	$16.00	$2.50	$1.00	$1.25	MXP17.00	N/A
Upper Canada, Upper Beaver*, Canadian Malartic mine**	$1,200	N/A	$2.75	N/A	$1.25	N/A	N/A

*The Upper Beaver project has a net smelter return (NSR) cut-off value of C$125/tonne

**The Canadian Malartic mine uses a cut-off grade between 0.37 g/t and 0.38 g/t gold (depending on the deposit)

The Canadian Malartic General Partnership, owned by Agnico Eagle (50%) and Yamana (50%), which owns and operates the Canadian Malartic mine, and the Upper Beaver project in Kirkland Lake (owned 100% by Agnico Eagle since March 2018), have estimated the December 2018 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 0.37 g/t and 0.38 g/t gold (depending on the deposit); a net smelter return (NSR) value of C$125/tonne for the Upper Beaver project; and an exchange rate of C$1.25 per US$1.00.

Management's Discussion & Analysis

FOR THE YEAR ENDED DECEMBER 31, 2018

FORWARD-LOOKING STATEMENTS

The information in this annual report has been prepared as at March 12, 2019. 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", "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, recovery rates, project timelines, drilling results, metal production, life of mine estimates, total cash costs per ounce, all-in sustaining costs per ounce, minesite costs per tonne, other expenses, cash flows and free cash flow; the methods by which ore will be extracted or processed; statements concerning the Company's plans to build operations at Meliadine and Amaruq and the Company's expansion plans at Kittila, including the timing, funding, completion and commissioning thereof; statements concerning other expansion projects, recovery rates, mill throughput, optimization and projected exploration, including costs and other estimates upon which such projections are based; statements regarding timing and amounts of capital expenditures and other expenditures; estimates of future mineral reserves, mineral resources, mineral production, optimization efforts and sales; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; future dividend amounts and payment dates; 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 and the effect of drill results on future mineral reserves and mineral resources; statements regarding anticipated future exploration; the anticipated timing of events with respect to the Company's mine sites; 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, 2018 filed with Canadian securities regulators and that are included in its Annual Report on Form 40-F for the year ended December 31, 2018 ("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; seismic activity at the Company's operations at LaRonde, which reach more than three kilometres below the surface where there are few resources available to model the geomechanical conditions, is as expected by the Company; 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; seismic activity at the Company's operations, including the LaRonde mine; mining risks; community protests, including by First Nations groups; risks associated with foreign operations; the unfavourable 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 and included in the Form 40-F filed on EDGAR at 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 for additional information.

Note Regarding Certain Measures of Performance

This annual report discloses certain measures, including "total cash 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.

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This Management's Discussion and Analysis ("MD&A") dated March 26, 2019 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, 2018 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, 2018 (the "AIF"), is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's (the "SEC") website at 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 2019 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.

Unless otherwise expressly stated, milestones set out in this MD&A have not been based on a technical report under NI 43-101 (as defined below).

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 2018, Agnico Eagle recorded production costs per ounce of gold of $713 and total cash costs per ounce of gold produced of $637 on a by-product basis and $710 on a co-product basis on payable gold production of 1,626,669 ounces. The average realized price of gold increased by 0.4% from $1,261 per ounce in 2017 to $1,266 per ounce in 2018.

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 1,626,669 ounces and production costs per ounce of gold of $713 during 2018.
- Total cash costs per ounce of gold produced of $637 on a by-product basis and $710 on a co-product basis in 2018.
- All-in sustaining costs per ounce of gold produced of $877 on a by-product basis and $950 on a co-product basis in 2018.
- Proven and probable gold reserves totaled 22.0 million ounces at December 31, 2018, a 7.2% increase compared with 20.6 million ounces at December 31, 2017 while the gold reserve grade increased by 8.4%.
- As at December 31, 2018, Agnico Eagle had strong liquidity with $307.9 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 credit rating and has adequate financial flexibility to finance capital requirements at its 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 2019, the Company declared a quarterly cash dividend of $0.125 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.

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 oldest 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 2018, approximately 800,000 ounces of gold (3.2 million tonnes grading 7.94 g/t gold) at LaRonde 3, between level 311 (a depth of 3.1 kilometres) and level 340 (a depth of 3.4 kilometres), was converted from mineral resources to mineral reserves. Development plans are underway to deepen the ramp to access this portion of the mine while engineering and construction work for ventilation and cooling of the deeper portion of the mine are ongoing.

Following the successful deployment of the Long-Term Evolution ("LTE") network at the LaRonde Zone 5 mine, an LTE network was deployed at the LaRonde mine below level 269 in the fourth quarter of 2018. Extension of the network in the ramp area from level 269 to surface and at LaRonde 3 will take place throughout 2019. The LTE network will facilitate the integration of automation technologies currently being tested at the LaRonde Zone 5 mine which are expected to allow the Company to maintain similar historical productivity levels at LaRonde 3.

An exploration program is also underway at Zone 6 where drilling has encountered encouraging massive sulphide mineralization. Zone 6 is located approximately 200 metres north of, and parallel to LaRonde 3.

The LaRonde mine's proven and probable mineral reserves were approximately 3.1 million ounces at December 31, 2018.

Canada – LaRonde Zone 5 Mine

In 2003, the Company acquired the Bousquet gold property, which adjoins the LaRonde complex to the west and hosts the Bousquet Zone 5, which the Company has renamed LaRonde Zone 5 due to the proximity to the LaRonde mine. The LaRonde Zone 5 mine was approved for development in February 2017 and full permits were received in 2017. Commercial production at LaRonde Zone 5 was achieved in June 2018 and under current mine plans, is expected to be in production through 2026.

In 2018, the mine achieved its designed production rate of 1,975 tonnes per day with lower than expected dilution and slightly higher than expected mill recoveries. The Company is evaluating the potential to extend operations at depth and along strike onto the Company's 100% owned Ellison property, which adjoins the LaRonde Zone 5 mine to the west. The Ellison property hosts an indicated mineral resource of 68,000 ounces of gold (665,000 tonnes grading 3.19 g/t gold) as of December 31, 2018.

The LaRonde Zone 5 proven and probable mineral reserves were approximately 0.7 million ounces at December 31, 2018.

Canada – Lapa Mine

Commercial production was achieved at the 100% owned Lapa mine in northwestern Quebec in May 2009. Mining operations at the Lapa mine continued through 2018 intermittently and ore from the LaRonde Zone 5 mine was being batch processed at the Lapa mill circuit at the LaRonde mine since June 2018.

As of December 31, 2018, all mining operations at Lapa have ceased and no further production is expected in 2019 and beyond. As a result, the Lapa mill circuit at the LaRonde complex is now fully available to process ore from the LaRonde Zone 5 mine. Closure activities for the underground infrastructure are currently underway with surface work expected to begin in the second quarter of 2019.

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 achieved 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.

In 2018, the exploration ramp for the Deep 2 Zone was extended to below the 125 level. Work on the exploration ramp for the Deep 2 Zone has now been put on hold to focus on further stope development at the Deep 1 Zone and additional development in 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. The Company is evaluating the potential for the South Zone to provide incremental ore feed to the Goldex mill.

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 will create flexibility and synergies for the Company's operations in the Abitibi region by enabling the use of extra milling capacity at both Goldex and LaRonde while reducing overall unit costs. The Company continues to review the timeline for the integration of the Akasaba West deposit into the Goldex production profile.

The Akasaba West deposit's proven and probable mineral reserves were approximately 0.1 million ounces at December 31, 2018.

The Goldex mine's proven and probable mineral reserves were approximately 1.0 million ounces at December 31, 2018.

Canada – Canadian Malartic Mine

Agnico Eagle and Yamana Gold Inc. ("Yamana") jointly acquired 100% 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% of Osisko and Canadian Malartic General Partnership ("CMGP"), a general partnership (the "Partnership"), which now holds the Canadian Malartic mine in northwestern Quebec.

The Partnership is evaluating the potential for underground mining of the Odyssey and East Malartic deposits from surface to a depth of 600 metres. These deposits could provide higher grade ore that could potentially supplement open pit production at Canadian Malartic. On a 50% basis, Odyssey contains inferred mineral resources of 809,000 ounces of gold (11.5 million tonnes grading 2.19 g/t gold) and East Malartic has indicated mineral resources of 361,000 ounces of gold (5.3 million tonnes grading 2.13 g/t gold) and inferred mineral resources of 1.4 million ounces of gold (22.0 million tonnes grading 1.98 g/t gold). Drilling is ongoing to extend and upgrade the mineral resources in these zones. A permit and Certificate of Authorization were received in December 2018, which allow for the development of an underground ramp at Odyssey. The development of the ramp will provide access for underground drilling and collection of a bulk sample. The goal of the underground development program is to provide higher grade feed to the Canadian Malartic mill and extend the current mine life. Exploration programs are ongoing to evaluate several deposits to the east of the Canadian Malartic open pit, including the Odyssey, East Malartic, Sladen and Sheehan zones.

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 included a temporary bridge over Highway 117 to minimize the impact of the construction work on local traffic. During 2018, work was primarily focused on the Highway 117 road diversion, overburden stripping and tailings expansion. The highway diversion is expected to be completed in late 2019 at which point, the production activities at Barnat are scheduled to begin.

On August 2, 2016, CMGP 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 was 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 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 under its Good Neighbor Guide (the "Guide"). In September 2018, the Superior Court introduced an annual revision of the ending date of the class action period and a mechanism for the partial exclusion of class members, allowing the residents to individually settle for a specific period (usually a calendar year) and to opt-out from the class action for such specific period. Both of these judgments were confirmed by the Court of Appeal and the class members will thus continue to have the option to benefit from the Guide. In January 2018, a judgment was rendered in favor of the Partnership, resulting in the removal from the class action of the pre-transaction period, spanning from August 2013 to June 16, 2014, during which the Canadian Malartic mine was not operated by the Partnership. The plaintiffs did not seek leave to appeal this decision and will rather add new allegations in an attempt to recapture the pre-transaction 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 impact 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.

On June 1, 2017, the Partnership was served with an application for judicial review to obtain the annulment of a governmental decree authorizing 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 occurred in October 2018, but no judgment has been rendered. 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.

As part of ongoing stakeholder engagement, the Partnership is in discussions with four First Nations groups concerning a potential memorandum of understanding, which is expected to also include a financial component. As with the Good Neighbour Guide and other community relations efforts at the Canadian Malartic mine, the Company is working collaboratively with stakeholders to establish cooperative relationships that support the long-term potential of the mine.

Agnico Eagle's attributable share of proven and probable mineral reserves at the Canadian Malartic mine were approximately 2.8 million ounces at December 31, 2018.

Canada – Kirkland Lake Assets

On March 28, 2018, the Company acquired 100% of the Canadian exploration assets (the "CMC Exploration Assets") of Canadian Malartic Corporation ("CMC"), including the Kirkland Lake and Hammond Reef gold projects for an effective purchase price of $162.5 million. On the closing of the transaction, Agnico acquired all of Yamana's indirect 50% interest in the CMC Exploration Assets, giving Agnico Eagle 100% ownership. The transaction did not affect the ownership of the Canadian Malartic mine and related assets including Odyssey, East Malartic, Midway and East Amphi properties, which will continue to be jointly owned and operated by the Company and Yamana through CMC and the Partnership.

The land package that makes up the Kirkland Lake project was formerly owned by a succession of junior exploration companies. A $5.6 million exploration program on the Kirkland Lake project was carried out from July to December 2018. The total drilling in 2018 on this project consisted of 37 diamond drill holes (19,505 metres), of which 7,285 metres were to extend the Upper Beaver deposit at depth as well as explore for new, near-surface mineralization and 12,220 metres tested satellite targets around the Upper Canada deposit.

In 2019, the Company expects to spend $5.8 million to follow up on the recent positive exploration results and data compilation at the Kirkland Lake project. This will include a 16,500 metre exploration drill program targeting the Upper Beaver deposit area as well as mineralized zone extensions at Upper Canada, including the newly-expanded Northland Zone. The drilling and additional studies in 2019 are expected to result in a new mineral resource estimate at the end of 2019.

Upper Beaver deposit's proven and probable mineral reserves were approximately 1.4 million ounces at December 31, 2018. No proven and probable mineral reserves have been declared for the Upper Canada or the Hammond Reef projects.

Canada – Meadowbank Complex (Including the 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 at the Meadowbank mine in March 2010.

Production will extend into 2019 at the Meadowbank mine, 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 Portage pit in 2019. In addition, production will be supplemented by ore from the Vault pit and by ore processed from stockpiles.

The 100% owned Amaruq satellite deposit is located approximately 50 kilometres northwest of 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.

On July 11, 2018, the Minister of Crown-Indigenous Relations and Northern Affairs Canada (formerly Indigenous and Northern Affairs Canada) approved Agnico Eagle's Type A Water Licence for the Whale Tail pit, which was issued by the Nunavut Water Board on May 30, 2018. This approval authorized the Company to commence mine development activities on the Whale Tail pit.

In late July 2018, the Company began construction activities at the Amaruq satellite deposit. Work carried out during 2018 included:

- completion of the secant wall at the Whale Tail dyke with the grout curtain now 90% complete. Installation of the pumping system including the water treatment plant, which was necessary to start the dewatering in February 2019;
- continuation of Whale Tail pit stripping activities, with the first ore being mined and stockpiled;
- commissioning of the long-haul truck fleet;
- completion of the production road widening;
- construction on the Mammoth waste rock storage facility and the Northeast dykes;
- continuation of the infrastructure work on the permanent camp at the Amaruq satellite deposit and advancing work on the mechanical shop and emulsion storage building;
- continuation of the modifications to the process plant at Meadowbank; 99% of the structural work was completed as of December 31, 2018 including completion of the gravity concentrators and high-intensity grinding mill; and
- completion of a new sulphur dioxide (SO2) plant (used in the cyanide destruction process), with commissioning in early January 2019.

Commercial production is currently forecast to be achieved in the third quarter of 2019. Work is ongoing to evaluate the potential for an underground operation at the Amaruq satellite deposit, which could run partially concurrent with the open pit mine that is currently under development. A production decision for the Amaruq underground project is expected to be made late in 2019.

The Whale Tail expansion permitting process for open pit mining activities at the V Zone and the underground commenced on October 15, 2018, with a submission of a Project Description to the Nunavut Planning Commission for screening. The Company subsequently received a positive notice indicating that the proposal conforms to the Land Use Plan. The Environmental Assessment addendum related to the Whale Tail expansion will be submitted to the Nunavut Impact Review Board in accordance with the permitting process. The Company anticipates the issuance of the permits in late 2020.

The Company is also waiting for approval for the permit required to allow for in-pit tailings disposal. Receipt of this permit is expected in the second quarter of 2019.

The Meadowbank Complex's proven and probable mineral reserves were approximately 3.0 million ounces at December 31, 2018.

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 forecast production and other parameters surrounding the Company's proposed Meliadine operations 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 results of the preliminary economic assessment had no impact on the results of any pre-feasibility or feasibility study in respect of the Meliadine mine project. For a summary of the key estimates and parameters of the Meliadine project, see the Company's Annual Information Form dated March 27, 2017, filed with Canadian securities regulatory authorities on www.sedar.com, under the heading "Operations and Production – Northern Business – Meliadine – Expenditures".

As of December 31, 2018, the majority of construction activities were completed. The total initial capital cost of the Meliadine mine project is expected to be below the 2018 forecast of $900.0 million due to strong project execution. In 2018, the

Company spent approximately $388.7 million on capital expenditures at the Meliadine mine project. The net development capital spending in 2019 at the Meliadine mine project is now forecast to be approximately $33.0 million.

Given the progress of construction and development activities in 2018, commissioning of the process plant began in the first quarter of 2019, with the expected achievement of commercial production early in the second quarter of 2019. In 2018, approximately 8,655 meters of underground development were completed and three underground stopes have been blasted and mucked out. Under current mine plans, the mine is expected to be in production through 2032.

Exploration activities resumed at the Meliadine mine project early in 2018 with the focus on extending the existing resource of the Tiriganiaq deposit. Total exploration drilling in 2018 consisted of 29 holes (12,022 metres) and conversion drilling consisted of 34 holes (18,716 metres). The conversion drill program resulted in an increase of both the indicated mineral resources and the probable mineral reserves of the Tiriganiaq deposit.

In 2019, the Company plans to continue the conversion drilling program, with 7,500 metres of drilling in areas classified as inferred mineral resources located below the mineral reserves at the Tiriganiaq deposit and 5,000 metres of drilling at the Wesmeg deposit. The 2019 exploration drilling program has a budget of 10,000 metres of drilling to continue investigating the Tiriganiaq deposit and to test the mineralization extending at depth to the west of the deposit.

The Meliadine mine project had proven and probable mineral reserves of approximately 3.8 million ounces at December 31, 2018.

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 in February 2018 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.

In 2018, the expansion project advanced as planned. Phase 1 of the mill expansion was completed in the fourth quarter of 2018. The shaft project continued to progress with detailed engineering work started. Shaft slashing was delayed during the fourth quarter of 2018 as a result of contractor availability and late regulatory approval. Shaft slashing began in January 2019 with the construction of the head frame expected to begin in the third quarter of 2019. The total capital cost for the expansion project remains unchanged at approximately €160 million (approximately $189 million at current exchange rates) with phased expenditures between 2019 and 2021.

Ongoing drilling activity at Kittila has demonstrated the ability to add mineral reserves and mineral resources at depth. With the approved expansion, the proven and probable reserves have increased and 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).

Exploration at the Kittila mine continued with the deep drilling in the Roura area and the focus on the Main Zone and Sisar Zone. The Sisar Zone, which is subparallel to and slightly east of the main Kittila mineralization, 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 2019 exploration program is budgeted at $9.0 million including 34,000 metres of drilling, focused on the Roura and Rimpi Main Zones and the Sisar Zone.

Proven and probable mineral reserves at the Kittila mine were approximately 4.4 million ounces at December 31, 2018.

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 and during 2018, the site transitioned into a predominantly underground mining operation. Open pit mining activity is expected to resume in the second half of 2019 at the El Apache deposit.

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

- the Sinter deposit, located approximately 2 kilometres northwest of the Pinos Altos mine, will be mined from underground and a small open pit. Portal and ramp development commenced in 2018, with initial production expected to begin in the first quarter of 2019;
- the Cubiro deposit is an underground exploration opportunity, located approximately 9 kilometres northwest of the Pinos Altos mine, envisioned to potentially produce high grade ore that will be trucked to the Pinos Altos processing facilities as early as 2022. Ramp development began in the third quarter of 2018 and 300 metres of underground development was completed in 2018. Underground exploration and mineral resource conversion drilling are expected to commence later in 2019; and
- the Reyna de Plata deposit is located north of the Pinos Altos mine. During 2018, a 15,000 metre drill program was completed with initial mineral reserves of 72,000 ounces of gold declared in February 2019 (2.3 million tonnes grading 0.96 g/t gold and 29.3 g/t silver) which form a part of the Pinos Altos mine's estimate of mineral reserves.

The Pinos Altos mine's proven and probable mineral reserves (including satellite deposits) were approximately 1.2 million ounces at December 31, 2018.

Mexico – Creston Mascota Mine

The 100% owned Creston Mascota mine is located approximately 7 kilometres northwest of the Pinos Altos mine in northern Mexico. First mining activity commenced at the Creston Mascota deposit in 2010 and commercial production was achieved at the mine in March 2011. During 2017, the Bravo zone located south of the Creston Mascota facilities was added to the mine plan. Construction activities continued through 2018 and mining at the main Bravo zone began in the third quarter of 2018.

The Phase V heap leach pad expansion, which is an extension to the existing facility, was completed in the fourth quarter of 2018 and the Calera waste rock dump was developed close to the Bravo pit to reduce waste haulage costs. Mining activities at the Creston Mascota mine are expected to be completed at the Bravo zone in the fourth quarter of 2019 and then transition into a residual heap leaching operation.

The Creston Mascota mine's proven and probable mineral reserves were approximately 0.1 million ounces at December 31, 2018.

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 were approved by the Board and commercial production was achieved in February 2014.

Optimization work on the absorption, desorption and recovery plant and commissioning of the carbon regeneration kiln were completed in the third quarter of 2018. Construction of a new heap leach pad expansion commenced late in the fourth quarter of 2018 with the completion expected early in the second quarter of 2019. The permitting process for the new power line is in progress with construction expected to start later in 2019.

During 2018, 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 La Chipriona satellite zones. These areas are currently being drilled to better define and extend known mineral resources in close proximity to the current mining areas which could supplement the ore feed in the future. The first proven and probable reserves at the El Realito satellite deposit and first inferred resources at the La Chipriona deposit were declared in February 2019.

The La India mine's proven and probable mineral reserves (including satellite deposits) were approximately 0.6 million ounces at December 31, 2018.

Mexico – Santa Gertrudis Project

In November 2017, the Company acquired its 100% interest in the Santa Gertrudis property which is located approximately 180 kilometers north of Hermosillo in Sonora, Mexico.

The property was the site of historic heap leach operations that produced approximately 565,000 ounces of gold at a grade of 2.10 g/t gold between 1991 and 2000. The project also has a substantial surface infrastructure already in place including pre-stripped pits, haul roads, water sources and buildings.

Three favorable geological trends with a potential strike length of 18 kilometers have been identified on the property with limited drilling between deposits. In addition, the Company's prospecting identified high-grade mineralization along northeast-trending structures. During 2018, a total of 193 diamond drill holes (31,127 meters) were completed in several zones to validate and confirm the majority of the historical mineral resource estimates, leading to the estimation of an initial inferred mineral resource of 962,000 ounces of gold (27.5 million tonnes grading 1.09 g/t gold) at December 31, 2018.

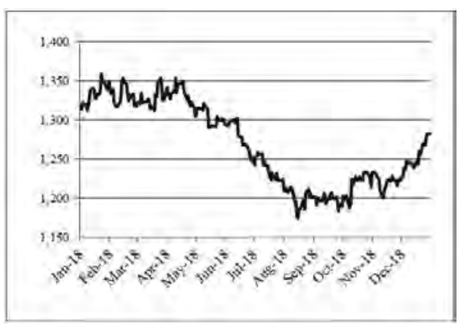
Key Performance Drivers

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

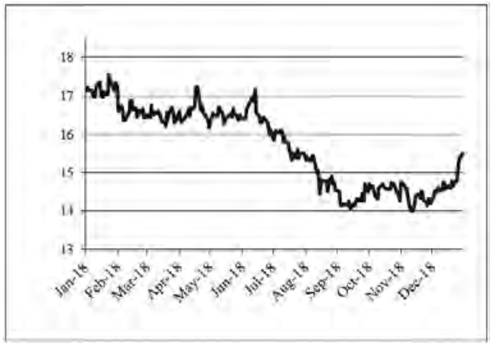
GOLD ($ per ounce)



	2018	2017	% Change
High price	$1,366	$1,358	0.6%
Low price	$1,160	$1,146	1.2%
Average price	$1,269	$1,258	0.9%
Average price realized	$1,266	$1,261	0.4%

In 2018, the average market price per ounce of gold was 0.9% higher than in 2017. The Company's average realized price per ounce of gold in 2018 was 0.4% higher than in 2017.

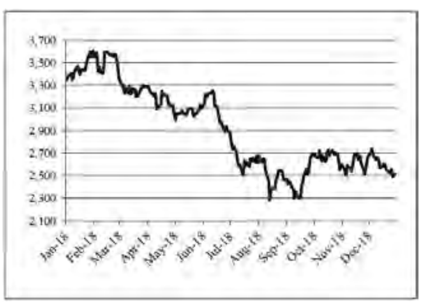
SILVER ($ per ounce)



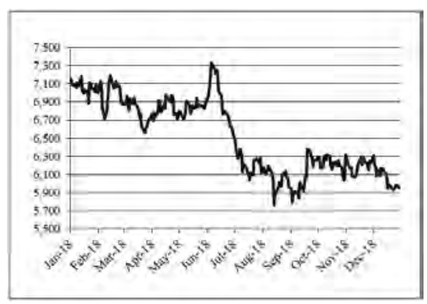
	2018	2017	% Change
High price	$17.71	$18.66	(5.1)%
Low price	$13.89	$15.19	(8.6)%
Average price	$15.71	$17.07	(8.0)%
Average price realized	$15.51	$17.07	(9.1)%

In 2018, the average market price per ounce of silver was 8.0% lower than in 2017. The Company's average realized price per ounce of silver in 2018 was 9.1% lower than in 2017.

ZINC ($ per tonne)



COPPER ($ per tonne)



Agnico Eagle's average realized sales price year-over-year for zinc increased by 7.2% and the average realized sales price for copper year-over-year increased by 3.1%. 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 1,626,669 ounces in 2018, a decrease of 5.1% compared with 1,713,533 ounces in 2017. The decrease was primarily due to lower amounts of ore processed and lower gold grades at the Meadowbank and Creston Mascota mines in 2018 compared to 2017. Partially offsetting the overall decrease in gold production was an increase in tonnes processed at the LaRonde Zone 5 mine, which achieved commercial production in June 2018.

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

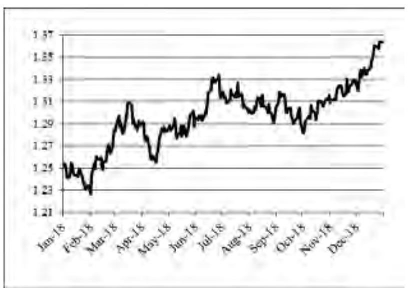
Foreign Exchange Rates (Ratio to US$)

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:

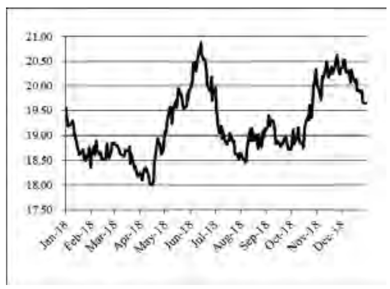
- all revenues are earned in US dollars;
- a significant portion of operating costs at the LaRonde, LaRonde Zone 5, Goldex, Meadowbank and Canadian Malartic mines and mine construction costs at the Amaruq satellite deposit and the Meliadine mine project are incurred in Canadian dollars;
- a significant portion of operating costs at the Pinos Altos, Creston Mascota and La India mines 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.

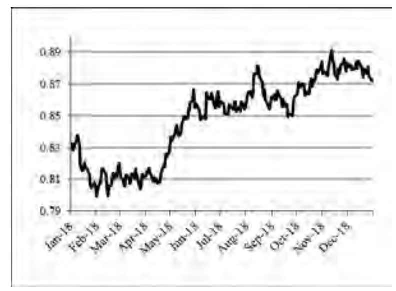
CANADIAN DOLLAR



MEXICAN PESO



EURO



On average, the Canadian dollar and Euro strengthened relative to the US dollar in 2018 compared with 2017, 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 2018 compared with 2017, decreasing costs denominated in the local currency when translated into US dollars for reporting purposes.

Balance Sheet Review

Total assets at December 31, 2018 of $7,852.8 million decreased slightly compared to December 31, 2017 total assets of $7,865.6 million. The $12.8 million decrease in total assets between periods was primarily comprised of a $331.2 million decrease in cash and cash equivalents and a $289.0 million decrease in goodwill as a result of impairment losses, partially offset by a $607.8 million increase in property, plant and mine development. The December 31, 2016 balance of $7,108.0 million was lower compared to the total assets balance as at December 31, 2017, primarily due to a $520.5 million increase in property, plant and mine development between periods.

Cash and cash equivalents were $301.8 million at December 31, 2018, a decrease of $331.2 million compared with December 31, 2017 primarily due to $1,251.6 million in capital expenditures and acquisitions, $84.0 million in dividends paid and $30.1 million for the repurchase of common shares for stock-based compensation plans during 2018, partially offset by cash provided by operating activities of $605.7 million and the issuance of the 2018 Notes (as defined below) in an aggregate principal amount of $350.0 million.

Current inventory balances decreased by $6.8 million from $501.0 million at December 31, 2017 to $494.2 million at December 31, 2018 primarily due to a $42.5 million decrease in the current portion of ore in stockpiles and on leach pads, partially offset by an increase in fuel and supplies inventories in Nunavut in preparation for commercial production in 2019. Non-current ore in stockpiles and on leach pads increased by $47.2 million from $69.6 million at December 31, 2017 to $116.8 million at December 31, 2018 due to the reclassification from current inventory based on the expected timing of future processing.

Equity securities decreased from $122.8 million at December 31, 2017 to $76.5 million at December 31, 2018 primarily due to $38.3 million in unrealized fair value losses and $18.9 million in disposals, partially offset by $10.9 million in new investments during 2018.

Goodwill decreased from $696.8 million at December 31, 2017 to $407.8 million at December 31, 2018 due to an impairment loss of $250.0 million relating to the Canadian Malartic joint operation and an impairment loss of $39.0 million relating to the La India mine.

Property, plant and mine development increased by $607.8 million to $6,234.3 million at December 31, 2018 compared with December 31, 2017 primarily due to $1,089.1 million in capital expenditures and a $162.5 million increase due to the acquisition of the Canadian exploration assets of CMC in 2018. This increase was partially offset by amortization expense of $553.9 million and an impairment loss of $100.7 million during 2018 at the El Barqueño project.

Total liabilities increased to $3,302.8 million at December 31, 2018 from $2,918.6 million at December 31, 2017 primarily due to the issuance of $350.0 million guaranteed senior unsecured notes on April 5, 2018. Of the total $303.1 million increase in total liabilities between the December 31, 2016 balance of $2,615.5 million and the December 31, 2017 balance of $2,918.6 million, $169.2 million related to a net increase in long term debt and $80.8 million related to an increase in reclamation provisions.

Accounts payable and accrued liabilities increased by $19.9 million between December 31, 2017 and December 31, 2018 primarily due to expenditures related to the Company's ongoing development projects in Nunavut.

Net income taxes payable decreased by $2.3 million between December 31, 2017 and December 31, 2018 as a result of payments to tax authorities exceeding the current tax expense.

Long-term debt increased by $349.5 million between December 31, 2017 and December 31, 2018 due to the issuance of the 2018 Notes.

Agnico Eagle's reclamation provision increased by $30.9 million between December 31, 2017 and December 31, 2018 primarily due to the re-measurement of the Company's reclamation provisions by applying updated expected cash flows and assumptions as at December 31, 2018.

Deferred income and mining tax liabilities decreased by $30.6 million between December 31, 2017 and December 31, 2018 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 a net loss of $326.7 million, or $1.40 per share, in 2018 compared with net income of $240.8 million[(i)], or $1.05 per share[(i)], in 2017. In 2016, the Company reported net income of $158.8 million, or $0.71 per share. Agnico Eagle reported adjusted net income[(ii)] of $71.9 million, or $0.31 per share, in 2018 compared with adjusted net income of $233.8 million[(i)], or $1.02 per share[(i)], in 2017. In 2016, the Company reported adjusted net income of $109.5 million, or $0.49 per share. In 2018, operating margin (revenues from mining operations less production costs) decreased to $1,030.9 million from $1,184.8 million in 2017. In 2016, operating margin was $1,106.3 million.

Revenues from Mining Operations

Revenues from mining operations decreased by $51.4 million, or 2.3%, to $2,191.2 million in 2018 from $2,242.6 million in 2017 primarily due to a decrease in the sales volume of gold. Revenues from mining operations were $2,138.2 million in 2016.

Revenues from the Northern Business decreased by $51.7 million, or 2.9%, to $1,739.2 million in 2018 from $1,790.9 million in 2017 primarily due to a decrease in the sales volume of gold partially offset by higher sales prices realized

Notes:

(i) The Company has adopted IFRS 9 – *Financial instruments* ("IFRS 9") effective January 1, 2018 on a retrospective basis and the comparative amounts have been adjusted accordingly. For more information please see Note 3 in the Company's consolidated financial statements.

(ii) Adjusted net income is a non-GAAP measure. For a discussion of the Company's use of non-GAAP measures and a reconciliation to the nearest GAAP measure, see "Non-GAAP Financial Performance Measures".

on gold. Revenues from the Southern Business increased by $0.3 million, or 0.1%, to $452.0 million in 2018 from $451.7 million in 2017, primarily due to higher sales prices realized on gold. Revenues from the Northern Business were $1,638.3 million and revenues from the Southern Business were $499.9 million in 2016.

Sales of precious metals (gold and silver) accounted for 98.4% of revenues from mining operations in 2018, a decrease from 99.3% in 2017 and 99.8% in 2016. The slight decrease in the percentage of revenues from precious metals compared with 2017 is primarily due to increased zinc production and higher sales prices realized on zinc and copper by-products.

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

	2018	2017	2016
	(thousands of United States dollars)		
Revenues from mining operations:			
Gold	$ 2,080,545	$ 2,140,890	$ 2,049,871
Silver	75,310	86,262	85,096
Zinc	14,397	9,177	1,413
Copper	20,969	6,275	1,852
Total revenues from mining operations	$ 2,191,221	$ 2,242,604	$ 2,138,232
Payable production[(i)]:			
Gold (ounces)	1,626,669	1,713,533	1,662,888
Silver (thousands of ounces)	4,524	5,016	4,759
Zinc (tonnes)	7,864	6,510	4,687
Copper (tonnes)	4,193	4,501	4,416
Payable metal sold:			
Gold (ounces)	1,629,785	1,693,774	1,630,865
Silver (thousands of ounces)	4,544	4,852	4,761
Zinc (tonnes)	8,523	6,316	3,554
Copper (tonnes)	4,195	4,599	4,522

Note:

(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 decreased by $60.3 million or 2.8% in 2018 compared with 2017 primarily due to a 3.8% decrease in the sales volume of gold. The Company's sales volume of gold decreased to 1,629,785 ounces in 2018 compared to 1,693,774 ounces in 2017. This was partially offset by a 0.4% increase in the Company's average realized gold price per ounce to $1,266 in 2018 compared to $1,261 in 2017.

Revenues from silver decreased by $11.0 million or 12.7% in 2018 compared with 2017 primarily due to a 6.4% decrease in the sales volume of silver. In addition, the average realized silver price per ounce decreased by 9.1% to $15.51 in 2018 from $17.07 in 2017. Revenues from zinc increased by $5.2 million or 56.9% to $14.4 million in 2018 compared with $9.2 million in 2017 primarily due to a 34.9% increase in the sales volume of zinc and a 7.2% increase in the realized zinc price between periods. Revenues from copper increased by $14.7 million in 2018 compared with 2017 primarily due to a 3.1% increase in the realized copper price.

Production Costs

Production costs increased to $1,160.4 million in 2018 compared with $1,057.8 million in 2017 primarily due to higher production expenses at the LaRonde, Pinos Altos and LaRonde Zone 5 mines. Partially offsetting the overall increase was lower production expenses at the Lapa mine as the mine approached the end of operations. Production costs were $1,031.9 million in 2016.

The table below sets out production costs by mine:

	2018	2017	2016
	(thousands of United States dollars)		
LaRonde mine	$ 228,294	$ 185,488	$ 179,496
LaRonde Zone 5 mine	12,991	–	–
Lapa mine	27,870	38,786	52,974
Goldex mine	78,533	71,015	63,310
Meadowbank mine	211,147	224,364	218,963
Canadian Malartic mine (attributable 50.0%)	199,761	188,568	183,635
Kittila mine	157,032	148,272	141,871
Pinos Altos mine	138,362	108,726	114,557
Creston Mascota mine	37,270	31,490	27,341
La India mine	69,095	61,133	49,745
Total production costs	$1,160,355	$1,057,842	$1,031,892

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 $228.3 million in 2018, a 23.1% increase compared with 2017 production costs of $185.5 million primarily due to increased underground costs and slightly higher labour costs between periods and the timing of inventory sales. During 2018, the LaRonde mine processed an average of 5,775 tonnes of ore per day compared with 6,153 tonnes of ore per day during 2017. Production costs per tonne increased to C$139 in 2018 compared with C$108 in 2017 primarily due to the factors noted above. Minesite costs per tonne increased to C$119 in 2018 compared with C$108 in 2017 due to increased underground costs, slightly higher labour costs and lower throughput.

The LaRonde Zone 5 mine achieved commercial production in June 2018. During 2018, the LaRonde Zone 5 mine processed an average of 1,940 tonnes of ore per day and incurred production costs of $13.0 million. During 2018, ore from the LaRonde Zone 5 mine was only processed in the months of June, July, October and partly in November and December as the ore from the Lapa mine was being batch processed at the shared mill facility at the LaRonde mine. Production costs per tonne were C$76 and minesite costs per tonne were C$80 in 2018.

Production costs at the Lapa mine were $27.9 million in 2018, a 28.1% decrease compared with 2017 production costs of $38.8 million due to the decrease in underground mining and development costs in the final year of operations, partially offset by higher re-handling costs resulting from the processing of ore stockpiled in prior periods. During 2018, the Lapa mine processed an average of 1,808 tonnes of ore per day compared with 1,458 tonnes of ore per day processed during 2017; however, the overall throughput level was lower in 2018 relative to 2017. The decrease in throughput between periods was expected as the mine approached the end of operations. Production costs per tonne decreased to C$115 in 2018 compared with C$128 in 2017 primarily due to the factors noted above. Minesite costs per tonne increased to C$123 in 2018 compared with C$120 in 2017 due to the processing of ore stockpiled in prior periods.

Production costs at the Goldex mine were $78.5 million in 2018, a 10.6% increase compared with 2017 production costs of $71.0 million primarily due to an increase in underground production, maintenance, contractor and consumable costs between periods. During 2018, the Goldex mine processed an average of 7,192 tonnes of ore per day compared with

6,564 tonnes of ore per day processed during 2017. The increase in throughput between periods was primarily due to the exclusion of pre-production tonnes processed from the Deep 1 Zone reported during 2017. Production costs per tonne increased to C$39 in 2018 compared with C$38 in 2017 primarily due to the factors noted above, partially offset by higher throughput. Minesite costs per tonne increased to C$39 in 2018 compared with C$37 in 2017 primarily due to the factors noted above.

Production costs at the Meadowbank mine were $211.1 million in 2018, a 5.9% decrease compared with 2017 production costs of $224.4 million primarily due to lower open pit mining and maintenance costs, partially offset by the timing of inventory sales and higher re-handling costs between periods. During 2018, the Meadowbank mine processed an average of 8,937 tonnes of ore per day compared with 10,556 tonnes of ore per day processed during 2017. The decrease in throughput between periods was expected as the mine transitioned through the last full year of mining operations at the main Meadowbank site. Production costs per tonne increased to C$83 in 2018 compared with C$76 in 2017 due to lower throughput. Minesite costs per tonne increased to C$82 in 2018 compared with C$76 in 2017 primarily due to the factors noted above, other than the timing of inventory sales adjustment.

Attributable production costs at the Canadian Malartic mine were $199.8 million in 2018, a 5.9% increase compared with 2017 production costs of $188.6 million primarily due to higher contractor costs at the mill and an increase in fuel consumption and higher average fuel costs, partially offset by lower re-handling costs between periods. During 2018, the Canadian Malartic mine processed an average of 56,121 tonnes of ore per day on a 100% basis compared with 55,774 tonnes of ore per day processed in 2017. The increase in throughput between periods was primarily due to mill optimization, additional crushed ore from the portable crusher and mill stability. Production costs per tonne increased to C$25 in 2018 compared with C$24 in 2017 primarily due to the factors noted above. Minesite costs per tonne increased to C$25 in 2018 compared with C$24 in 2017 primarily due to the factors noted above.

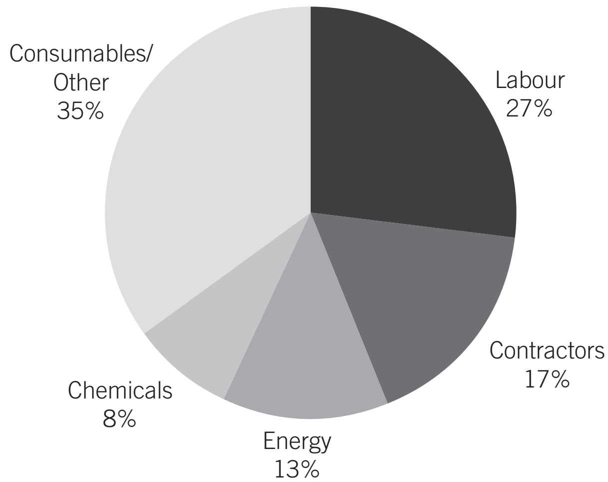
Production costs at the Kittila mine were $157.0 million in 2018, an increase of 5.9% compared with 2017 production costs of $148.3 million primarily due to higher underground development and milling costs and higher re-handling costs between periods, partially offset by the timing of inventory sales. During 2018, the Kittila mine processed an average of 5,005 tonnes of ore per day compared with the 4,615 tonnes of ore per day processed during 2017. The increase in throughput was primarily due to higher mill availability. Production costs per tonne decreased to €73 in 2018 compared with €78 in 2017 primarily due to higher throughput. Minesite costs per tonne decreased to €75 in 2018 compared with €78 in 2017 due to higher throughput.

Production costs at the Pinos Altos mine were $138.4 million in 2018, an increase of 27.3% compared with 2017 production costs of $108.7 million primarily due to higher underground mining costs and the timing of inventory sales, partially offset by the weakening of Mexican peso relative to the US dollar between periods. During 2018, the Pinos Altos mine mill processed an average of 5,329 tonnes of ore per day compared with the 5,543 tonnes of ore per day processed during 2017. In 2018, approximately 273,000 tonnes of ore were stacked on the Pinos Altos mine leach pad, compared with approximately 284,800 tonnes of ore stacked in 2017. The lower number of tonnes processed at the mill and leach pad was primarily due to mine sequencing. Production costs per tonne increased to $62 in 2018 compared with $47 in 2017 due to the factors noted above, other than the timing of inventory sales adjustment. Minesite costs per tonne increased to $61 in 2018 compared with $50 in 2017 primarily due to the factors noted above, other than the timing of the inventory sales adjustment.

Production costs at the Creston Mascota mine were $37.3 million in 2018, an increase of 18.4% compared with 2017 production costs of $31.5 million with the change primarily due to the timing of inventory sales, partially offset by a decrease in mining costs and the weakening of Mexican peso relative to the US dollar between periods. During 2018, approximately 1,422,400 tonnes of ore were stacked on the leach pad at the Creston Mascota mine compared with approximately 2,195,700 tonnes of ore stacked in 2017. The decrease in tonnes stacked was the result of the mine transitioning from the Creston Mascota deposit to the Bravo deposit in the year. Production costs per tonne increased to $26 in 2018 compared with $14 in 2017 due to the factors noted above. Minesite costs per tonne increased to $27 in 2018 compared with $15 in 2017 primarily due to the factors noted above.

Production costs at the La India mine were $69.1 million in 2018, an increase of 13.1% compared with 2017 production costs of $61.1 million primarily due to increased heap leach costs resulting from higher consumption of reagents and general materials to facilitate a higher amount of ore processed, partially offset by the weakening of Mexican peso relative to the US dollar between periods. During 2018, the La India mine stacked approximately 6,127,500 tonnes of ore on the leach pad compared with approximately 5,965,200 tonnes of ore stacked in 2017 primarily due to an increase in contractor crushing in the first half of the year. Production costs per tonne increased to $11 in 2018 compared with $10 in 2017 primarily due to the factors noted above. Minesite costs per tonne increased to $12 in 2018 compared with $11 in 2017 primarily due to the factors noted above.

Total Production Costs by Category 2018



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 (loss) 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 and other adjustments 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, increased to $713 in 2018 compared with $621 in 2017 and 2016. Total cash costs per ounce of gold produced on a by-product basis increased to $637 in 2018 compared with $558 in 2017 and $573 in 2016. Total cash costs per ounce of gold produced on a co-product basis increased to $710 in 2018 compared with $637 in 2017 and $643 in 2016. 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 increased to $664 in 2018 compared with $532 in 2017 primarily due to increased underground costs, slightly higher labour costs and the timing of inventory sales. Total cash costs per ounce of gold produced on a by-product basis increased to $445 in 2018 compared with $406 in 2017 primarily due to increased underground costs and slightly higher labour costs. Total cash costs per ounce of gold produced on a co-product basis increased to $634 in 2018 compared with $607 in 2017 due to the factors noted above.
- At the LaRonde Zone 5 mine, total production costs per ounce of gold produced were $698 in 2018. Total cash costs per ounce of gold produced on a by-product basis were $732 and total cash costs per ounce of gold produced on a co-product basis were $733 in 2018. As 2018 was LaRonde Zone 5 mine's first year of production, there is no comparable period in 2017.
- At the Lapa mine, total production costs per ounce of gold produced increased to $819 in 2018 compared with $801 in 2017 due to lower gold production in the mine's final year of operations, partially offset by higher re-handling costs resulting from the processing of ore stockpiled in prior periods. Total cash costs per ounce of gold produced on a by-product basis increased to $872 in 2018 compared with $755 in 2017 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to $873 in 2018 compared with $757 in 2017 due to the factors noted above.
- At the Goldex mine, total production costs per ounce of gold produced increased to $648 in 2018 compared with $640 in 2017 due to an increase in underground production, maintenance, contractor and consumable costs, partially offset by a 9.3% increase in gold production between periods. Total cash costs per ounce of gold produced on

a by-product basis increased to $646 in 2018 compared with $610 in 2017 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to $646 in 2018 compared with $611 in 2017 due to the factors noted above.

- At the Meadowbank mine, total production costs per ounce of gold produced increased to $848 in 2018 compared with $636 in 2017 due to a 29.4% decrease in gold production, higher re-handling costs between periods and the timing of inventory sales. Total cash costs per ounce of gold produced on a by-product basis increased to $814 in 2018 compared with $614 in 2017 due to the factors noted above, other than the timing of inventory sales adjustment. Total cash costs per ounce of gold produced on a co-product basis increased to $825 in 2018 compared with $628 in 2017 due to the factors noted above, other than the timing of inventory sales adjustment.
- At the Canadian Malartic mine, total production costs per ounce of gold produced decreased to $573 in 2018 compared with $595 in 2017 due to a 10.1% increase in gold production, partially offset by the strengthening of the Canadian dollar relative to the US dollar between periods, higher contractor costs at the mill, an increase in fuel consumption and higher average fuel prices between periods. Total cash costs per ounce of gold produced on a by-product basis decreased to $559 in 2018 compared with $576 during 2017 due to the factors noted above. Total cash costs per ounce of gold produced on a co-product basis decreased to $579 in 2018 compared with $594 during 2017 due to the factors noted above.
- At the Kittila mine, total production costs per ounce of gold produced increased to $831 in 2018 compared with $753 in 2017 due to a 4.0% decrease in gold production, higher underground development and milling costs and higher re-handling costs between periods, partially offset by the timing of inventory sales. Total cash costs per ounce of gold produced on a by-product basis increased to $853 in 2018 compared with $753 in 2017 due to the factors noted above, other than the timing of inventory sales adjustment. Total cash costs per ounce of gold produced on a co-product basis increased to $854 in 2018 compared with $754 in 2017 due to the factors noted above, other than the timing of inventory sales adjustment.
- At the Pinos Altos mine, total production costs per ounce of gold produced increased to $764 in 2018 compared with $601 in 2017 due to higher underground mining costs and the timing of inventory sales, partially offset by the weakening of the Mexican peso relative to the US dollar between periods. Total cash costs per ounce of gold produced on a by-product basis increased to $548 in 2018 compared with $395 in 2017 primarily due to the factors noted above, other than the timing of inventory sales adjustment. Total cash costs per ounce of gold produced on a co-product basis increased to $749 in 2018 compared with $634 in 2017 due to lower by-product revenues and the factors noted above, other than the timing of inventory sales adjustment.
- At the Creston Mascota mine, total production costs per ounce of gold produced increased to $928 in 2018 compared to $651 in 2017 primarily due to a 17.0% decrease in gold production and the timing of inventory sales, partially offset by a decrease in mining costs and the weakening of the Mexican peso relative to the US dollar between periods. Total cash costs per ounce of gold produced on a by-product basis increased to $841 in 2018 compared with $575 in 2017 due to the factors noted above, partially offset by higher by-product revenues. Total cash costs per ounce of gold produced on a co-product basis increased to $961 in 2018 compared with $669 in 2017 due to the factors noted above.
- At the La India mine, total production costs per ounce of gold produced increased to $682 in 2018 compared with $604 in 2017 due to increased heap leach costs resulting from higher consumption of reagents and general materials to facilitate a higher amount of ore processed, partially offset by the weakening of the Mexican peso relative to the US dollar between periods. Total cash costs per ounce of gold produced on a by-product basis increased to $685 in 2018 compared with $580 in 2017 due to lower by-product revenues and the factors noted above. Total cash costs per ounce of gold produced on a co-product basis increased to $712 in 2018 compared with $634 in 2017 due to the factors noted above.

Exploration and Corporate Development Expense

Exploration and corporate development expense decreased by 2.7% to $137.7 million in 2018 from $141.5 million in 2017. Exploration and corporate development expense was $147.0 million in 2016.

A summary of the Company's significant 2018 exploration and corporate development activities is set out below:

- Exploration expenses in Canada and at various mine sites decreased by 15.2% to $67.0 million in 2018 compared with 2017 primarily due to lower expensed exploration drilling at the Amaruq satellite deposit.

- Exploration expenses increased by 25.7% to $26.9 million in Latin America compared with 2017 primarily due to increased exploration at the Santa Gertrudis project in Mexico.
- Exploration expenses decreased by 16.3% to $12.4 million in Europe compared with 2017 primarily due to decreased exploration at the Barsele project.
- Exploration expenses increased by 60.2% to $6.1 million in the United States compared with 2017 primarily due to increased exploration at the Gilt Edge project in South Dakota.
- Corporate development and project evaluation expenses increased by 12.5% to $25.4 million in 2018 compared with 2017 primarily due to increased project evaluation expenses at the Cubiro project near the Pinos Altos mine.

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

	2018	2017	2016
	(thousands of United States dollars)		
Canada	$ 66,962	$ 78,928	$ 96,026
Latin America	26,897	21,402	20,812
United States	6,082	3,796	2,525
Europe	12,368	14,785	5,877
Corporate development expense	25,361	22,539	21,738
Total exploration and corporate development expense	$137,670	$141,450	$146,978

Amortization of Property, Plant and Mine Development

Amortization of property, plant and mine development expense increased to $553.9 million in 2018 compared with $508.7 million in 2017 and $613.2 million in 2016. The increase in amortization of property, plant and mine development between 2018 and 2017 was primarily due to the decrease in the proven and probable mineral reserves at the LaRonde mine and higher throughput at the Kittila mine. Additionally, amortization of open pit mining assets increased at the Pinos Altos and Meadowbank mines as Pinos Altos transitioned into a predominantly underground mining operation and Meadowbank reached the last full year of open pit mining at the site.

General and Administrative Expense

General and administrative expenses increased to $124.9 million in 2018 compared with $115.1 million in 2017 and $102.8 million in 2016 primarily due to increased employee compensation costs.

Impairment Loss on Equity Securities

The Company adopted IFRS 9 effective January 1, 2018 and designated its equity securities as fair value through other comprehensive income pursuant to the irrevocable election under IFRS 9. For the year ended December 31, 2018, changes in the fair value of equity securities (realized and unrealized) are permanently recognized in other comprehensive income and are not reclassified to profit or loss.

Prior to the adoption of IFRS 9 on January 1, 2018, the Company recognized an impairment loss on equity securities of $8.5 million in 2017. Impairment loss evaluations of equity securities were based on whether a decline in fair value was considered to be significant or prolonged.

Finance Costs

Finance costs increased to $96.6 million in 2018 compared with $78.9 million in 2017 and $74.6 million in 2016 primarily due to increased interest expense on the Company's guaranteed senior unsecured notes (the "Notes"). The outstanding principal on the Notes was $1,735.0 million at December 31, 2018 compared with $1,385.0 million at December 31, 2017. The table below sets out the components of finance costs:

	2018	2017	2016
	(thousands of United States dollars)		
Stand-by fees on credit facilities	$ 5,811	$ 5,611	$ 5,387
Amortization of credit facilities, financing and note issuance costs	2,671	2,566	2,470
Interest on Credit Facility	310	42	3,102
Interest on Notes	87,100	69,935	60,044
Accretion expense on reclamation provisions	7,107	5,234	3,832
Other interest and penalties	1,521	1,920	2,871
Interest capitalized to construction in progress	(7,953)	(6,377)	(3,065)
Total finance costs	$96,567	$78,931	$74,641

See Note 14 in the annual consolidated financial statements for details on the Company's $1.2 billion unsecured revolving bank credit facility (the "Credit Facility") and Notes referenced above.

Impairment Loss

The Company performs goodwill impairment tests on an annual basis as at December 31 each year. In addition, 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. An impairment loss is recognized for any excess of the carrying amount of the asset over its recoverable amount. The recoverable amount represents the greater of each asset's fair value less costs of disposal or value in use.

As at December 31, 2018, the Company completed its goodwill impairment test and its review of indicators of potential impairment of the Company's cash generating units ("CGU's"). As a result, the Company estimated the recoverable amounts of the Canadian Malartic mine, the La India mine and the El Barqueño project and concluded the carrying amounts exceeded the recoverable amounts. The Company recorded an impairment loss of $389.7 million comprised of $250.0 million at the Canadian Malartic mine, $39.0 million at the La India mine and $100.7 million at the El Barqueño project (refer to Note 24 in the Company's annual consolidated financial statements for additional details). No indicators of impairment were identified for the other CGUs.

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. Based on assessments completed by the Company, no impairment reversals were required in 2018 or 2017. The total gain on impairment reversal recorded during the year ended December 31, 2016 was $120.2 million.

Management's estimates of recoverable amounts 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, 2017 through December 31, 2018, the daily US dollar exchange rate fluctuated between C$1.21 and C$1.37 as reported by the Bank of Canada, 17.49 Mexican pesos and 21.91 Mexican pesos as reported by the Central Bank of Mexico and €0.80 and €0.95 per US$1.00 as reported by the European Central Bank.

A foreign currency translation loss of $2.0 million was recorded in 2018 compared with a foreign currency translation loss of $13.3 million in 2017 and $13.2 million in 2016. The 2018 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 2017. The US dollar also strengthened against the Canadian dollar and Euro and slightly weakened against the Mexican peso as at December 31, 2018, compared to December 31, 2017. The net foreign currency translation loss in 2018 was primarily due to the translation impact of the Company's net monetary assets denominated in Canadian dollars and Euros.

Income and Mining Taxes Expense

In 2018, the Company recorded income and mining taxes expense of $67.6 million on a loss before income and mining taxes of $259.1 million at an effective tax rate of (26.1)%. In 2017, the Company recorded income and mining taxes expense of $98.5 million on income before income and mining taxes of $339.3 million[(i)] at an effective tax rate of 29.0%. The Company's 2017 effective tax rates were higher than the applicable statutory tax rate of 26.0% primarily due to the impact of mining taxes. The Company's 2018 effective tax rate is lower than the applicable statutory tax rate of 26.0% primarily due to the impact of mining taxes and the non-deductible impairment loss recorded in the consolidated statements of income (loss). 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%.

Liquidity and Capital Resources

As at December 31, 2018, the Company's cash and cash equivalents and short-term investments totaled $307.9 million compared with $643.9 million as at December 31, 2017. 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) decreased to $711.0 million as at December 31, 2018 compared with $1,127.7 million as at December 31, 2017.

Operating Activities

Cash provided by operating activities decreased by $161.9 million to $605.7 million in 2018 compared with 2017. The decrease in cash provided by operating activities was primarily due to a 3.8% decrease in payable gold ounces sold and an increase in production costs between periods. Partially offsetting these negative impacts on cash provided by operating activities was an increase in the average realized price of gold between 2018 and 2017 and more favourable working capital changes between periods. Cash provided by operating activities was $767.6 million in 2017, $11.1 million lower than in 2016 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.

Investing Activities

Cash used in investing activities increased to $1,204.4 million in 2018 from $1,000.1 million in 2017. The increase in cash used in investing activities between periods was primarily due to a $214.9 million increase in capital expenditures and a $90.5 million increase in acquisitions, partially offset by a $35.2 million increase in proceeds from the sale of property, plant and mine development. Cash used in investing activities was $553.5 million in 2016, which included capital expenditures of $516.1 million.

In 2018, the Company invested cash of $1,089.1 million in projects and sustaining capital expenditures compared with $874.2 million in 2017. Capital expenditures in 2018 included $398.1 million at the Meliadine project, $202.4 million at the Meadowbank mine and Amaruq satellite deposit, $173.7 million at the Kittila mine, $82.8 million at the Canadian Malartic mine (the Company's attributable portion), $77.5 million at the LaRonde mine, $52.9 million at the Goldex mine, $40.3 million at the Pinos Altos mine, $25.8 million at the LaRonde Zone 5 mine, $19.5 million at the Creston Mascota mine, $9.2 million at the La India mine and $6.9 million at the Company's other projects. The $214.9 million increase in capital expenditures between 2018 and 2017 was primarily due to significant expenditures that were incurred in 2018 relating to

Note:

(i) The Company has adopted IFRS 9 – *Financial instruments* ("IFRS 9") effective January 1, 2018 on a retrospective basis and the comparative amounts have been adjusted accordingly. For more information please see Note 3 in the Company's consolidated financial statements.

the development of the Meliadine mine project and Amaruq satellite deposit, in advance of commercial production expected in 2019.

In 2018, the Company received net proceeds of $17.5 million from the sale of equity securities and other investments compared with $0.3 million in 2017 and $9.5 million in 2016. In 2018, the Company purchased $11.2 million of equity securities and other investments compared with $51.7 million in 2017 and $33.8 million in 2016. The Company's investments in equity securities consist primarily of investments in common shares of entities in the mining industry.

On June 11, 2018, the Company closed a transaction with a subsidiary of Newmont Mining Corp ("Newmont"), whereby Newmont purchased Agnico Eagle's 51% interest in the West Pequop Joint Venture and the Company's 100% interest in the Summit and PQX properties in northeastern Nevada (collectively, the "Nevada Properties"). Under the purchase and sale agreement, the Company received a cash payment of $35.0 million and was granted a 0.8% net smelter return ("NSR") royalty on the Nevada Properties held by the West Pequop Joint Venture and a 1.6% NSR on the Summit and PQX properties.

On March 28, 2018, the Company acquired 100% of the Canadian exploration assets of CMC (the "CMC Exploration Assets"), including the Kirkland Lake and Hammond Reef gold projects by way of an asset purchase agreement (the "CMC Purchase Agreement") dated December 21, 2017. On the closing of the transactions relating to the CMC Purchase Agreement, Agnico acquired all of Yamana's indirect 50% interest in the CMC Exploration Assets, giving Agnico Eagle 100% ownership of CMC's interest in the CMC Exploration Assets. Pursuant to the CMC Purchase Agreement, the effective consideration for the CMC Exploration Assets after the distribution of the sale proceeds by CMC to its shareholders totaled $162.5 million in cash paid on closing. The acquisition was accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling $2.9 million were capitalized to the mining properties acquired.

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 10.3% 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% NSR 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 15.0% of the issued and outstanding common shares of GoldQuest on a non-diluted basis.

Financing Activities

Cash provided by financing activities of $274.1 million in 2018 decreased compared with cash provided by financing activities of $329.2 million in 2017 primarily due to a $211.1 million decrease in net proceeds from the issuance of common shares, partially offset by a $130.4 million decrease in the net repayment of long-term debt and a $50.0 million increase in notes issuances between periods. Cash provided by financing activities was $190.4 million in 2016, which included net repayment of debt of $280.4 million.

Net proceeds from the issuance of common shares was $44.7 million in 2018 attributable to 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 $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.

In 2018, the Company paid dividends of $84.0 million ($0.44 per share) compared with $76.1 million ($0.41 per share) in 2017 and $71.4 million ($0.36 per share) in 2016. 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 April 5, 2018, the Company closed a $350.0 million private placement of guaranteed senior unsecured notes (the "2018 Notes"). The 2018 Notes consist of $45.0 million 4.38% Series A senior notes due 2028, $55.0 million 4.48% Series B senior notes due 2030 and $250.0 million 4.63% Series C senior notes due 2033. Upon issuance, the 2018 Notes had a weighted average maturity of 13.9 years and weighted average yield of 4.57%.

On December 14, 2018, the Company amended the Credit Facility to extend the maturity date from June 22, 2022 to June 22, 2023. As at December 31, 2018, the Company's outstanding balance under the Credit Facility was nil. Credit Facility availability is reduced by outstanding letters of credit, amounting to nil as at December 31, 2018. As at December 31, 2018, $1,200.0 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, 2018, the principal amount of the 2010 Notes that remained outstanding was $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. Net proceeds from the issuance were used for general corporate purposes.

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, 2018, the aggregate undrawn face amount of letters of credit under the Third LC Facility was $37.7 million.

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, 2018, the aggregate undrawn face amount of letters of credit under the Second LC Facility is $91.3 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, 2018, the aggregate undrawn face amount of letters of credit under the Second LC Facility is $183.7 million.

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, 2018, the Company's attributable finance lease obligations were $1.9 million.

The Company was in compliance with all covenants contained in the Credit Facility and the Notes as at December 31, 2018.

Contractual Obligations

Agnico Eagle's contractual obligations as at December 31, 2018 are set out below:

	Total	2019	2020-2021	2022-2023	Thereafter
	(millions of United States dollars)				
Reclamation provisions[i]	$ 459.5	$ 5.4	$ 22.9	$ 22.7	$ 408.5
Purchase commitments[ii]	104.6	67.6	31.5	3.9	1.6
Pension obligations[iii]	20.3	1.3	3.9	4.2	10.9
Finance and operating leases	94.2	17.7	27.0	21.2	28.3
Long-term debt – principal[iv]	1,735.0	—	360.0	325.0	1,050.0
Long-term debt – interest	576.6	91.1	140.3	110.3	234.9
Total[v]	$2,990.2	$183.1	$585.6	$487.3	$1,734.2

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. Agnico Eagle's attributable interest in the purchase commitments associated with its joint operations totaled $10.0 million as at December 31, 2018.

(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, 2018 include outstanding letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes of $358.9 million under the Credit Facility, First LC Facility, Second LC Facility and Third LC Facility (see Note 27 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.

2019 Liquidity and Capital Resources Analysis

The Company believes that it has sufficient capital resources to satisfy its 2019 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 2019:

	Amount
	(millions of United States dollars)
2019 Mandatory Commitments:	
Contractual obligations (see table above)	$ 183.1
Accounts payable and accrued liabilities (as at December 31, 2018)	310.6
Income taxes payable (as at December 31, 2018)	18.7
Total 2019 mandatory expenditure commitments	$ 512.4
2019 Discretionary Commitments:	
Expected 2019 capital expenditures	$ 660.0
Expected 2019 exploration and corporate development expenditures	103.4
Total 2019 discretionary expenditure commitments	763.4
Total 2019 mandatory and discretionary expenditure commitments	$1,275.8
Cash, cash equivalents and short-term investments (as at December 31, 2018)	$ 307.9
Expected 2019 cash provided by operating activities	590.6
Working capital, excluding cash, cash equivalents and short-term investments (as at December 31, 2018)	403.1
Available under the Credit Facility (as at December 31, 2018)	1,200.0
Total 2019 Capital Resources	$2,501.6

While the Company believes its capital resources will be sufficient to satisfy all 2019 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 2018 and 2017 quarterly financial and operating results see *Summarized Quarterly Data* in this MD&A.

Revenues from mining operations decreased by 4.9% to $537.8 million in the fourth quarter of 2018 compared with $565.3 million in the fourth quarter of 2017, which was primarily due to a 3.4% lower average realized sales price on gold and a 1.2% decrease in the sales volume of gold between periods. Production costs decreased by 1.1% to $284.5 million in the fourth quarter of 2018 compared with $287.7 million in the fourth quarter of 2017 due to decreased tonnage processed and the impact of a weaker Canadian dollar relative to the US dollar between periods. Exploration and corporate development expenses decreased by 13.0% to $27.6 million in the fourth quarter of 2018 compared with $31.7 million in the fourth quarter of 2017 primarily due to less exploration drilling at the Amaruq satellite deposit. Amortization of property, plant and mine development increased by 6.0% to $137.2 million in the fourth quarter of 2018 compared with $129.5 million in the fourth quarter of 2017 primarily due to a decrease in the proven and probable mineral reserves at the LaRonde mine and higher throughput at the Kittila mine. A net loss of $393.7 million was recorded in the fourth quarter of 2018 after income and mining taxes expense of $6.4 million compared with net income of $37.5 million in the fourth quarter of 2017 after income and mining taxes expense of $28.7 million.

Cash provided by operating activities decreased by 16.0% to $140.3 million in the fourth quarter of 2018 compared with $166.9 million in the fourth quarter of 2017. The decrease in cash provided by operating activities was primarily due to a $27.4 million decrease in revenue due to lower average realized prices of gold, silver, 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 2019, payable gold production at the LaRonde mine is expected to be approximately 340,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at the LaRonde mine are 345,000 and 342,500 ounces, respectively. At the LaRonde 3 project, the Company continues to evaluate a phased approach to development between level 311 (a depth of 3.1 kilometres) and level 350 (a depth of 3.5 kilometres). The Company is also studying the best design approaches to LaRonde 3 and the current western pyramid with consideration of potential seismic risk and ventilation requirements in the deeper portion of the mine.

The Company believes that a 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 to 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 $467 in 2019 compared with $445 in 2018, reflecting the expectation of lower by-product revenues as a result of lower base metal prices.

LaRonde Zone 5 Mine

In 2019, payable gold production at LaRonde Zone 5 mine is expected to be approximately 40,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at LaRonde Zone 5 mine are 45,000 and 42,500 ounces, respectively. The Company continues to evaluate the potential to mine additional ounces from other nearby satellite zones. Total cash costs per ounce of gold produced on a by-product basis at LaRonde Zone 5 are expected to be approximately $811 in 2019 compared with $732 in 2018, reflecting the assumption of incremental processing costs resulting from the Lapa mine reaching the end of operations.

Goldex Mine

In 2019, payable gold production at the Goldex mine is expected to be approximately 115,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at the Goldex mine are 120,000 and 117,500 ounces, respectively. The Company continues to evaluate the potential for the development of the Deep 2 Zone which hosts probable mineral reserves of 79,000 ounces of gold (1.4 million tonnes grading 1.70 g/t gold), indicated mineral resources of 159,000 ounces of gold (2.0 million tonnes grading 2.47 g/t gold) and inferred mineral resources of 303,000 ounces of gold (8.2 million tonnes grading 1.15 g/t gold). In addition, mining activities have commenced in the South Zone, which contains proven mineral reserves of 6,200 ounces of gold (57,000 tonnes grading 3.37 g/t gold), probable mineral reserves of 3,500 ounces of gold (32,000 tonnes grading 3.41 g/t gold), indicated mineral resources of 73,000 ounces of gold (555,000 tonnes grading 4.09 g/t gold) and inferred mineral resources of 243,000 ounces of gold (1.4 million tonnes grading 5.41 g/t gold). Total cash costs per ounce of gold produced on a by-product basis at the Goldex mine are expected to be approximately $682 in 2019 compared with $646 in 2018, reflecting the expectation of decreased production.

Meadowbank Mine (including the Amaruq satellite deposit)

In 2019, payable gold production at the Meadowbank mine site is expected to be approximately 65,000 ounces. Production guidance has increased over previous guidance due to a slight increase in the expected grade of the remaining Meadowbank stockpiles and availability of extra tonnage from the Portage Pit. The Amaruq satellite deposit at the Meadowbank mine is expected to achieve commercial production in the third quarter of 2019 and provide approximately 165,000 ounces (including 40,000 ounces of pre-commercial production at the Amaruq satellite deposit) in its first partial year of commercial production. In 2020 and 2021, the midpoints of expected annual payable gold production at the Amaruq satellite deposit at the Meadowbank mine are 272,500 and 351,000 ounces, respectively. Work is underway at the Amaruq satellite deposit to evaluate the potential for an underground operation, which could run partially concurrent with the open pit mine that is currently under development. Preliminary evaluation work suggests the potential to selectively mine higher grade portions of the underground mineral resources from 2021 through 2027. Total cash costs per ounce of gold produced on a by-product basis at the Meadowbank mine are expected to be approximately $990 in 2019 compared with $814 in 2018, reflecting the expectation of decreased production. Total cash costs per ounce of gold produced on a by-product basis at the Amaruq satellite deposit are expected to be $812 in 2019.

Meliadine Mine project

The Meliadine mine project is expected to achieve commercial production early in the second quarter of 2019 and provide approximately 230,000 gold ounces (including 60,000 ounces of pre-commercial production). In 2020 and 2021, the midpoints of expected annual production at the Meliadine mine project are 385,000 and 365,000 ounces, respectively. Total cash costs per ounce of gold produced on a by-product basis at the Meliadine mine project are expected to be $612 in 2019.

Canadian Malartic Mine

In 2019, attributable payable gold production at the Canadian Malartic mine is expected to be approximately 330,000 ounces. In 2020 and 2021, the midpoints of expected annual attributable payable gold production at the Canadian Malartic mine are 350,000 ounces. The Partnership is evaluating the potential for mining the Odyssey North and East Malartic deposits from surface to a depth of 600 metres. These deposits could provide higher grade tonnes that could potentially supplement open pit production at the Canadian Malartic mine in the future. On a 50% basis, Odyssey contains inferred mineral resources of 809,000 ounces of gold (11.5 million tonnes grading 2.19 g/t gold) and East Malartic contains inferred mineral resources of 1.4 million ounces of gold (22.0 million tonnes grading 1.98 g/t gold) as of December 31, 2018. Drilling is ongoing to extend and upgrade the mineral resources in these zones. The permit and Certificate of Authorization, which allow for the development of an underground ramp at Odyssey were received in December 2018. Total cash costs per ounce of gold produced on a by-product basis at the Canadian Malartic mine are expected to be approximately $576 in 2019 compared with $559 in 2018, reflecting the expectation of decreased production.

Kittila Mine

In 2019, payable gold production at the Kittila mine is expected to be approximately 175,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at the Kittila mine are 215,000 and 245,000 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. The expansion project is expected to result in a 50,000 to 70,000 ounce annual increase in gold production at reduced operating costs starting in 2021. In addition, the shaft is expected to provide access to the mineral resources located below 1,150 metres depth, where recent exploration programs have shown promising results. Total cash costs per ounce of gold produced on a by-product basis at the Kittila mine are expected to be approximately $822 in 2019 compared with $853 in 2018, reflecting the expectation of decreased production costs as a result of a scheduled mill shutdown in the second quarter of 2019 to allow for autoclave relining.

Pinos Altos Mine

In 2019, payable gold production at the Pinos Altos mine is expected to be approximately 165,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at the Pinos Altos are 150,000 and 146,500 ounces, respectively. Several satellite mining opportunities exist around the Pinos Altos mine that are being evaluated for their incremental production potential. Development projects at the Sinter and Cubiro satellite deposits at the Pinos Altos mine continued to advance during 2018. The Sinter deposit, located approximately 2 kilometres northwest of the Pinos Altos mine, will be mined from underground and a small open pit. At the Sinter deposit, 757 metres of underground development had been completed by year-end 2018, and mineral resource conversion and expansion drilling commenced in the first quarter of 2019. At the Cubiro deposit, located approximately 9 kilometres northwest of the Pinos Altos mine, which could potentially supply high-grade ore to the Pinos Altos processing facilities, 300 metres of underground ramp development had been completed in 2018. Underground exploration and mineral resource conversion is expected to commence later in 2019.Total cash costs per ounce of gold produced on a by-product basis at the Pinos Altos mine are expected to be approximately $604 in 2019 compared with $548 in 2018, reflecting the expectation of decreased production due to changes in the mining sequence.

Creston Mascota Mine

In 2019, payable gold production at the Creston Mascota mine is expected to be approximately 35,000 ounces. In 2020, the midpoint of expected annual payable gold production at the Creston Mascota mine is 22,500 ounces. Stacking at the Creston Mascota mine is expected to end in the fourth quarter of 2019 with residual leaching expected until 2020. Total cash costs per ounce of gold produced on a by-product basis at the Creston Mascota mine are expected to be approximately $763 in 2019 compared with $841 in 2018, reflecting the expectation of decreased production costs as the mine approaches the end of operations.

La India Mine

In 2019, payable gold production at the La India mine is expected to be approximately 90,000 ounces. In 2020 and 2021, the midpoints of expected annual payable gold production at the La India mine are 95,000 and 90,000 ounces, respectively. In 2018, an initial probable mineral reserve of 84,000 ounces of gold and 418,000 ounces of silver (3.3 million tonnes grading 0.80 g/t gold and 3.96 g/t silver) were declared at the El Realito deposit. Detailed engineering regarding the heap leach expansion was completed in November 2018, and earthworks were started in December 2018 with the completion expected in April 2019. Studies are underway to optimize the crushing circuit with a goal of potentially increasing capacity from 16,000 to 17,000 tonnes per day. Total cash costs per ounce of gold produced on a by-product basis at the La India mine are expected to be approximately $721 in 2019 compared with $685 in 2018, reflecting the expectation of decreased production.

Production Summary

With the achievement of commercial production at the Kittila and Pinos Altos mines in 2009, the Meadowbank mine in 2010, the Creston Mascota and LaRonde mine extension in 2011, the Goldex mine M and E Zones in 2013, the La India mine in 2014 and the LaRonde Zone 5 mine in 2018 along with the joint acquisition of the Canadian Malartic mine on June 16, 2014, Agnico Eagle has transformed from a one mine operation to a multi-mine senior gold mining company over the last decade. In 2018, the Company achieved payable gold production of 1,626,669 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. Payable gold production is expected to increase to approximately 1,750,000 ounces in 2019, representing an 7.6% increase compared with 2018. The Company expects that the main contributors to achieving the targeted levels of payable gold production, mineral reserves and mineral resources in 2019 will include:

- achievement of commercial production at the Meliadine mine project and the Amaruq satellite deposit at the Meadowbank mine;
- 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 2019, the Company expects to continue to generate solid cash flow with payable gold production of approximately 1,750,000 ounces (including 40,000 and 60,000 ounces of pre-commercial production at the Amaruq satellite deposit and the Meliadine mine project, respectively) compared with 1,626,669 ounces in 2018. This expected increase in payable gold production is primarily due to the expected commencement of commercial production at the Meliadine mine project and the Amaruq satellite deposit.

The table below sets out actual payable production in 2018 and expected payable production in 2019:

	2019 Forecast	2018 Actual
Gold (ounces)	1,750,000	1,626,669
Silver (thousands of ounces)	4,035	4,524
Zinc (tonnes)	10,155	7,864
Copper (tonnes)	3,944	4,193

In 2019, the Company expects total cash costs per ounce of gold produced on a by-product basis to be between $620 and $670. At the LaRonde mine total cash costs per ounce of gold produced on a by-product basis is expected to be approximately $467 compared with $445 in 2018. 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 metal 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 $665 in 2019 at the LaRonde mine compared with $634 in 2018.

As production costs at the LaRonde, LaRonde Zone 5, Goldex, Meadowbank (including the Amaruq satellite deposit), Meliadine and Canadian Malartic mines are incurred primarily in Canadian dollars, production costs at the Kittila mine are incurred primarily in Euros and a portion of the production costs at the Pinos Altos, Creston Mascota and La India mines are incurred 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 2019 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, 2019 through February 28, 2019:

	2019 Assumptions	Actual Market Average (January 1, 2019 – February 28, 2019)
Silver (per ounce)	$16.00	$15.70
Zinc (per tonne)	$2,756	$2,630
Copper (per tonne)	$6,063	$6,102
Diesel (C$ per litre)	$0.85	$0.87
C$/US$ exchange rate (C$)	$1.28	$1.33
Euro/US$ exchange rate (Euros)	€1.18	€1.14
Mexican peso/US$ exchange rate (Mexican pesos)	18.00	19.20

See *Risk Profile – Commodity Prices and Foreign Currencies* in this MD&A for the expected impact on forecast 2019 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 2019, Agnico Eagle expects to incur exploration and corporate development expenses of approximately $103.4 million. A large component of the 2019 exploration program will be focused on the Amaruq satellite deposit at Meadowbank in Nunavut, the Canadian Malartic and Goldex mines in the Abitibi region of northwest Quebec, the Sisar Zone at the Kittila mine in Finland, satellite targets at the La India mine and the Santa Gertrudis project in Sonora State, 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 Company expects to spend $8.1 million for 32,800 metres of exploration drilling, in addition to $4.4 million for 20,300 metres of conversion drilling. The goals of the exploration program are to:

- test for westerly and easterly extensions of the Whale Tail deposit;
- extend the known mineral resources of the Whale Tail North structure toward the east to fill the gap with the V Zone;
- test for deep extensions of the V Zone; and
- test new concepts regionally to potentially outline additional sources of open pit ore.

At the Canadian Malartic mine, the Company expects to spend $2.3 million for 29,000 metres (on a 50% basis) of exploration and conversion drilling focused on increasing the known mineralization.

At the Kittila mine, the Company expects to spend $9.3 million for 42,400 metres of further deep drilling focused on the Main Zone in the Roura and Rimpi areas and the Sisar Zone. The goal of this program is to further explore the Kittila mineral reserve and mineral resource potential and demonstrate the economic potential of the Sisar Zone as a new mining horizon at Kittila. Outside of the mining licence areas, the Company expects to spend $1.1 million for 4,000 metres of diamond drilling for exploration along the Suurikuusikko, Kapsa and Hanhimaa Trends.

At the Goldex mine, the Company expects to spend $4.8 million for a combination of 7,000 metres of surface and underground exploration drilling and 46,800 metres of conversion drilling. At the adjacent Joubi property, the Company expects to spend $0.9 million for 6,000 metres of exploration drilling.

At the La India mine, the Company expects to spend $2.8 million for 10,000 metres of regional drilling that will target mineral resource expansion at the Tarachi and Chipriona satellite targets. In addition, focused on El Realito and other targets, the Company expects to spend $2.4 million for 10,000 metres of mine site exploration and $0.7 million for 2,000 metres of conversion drilling to extend the life of mine.

At the Santa Gertrudis project in Sonora, Mexico, the Company expects to spend $8.2 million for approximately 29,000 metres of drilling that will be focused on expanding the mineral resource, testing the extensions of high-grade structures and exploring new targets to be outlined by a target-generation initiative. The economic potential of Santa Gertrudis will also be evaluated.

Exploration programs are designed to infill and expand known deposits and test other favorable 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 2019, the Company expects to capitalize approximately $28.1 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 2019 compared with $124.9 million in 2018. Amortization of property, plant and mine development is expected to be between $580.0 million and $630.0 million in 2019 compared with $553.9 million in 2018. The Company's effective tax rate is expected to be between 45.0% and 50.0% in 2019.

Capital Expenditures

Capital expenditures, including sustaining capital, construction and development costs and capitalized exploration costs, are expected to total approximately $660.0 million in 2019. The Company expects to fund its 2019 capital expenditures through operating cash flow from the sale of its gold production and the associated by-product metals. Significant components of the expected 2019 capital expenditures program include the following:

- $287.7 million in sustaining capital expenditures relating to the LaRonde mine ($71.3 million), Kittila mine ($69.7 million), Canadian Malartic mine ($47.0 million – 50% portion attributable to the Company), Pinos Altos mine ($23.8 million), Meliadine project ($23.1 million), Meadowbank mine including the Amaruq satellite deposit ($18.7 million), Goldex mine ($17.1 million), La India mine ($9.1 million), LaRonde Zone 5 mine ($6.6 million) and other projects ($1.3 million);
- $344.2 million in capitalized development expenditures relating to the Amaruq satellite deposit at Meadowbank ($110.9 million), Kittila mine ($85.1 million), Canadian Malartic mine ($35.7 million – 50% portion attributable to the Company), Meliadine project ($33.3 million), Amaruq underground project ($23.0 million), Goldex mine ($17.4 million), LaRonde mine ($12.2 million), La India mine ($11.7 million), LaRonde Zone 5 mine ($2.8 million), Pinos Altos mine ($10.2 million) and other projects ($1.9 million); and
- $28.1 million in capitalized drilling expenditures.

In 2019, a significant portion of the Company's capital commitments is expected to relate to the construction of the Amaruq satellite deposit (including the Amaruq underground project) at Meadowbank and the Kittila mine expansion. The Amaruq satellite deposit's (including the Amaruq underground project) capital commitment is forecast to be $133.9 million in development expenditures which represents approximately 20.3% of the expected $660.0 million in total capital expenditures in 2019.

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 $875 to $925 in 2019 compared with $877 in 2018 primarily due to higher total cash costs.

Risk Profile

The Company is subject to significant risks due to the inherent nature of the business of exploration, development and mining of properties with precious metals. The risks described below are not the only ones facing the Company. The risk factors below may include details of how the Company seeks to mitigate these risks where possible. For a more comprehensive discussion of these inherent risks, see "Risk Factors" in our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

Financial Instruments

The Company's principal financial liabilities are comprised of accounts payable and accrued liabilities, long-term debt and derivative financial instruments. The Company uses these financial instruments to manage its cash flows used to support ongoing operations and future growth.

The Company's principal financial assets are comprised of cash and cash equivalents, short-term investments, trade receivables, equity securities and derivative financial instruments. Cash and cash equivalents, short-term investments and trade receivables are generated by the Company's operations. Equity securities are generally strategic investments made in other mining companies.

Using financial instruments expose the Company to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, commodity price risk and foreign currency risk as discussed below).

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 and limiting concentration 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 mitigates liquidity risk primarily by monitoring its debt rating and the maturity dates of existing debt and other payables.

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, 2018, 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, 2018, short-term investments were $6.1 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.

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. 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 2019:

- Silver – $16.00 per ounce;
- Zinc – $2,756 per tonne;
- Copper – $6,063 per tonne;
- Diesel – C$0.85 per litre;
- Canadian dollar/US dollar – C$1.28 per $1.00;
- Euro/US dollar – €0.85 per $1.00; and
- Mexican peso/US dollar – 18.00 Mexican pesos per $1.00.

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 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 2018, the ranges of metal prices, diesel prices and exchange rates were as follows:

- Silver: $13.89 – $17.71 per ounce, averaging $15.71 per ounce;
- Zinc: $2,284 – $3,619 per tonne, averaging $2,921 per tonne;
- Copper: $5,759 – $7,331 per tonne, averaging $6,525 per tonne;
- Diesel: C$0.65 – C$0.90 per litre, averaging C$0.74 per litre;
- Canadian dollar/US dollar: C$1.23 – C$1.37 per $1.00, averaging C$1.30 per $1.00;

- Euro/US dollar: €0.80 – €0.89 per $1.00, averaging €0.85 per $1.00; and
- Mexican peso/US dollar: 17.94 – 20.96 Mexican pesos per $1.00, averaging 19.24 Mexican pesos per $1.00.

The following table sets out the impact on forecast 2019 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 2018 price ranges shown above, these specifically identified changes in assumed metal prices, the diesel price and exchange rates are reasonably likely in 2019.

Changes in Variable	Impact on Forecast 2019 Total Cash Costs per Ounce of Gold Produced (By-Product Basis)
Silver – $1 per ounce	$2
Zinc – 10%	$2
Copper – 10%	$1
Diesel – 10%	$5
Canadian dollar/US dollar – 1%	$4
Euro/US dollar – 1%	$1
Mexican peso/US dollar – 10%	$3

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. As at December 31, 2018, there were foreign exchange derivatives outstanding related to $626.4 million of 2019 expenditures. During the year ended December 31, 2018 the Company recognized a loss of $8.3 million on foreign exchange derivatives in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss).

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. As at December 31, 2018, there were derivative financial instruments outstanding relating to 12.0 million gallons of heating oil. During the year ended December 31, 2018 the Company recognized a loss of $0.4 million on heating oil derivatives in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss).

Operational Risk

The Canadian Malartic, LaRonde, and Meadowbank mines were the Company's most significant contributors in 2018 to the Company's payable gold production at 21.4%, 21.1% and 15.3%, respectively. These mines are expected to account for 51.4% of the Company's payable gold production in 2019.

The following table sets out expected 2019 payable gold production by mine:

	Expected Payable Gold Production (Ounces)	Expected Payable Gold Production (%)
LaRonde mine	340,000	19.4%
LaRonde Zone 5 mine	40,000	2.3%
Goldex mine	115,000	6.6%
Meadowbank mine	65,000	3.7%
Amaruq satellite deposit at the Meadowbank mine	165,000	9.4%
Canadian Malartic mine (attributable 50.0%)	330,000	18.9%
Meliadine mine project	230,000	13.1%
Kittila mine	175,000	10.0%
Pinos Altos mine	165,000	9.5%
Creston Mascota mine	35,000	2.0%
La India mine	90,000	5.1%
Total	1,750,000	100.0%

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.

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, 2018. Based on this evaluation, management concluded that the Company's ICFR and DC&P were effective as at December 31, 2018.

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, 2019 were exercised:

Common shares outstanding	234,186,501
Employee stock options	8,200,337
Common shares held in a trust in connection with the Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan	1,068,776
Total	243,455,614

Sustainable Development

In 2018, 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. An external audit of the Voluntary Principles was performed at the La India mine in 2018.

In 2018, the Company adopted an indigenous engagement policy and a diversity and inclusion policy.

The Company's Sustainable Development Policy is available on the Company's website at www.agnicoeagle.com. The Canadian Malartic mine's sustainable development report is available at its website, www.canadianmalartic.com.

Employee Health and Safety

The Company's overall health and safety performance, as measured by accident frequency, suffered a slight set back during 2018. A combined lost time and restricted work accident frequency rate (excluding the Canadian Malartic mine) of 1.27 was achieved, a 39% increase from the 2017 rate of 0.91 and above the target rate of 1.10. This increase can be attributed to the construction activities at the Amaruq satellite deposit at the Meadowbank mine and the Meliadine mine project and action plans have been put in place to correct the situation.

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 2018, the AMQ acknowledged the Company's strong performance in the area of health and safety, recognizing 21 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 21 supervisors achieved more than 1.7 million hours supervised without a lost-time accident for a member of their crew. 15 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 are also performed at all divisions on an annual basis. The TSM Initiative also contains a Health and Safety protocol.

The Canadian Malartic mine's combined accident frequency rate in 2018 was 1.21, compared to an objective of 1.10 and the 2017 rate of 0.78.

Community

The Company's goal, at each of its operations worldwide, is to hire as much of its workplace as possible, including management teams, directly from the local region in which the operation is located. In 2018, the overall company average for local hiring was 62%. 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 2018, the Amaruq IIBA was signed. In 2018, the Company continued its dialogue with First Nations in the Abitibi region. The Company continues negotiations with First Nations around the Kirkland Lake project and the Partnership continues its dialogue with First Nations in the Abitibi region. The Company has adopted a reconciliation action plan in line with the call for action No. 92 of the federal Truth and Reconciliation Commission (TRC), the first step of which was to give training on First Nations Matters to the Company's executives. This training took place in December 2018.

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 continued 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.

Environment

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 14001 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.

With respect to activities in 2018, the Canadian Malartic mine received one non-compliance blast notice for Nitrogen Oxide emissions during a blast in April 2018. 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 as at December 31, 2018 was $386.2 million (including the Company's share of the Canadian Malartic reclamation costs) and the Company's reclamation expense for the year ended December 31, 2018 was $14.4 million.

For more information please see Note 12 in the annual consolidated financial statements.

The Company's Environmental Policy is available on the Company's website at www.agnicoeagle.com.

Critical IFRS Accounting Policies and Accounting Estimates

The Company's annual 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 in the annual consolidated financial statements.

The preparation of the annual 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 judgments and key sources of estimation uncertainties in the application of accounting policies during the year ended December 31, 2018 are disclosed in Note 4 in the annual consolidated 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 contained in this MD&A 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. & 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 whom is a "Qualified Person" for the purposes of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("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; relating to mineral reserves at the Canadian Malartic mine, has been approved by Sylvie Lampron, Eng., Senior Project Mine Engineer at Canadian Malartic Corporation; and relating to mineral resources at the Canadian Malartic mine and the Odyssey and East Malartic projects, has been approved by Pascal Lehouiller, P. Geo., Senior Resource Geologist at Canadian Malartic Corporation, each of whom is a "Qualified Person" for the purposes of NI 43-101.

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, 2018 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 Meadowbank mine in Canada and the Sinter deposit at the Pinos Altos mine and the Creston Mascota mine in Mexico, which used foreign exchange rate 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, 2018 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 0.37 g/t and 0.38 g/t gold (depending on the deposit); a C$125/tonne net smelter return (NSR) for the Upper Beaver project; and a foreign exchange rate of C$1.25 per US$1.00.

Proven and Probable Mineral Reserves by Property[(i)(ii)]	Tonnes	Gold Grade (Grams per Tonne)	Contained Gold (Ounces)[(iii)]
	(thousands)		*(thousands)*
Proven Mineral Reserves			
LaRonde mine	4,817	4.87	754
LaRonde Zone 5 mine	4,053	2.03	264
Canadian Malartic mine (attributable 50.0%)	23,029	0.89	658
Goldex mine	207	2.06	14
Meadowbank mine	1,141	1.57	58
Amaruq satellite deposit (part of Meadowbank Complex)	89	3.15	9
Meliadine mine project	150	5.67	27
Kittila mine	491	4.12	65
Pinos Altos mine	4,782	2.70	416
La India mine	228	0.49	4
Total Proven Mineral Reserves	38,987	1.81	2,268
Probable Mineral Reserves			
LaRonde mine	11,561	6.26	2,327
LaRonde Zone 5 mine	5,377	2.41	417
Canadian Malartic mine (attributable 50.0%)	55,799	1.18	2,122
Goldex mine	18,717	1.58	949
Akasaba West project	5,432	0.84	147
Meadowbank mine	464	2.68	40
Amaruq satellite deposit (part of Meadowbank Complex)	24,852	3.60	2,873
Meliadine mine project	16,585	6.99	3,725
Upper Beaver project	7,992	5.43	1,395
Kittila mine	30,040	4.50	4,349
Pinos Altos mine	12,323	1.94	769
Creston Mascota mine	1,434	1.77	82
La India mine	24,256	0.74	577
Total Probable Mineral Reserves	214,833	2.86	19,771
Total Proven and Probable Mineral Reserves	253,820	2.70	22,039

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 (loss) 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. The Company does not exclude stock based compensation expense in its calculation of adjusted net income. Stock option expense for the year ended December 31, 2018 was $19.3 million (2017 – $19.2 million; 2016 – $16.3 million).

	2018	2017(i)	2016
	(thousands of United States dollars)		
Net income (loss) for the year	$(326,701)	$240,795	$158,824
Impairment loss on equity securities	–	8,532	–
Gain on sale of equity securities	–	–	(3,500)
Foreign currency translation loss	1,991	13,313	13,157
Loss (gain) on derivative financial instruments	6,065	(17,898)	(9,468)
Impairment reversal, net of tax	–	–	(81,210)
Impairment loss(ii)	389,693	–	–
Income and mining taxes adjustments(iii)	7,629	(24,921)	4,755
Other(iv)	(6,802)	14,006	26,963
Adjusted net income for the year	$ 71,875	$233,827	$109,521
Net income (loss) per share – basic	$ (1.40)	$ 1.05	$ 0.71
Net income (loss) per share – diluted	$ (1.40)	$ 1.04	$ 0.70
Adjusted net income per share – basic	$ 0.31	$ 1.02	$ 0.49
Adjusted net income per share – diluted	$ 0.31	$ 1.01	$ 0.49

Notes:

(i) The Company has adopted IFRS 9 effective January 1, 2018 on a retrospective basis and the comparative amounts above have been adjusted accordingly. For more information please see Note 3 in the Company's annual consolidated financial statements.

(ii) The Company did not record a tax impact on the impairment loss as a result of the initial recognition exemption which does not require deferred tax to be recorded on goodwill or asset acquisitions.

(iii) 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.

(iv) 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 and gains and losses on the disposal of assets.

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 (loss) 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 and other adjustments 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 (loss) 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 (loss) in accordance with IFRS.

Total Production Costs by Mine

(thousands of United States dollars)	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
LaRonde mine	$ 228,294	$ 185,488	$ 179,496
LaRonde Zone 5 mine	12,991	–	–
Lapa mine	27,870	38,786	52,974
Goldex mine	78,533	71,015	63,310
Meadowbank mine	211,147	224,364	218,963
Canadian Malartic mine(i)	199,761	188,568	183,635
Kittila mine	157,032	148,272	141,871
Pinos Altos mine	138,362	108,726	114,557
Creston Mascota mine	37,270	31,490	27,341
La India mine	69,095	61,133	49,745
Production costs per the consolidated statements of income (loss)	$1,160,355	$1,057,842	$1,031,892

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

(thousands of United States dollars, except as noted)

LaRonde Mine Per Ounce of Gold Produced(ii)	**Year Ended December 31, 2018**		**Year Ended December 31, 2017**		**Year Ended December 31, 2016**	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		343,686		348,870		305,788
Production costs	$ 228,294	$ 664	$ 185,488	$ 532	$ 179,496	$ 587
Inventory and other adjustments(iv)	(10,475)	(30)	26,246	75	24,914	81
Cash operating costs (co-product basis)	$ 217,819	$ 634	$ 211,734	$ 607	$ 204,410	$ 668
By-product metal revenues	(64,973)	(189)	(70,054)	(201)	(51,136)	(167)
Cash operating costs (by-product basis)	$ 152,846	$ 445	$ 141,680	$ 406	$ 153,274	$ 501

LaRonde Mine Per Tonne(iii)	**Year Ended December 31, 2018**		**Year Ended December 31, 2017**		**Year Ended December 31, 2016**	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		2,108		2,246		2,240
Production costs	$ 228,294	$ 108	$ 185,488	$ 83	$ 179,496	$ 80
Production costs (C$)	C$ 293,094	C$ 139	C$ 243,638	C$ 108	C$ 237,934	C$ 106
Inventory and other adjustments (C$)(v)	(41,568)	(20)	(1,107)	–	(1,447)	–
Minesite operating costs (C$)	C$ 251,526	C$ 119	C$ 242,531	C$ 108	C$ 236,487	C$ 106

LaRonde Zone 5 Mine Per Ounce of Gold Produced(ii)(vi)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		18,620		–		–
Production costs	$ 12,991	$ 698	$ –	$ –	$ –	$ –
Inventory and other adjustments(iv)	656	35	–	–	–	–
Cash operating costs (co-product basis)	$ 13,647	$ 733	$ –	$ –	$ –	$ –
By-product metal revenues	(21)	(1)	–	–	–	–
Cash operating costs (by-product basis)	$ 13,626	$ 732	$ –	$ –	$ –	$ –

LaRonde Zone 5 Mine Per Tonne(iii)(vii)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		225		–		–
Production costs	$ 12,991	$ 58	$ –	$ –	$ –	$ –
Production costs (C$)	C$ 17,028	C$ 76	C$ –	C$ –	C$ –	C$ –
Inventory and other adjustments (C$)(v)	945	4	–	–	–	–
Minesite operating costs (C$)	C$ 17,973	C$ 80	C$ –	C$ –	C$ –	C$ –

Lapa Mine Per Ounce of Gold Produced(ii)(viii)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		34,026		48,410		73,930
Production costs	$ 27,870	$ 819	$ 38,786	$ 801	$ 52,974	$ 717
Inventory and other adjustments(iv)	1,843	54	(2,143)	(44)	1,173	15
Cash operating costs (co-product basis)	$ 29,713	$ 873	$ 36,643	$ 757	$ 54,147	$ 732
By-product metal revenues	(26)	(1)	(112)	(2)	(28)	–
Cash operating costs (by-product basis)	$ 29,687	$ 872	$ 36,531	$ 755	$ 54,119	$ 732

Lapa Mine Per Tonne(iii)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		311		398		593
Production costs	$ 27,870	$ 90	$ 38,786	$ 97	$ 52,974	$ 89
Production costs (C$)	C$ 35,854	C$ 115	C$ 50,976	C$ 128	C$ 69,941	C$ 118
Inventory and other adjustments (C$)(v)	2,369	8	(3,166)	(8)	1,580	3
Minesite operating costs (C$)	C$ 38,223	C$ 123	C$ 47,810	C$ 120	C$ 71,521	C$ 121

Goldex Mine Per Ounce of Gold Produced(ii)(ix)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		121,167		110,906		120,704
Production costs	$ 78,533	$ 648	$ 71,015	$ 640	$ 63,310	$ 525
Inventory and other adjustments(iv)	(219)	(2)	(3,289)	(29)	912	7
Cash operating costs (co-product basis)	$ 78,314	$ 646	$ 67,726	$ 611	$ 64,222	$ 532
By-product metal revenues	(25)	–	(24)	(1)	(26)	–
Cash operating costs (by-product basis)	$ 78,289	$ 646	$ 67,702	$ 610	$ 64,196	$ 532

Goldex Mine Per Tonne(iii)(x)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		2,625		2,396		2,545
Production costs	$ 78,533	$ 30	$ 71,015	$ 30	$ 63,310	$ 25
Production costs (C$)	C$ 101,787	C$ 39	C$ 91,998	C$ 38	C$ 83,835	C$ 33
Inventory and other adjustments (C$)(v)	44	–	(2,404)	(1)	1,231	–
Minesite operating costs (C$)	C$ 101,831	C$ 39	C$ 89,594	C$ 37	C$ 85,066	C$ 33

Meadowbank Mine Per Ounce of Gold Produced(ii)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		248,997		352,526		312,214
Production costs	$ 211,147	$ 848	$ 224,364	$ 636	$ 218,963	$ 701
Inventory and other adjustments(iv)	(5,769)	(23)	(3,127)	(8)	8,105	26
Cash operating costs (co-product basis)	$ 205,378	$ 825	$ 221,237	$ 628	$ 227,068	$ 727
By-product metal revenues	(2,685)	(11)	(4,714)	(14)	(3,837)	(12)
Cash operating costs (by-product basis)	$ 202,693	$ 814	$ 216,523	$ 614	$ 223,231	$ 715

Meadowbank Mine Per Tonne(iii)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		3,262		3,853		3,915
Production costs	$ 211,147	$ 65	$ 224,364	$ 58	$ 218,963	$ 56
Production costs (C$)	C$ 272,140	C$ 83	C$ 292,216	C$ 76	C$ 284,748	C$ 73
Inventory and other adjustments (C$)(v)	(4,477)	(1)	1,512	–	5,681	1
Minesite operating costs (C$)	C$ 267,663	C$ 82	C$ 293,728	C$ 76	C$ 290,429	C$ 74

Canadian Malartic Mine[i] Per Ounce of Gold Produced[ii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		348,600		316,731		292,514
Production costs	$ 199,761	$ 573	$ 188,568	$ 595	$ 183,635	$ 628
Inventory and other adjustments[iv]	1,947	6	(497)	(1)	(553)	(2)
Cash operating costs (co-product basis)	$ 201,708	$ 579	$ 188,071	$ 594	$ 183,082	$ 626
By-product metal revenues	(6,806)	(20)	(5,759)	(18)	(5,821)	(20)
Cash operating costs (by-product basis)	$ 194,902	$ 559	$ 182,312	$ 576	$ 177,261	$ 606

Canadian Malartic Mine[i] Per Tonne[iii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		10,242		10,179		9,821
Production costs	$ 199,761	$ 20	$ 188,568	$ 19	$ 183,635	$ 19
Production costs (C$)	C$ 258,291	C$ 25	C$ 243,903	C$ 24	C$ 244,333	C$ 25
Inventory and other adjustments (C$)[v]	2,972	–	(3,567)	–	(3,399)	–
Minesite operating costs (C$)	C$ 261,263	C$ 25	C$ 240,336	C$ 24	C$ 240,934	C$ 25

Kittila Mine Per Ounce of Gold Produced[ii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		188,979		196,938		202,508
Production costs	$ 157,032	$ 831	$ 148,272	$ 753	$ 141,871	$ 701
Inventory and other adjustments[iv]	4,374	23	213	1	(26)	(1)
Cash operating costs (co-product basis)	$ 161,406	$ 854	$ 148,485	$ 754	$ 141,845	$ 700
By-product metal revenues	(186)	(1)	(192)	(1)	(200)	(1)
Cash operating costs (by-product basis)	$ 161,220	$ 853	$ 148,293	$ 753	$ 141,645	$ 699

Kittila Mine Per Tonne[iii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore milled (thousands of tonnes)		1,827		1,685		1,667
Production costs	$ 157,032	$ 86	$ 148,272	$ 88	$ 141,871	$ 85
Production costs (€)	€ 133,817	€ 73	€ 131,111	€ 78	€ 128,599	€ 77
Inventory and other adjustments (€)[v]	2,545	2	(79)	–	(505)	–
Minesite operating costs (€)	€ 136,362	€ 75	€ 131,032	€ 78	$ 128,094	$ 77

Pinos Altos Mine Per Ounce of Gold Produced[ii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		181,057		180,859		192,772
Production costs	$ 138,362	$ 764	$ 108,726	$ 601	$ 114,557	$ 594
Inventory and other adjustments[iv]	(2,767)	(15)	5,926	33	(1,840)	(9)
Cash operating costs (co-product basis)	$ 135,595	$ 749	$ 114,652	$ 634	$ 112,717	$ 585
By-product metal revenues	(36,301)	(201)	(43,169)	(239)	(44,118)	(229)
Cash operating costs (by-product basis)	$ 99,294	$ 548	$ 71,483	$ 395	$ 68,599	$ 356

Pinos Altos Mine Per Tonne[iii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		2,218		2,308		2,260
Production costs	$ 138,362	$ 62	$ 108,726	$ 47	$ 114,557	$ 51
Inventory and other adjustments[v]	(3,061)	(1)	6,065	3	(3,698)	(2)
Minesite operating costs	$ 135,301	$ 61	$ 114,791	$ 50	$ 110,859	$ 49

Creston Mascota Mine Per Ounce of Gold Produced[ii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		40,180		48,384		47,296
Production costs	$ 37,270	$ 928	$ 31,490	$ 651	$ 27,341	$ 578
Inventory and other adjustments[iv]	1,326	33	862	18	472	10
Cash operating costs (co-product basis)	$ 38,596	$ 961	$ 32,352	$ 669	$ 27,813	$ 588
By-product metal revenues	(4,818)	(120)	(4,535)	(94)	(3,426)	(72)
Cash operating costs (by-product basis)	$ 33,778	$ 841	$ 27,817	$ 575	$ 24,387	$ 516

Creston Mascota Mine Per Tonne[iii]	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		1,422		2,196		2,119
Production costs	$ 37,270	$ 26	$ 31,490	$ 14	$ 27,341	$ 13
Inventory and other adjustments[v]	853	1	559	1	(77)	–
Minesite operating costs	$ 38,123	$ 27	$ 32,049	$ 15	$ 27,264	$ 13

La India Mine Per Ounce of Gold Produced[(ii)]	**Year Ended December 31, 2018**		**Year Ended December 31, 2017**		**Year Ended December 31, 2016**	
	(thousands)	*($ per ounce)*	*(thousands)*	*($ per ounce)*	*(thousands)*	*($ per ounce)*
Gold production (ounces)		101,357		101,150		115,162
Production costs	$ 69,095	$ 682	$ 61,133	$ 604	$ 49,745	$ 432
Inventory and other adjustments[(iv)]	3,084	30	2,958	30	4,189	36
Cash operating costs (co-product basis)	$ 72,179	$ 712	$ 64,091	$ 634	$ 53,934	$ 468
By-product metal revenues	(2,777)	(27)	(5,392)	(54)	(8,453)	(73)
Cash operating costs (by-product basis)	$ 69,402	$ 685	$ 58,699	$ 580	$ 45,481	$ 395

La India Mine Per Tonne[(iii)]	**Year Ended December 31, 2018**		**Year Ended December 31, 2017**		**Year Ended December 31, 2016**	
	(thousands)	*($ per tonne)*	*(thousands)*	*($ per tonne)*	*(thousands)*	*($ per tonne)*
Tonnes of ore processed (thousands of tonnes)		6,128		5,965		5,837
Production costs	$ 69,095	$ 11	$ 61,133	$ 10	$ 49,745	$ 9
Inventory and other adjustments[(v)]	2,109	1	1,545	1	2,909	–
Minesite operating costs	$ 71,204	$ 12	$ 62,678	$ 11	$ 52,654	$ 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 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 (loss) for by-product metal revenues, inventory production costs, smelting, refining and marketing charges, 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 and other adjustments 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 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.

(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 (loss) for inventory production costs and other adjustments, 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 from contracts with customers is recognized upon the transfer of control over metals sold to the customer. 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 and smelting, refining and marketing charges associated with production.

(vi) The LaRonde Zone 5 mine's per ounce of gold production calculations for the year ended December 31, 2017 exclude 515 ounces of payable gold production and the associated costs which were produced prior to the achievement of commercial production on June 1, 2018.

(vii) The LaRonde Zone 5 mine's per tonne calculations for the year ended December 31, 2017 exclude 7,709 tonnes and the associated costs which were processed prior to the achievement of commercial production on June 1, 2018.

(viii) The Lapa mine's per ounce of gold production calculations for the year ended December 31, 2017 exclude 203 ounces of payable gold production as a result of the Lapa mill being placed on temporary maintenance.

(ix) The Goldex mine's per ounce of gold production calculations for the year ended December 31, 2017 exclude 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 per tonne calculations for the year ended December 31, 2017 exclude 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 helpful 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, 2018, December 31, 2017 and December 31, 2016 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

(United States dollars per ounce of gold produced, except where noted)	**Year Ended December 31, 2018**	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**
Production costs per the consolidated statements of income (loss) (thousands of United States dollars)	$1,160,355	$1,057,842	$1,031,892
Adjusted gold production (ounces)[(i)(ii)(iii)]	1,626,669	1,704,774	1,662,888
Production costs per ounce of adjusted gold production[(i)(ii)(iii)]	$713	$621	$621
Adjustments:			
Inventory and other adjustments[(iv)]	(3)	16	22
Total cash costs per ounce of gold produced (co-product basis)[(v)]	$710	$637	$643
By-product metal revenues	(73)	(79)	(70)
Total cash costs per ounce of gold produced (by-product basis)[(v)]	$637	$558	$573
Adjustments:			
Sustaining capital expenditures (including capitalized exploration)	159	176	187
General and administrative expenses (including stock options)	77	67	62
Non-cash reclamation provision and other	4	3	2
All-in sustaining costs per ounce of gold produced (by-product basis)	$877	$804	$824
By-product metal revenues	73	79	70
All-in sustaining costs per ounce of gold produced (co-product basis)	$950	$883	$894

Notes:

(i) Adjusted gold production for the year ended December 31, 2017 excludes 8,041 ounces of payable gold production at the Goldex mine's Deep 1 Zone which were produced prior to the achievement of commercial production.

(ii) Adjusted gold production for the year ended December 31, 2017 excludes 515 ounces of payable gold production at the LaRonde Zone 5 mine which were produced prior to the achievement of commercial production on June 1, 2018.

(iii) Adjusted gold production for the year ended December 31, 2017 excludes 203 ounces of payable gold production at the Lapa mine as the result of Lapa mill being placed on temporary maintenance.

(iv) Under the Company's revenue recognition policy, revenue from contracts with customers is recognized upon transfer of control over metals sold to the customer. 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) 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 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 (loss) for by-product metal revenues, inventory production costs or 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 and other adjustments 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 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 MINES LIMITED
SUMMARIZED QUARTERLY DATA
(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total 2018
Operating margin(i):					
Revenues from mining operations	$ 578,435	$ 556,282	$ 518,683	$ 537,821	$ 2,191,221
Production costs	295,326	303,695	276,862	284,472	1,160,355
Total operating margin(i)	283,109	252,587	241,821	253,349	1,030,866
Operating margin(i) by mine:					
Northern Business					
LaRonde mine	89,760	74,517	65,405	58,697	288,379
LaRonde Zone 5 mine	–	334	2,402	5,600	8,336
Lapa mine	289	6,303	1,467	3,868	11,927
Goldex mine	18,052	18,686	17,837	19,318	73,893
Meadowbank mine	30,193	21,001	32,816	27,985	111,995
Canadian Malartic mine(ii)	62,261	67,680	58,478	60,346	248,765
Kittila mine	23,309	15,312	19,115	22,516	80,252
Southern Business					
Pinos Altos mine	37,219	29,620	29,072	36,582	132,493
Creston Mascota mine	7,636	3,313	1,660	4,794	17,403
La India mine	14,390	15,821	13,569	13,643	57,423
Total operating margin(i)	283,109	252,587	241,821	253,349	1,030,866
Impairment loss	–	–	–	389,693	389,693
Amortization of property, plant and mine development	134,370	138,469	143,859	137,235	553,933
Exploration, corporate and other	79,386	73,710	79,502	113,694	346,292
Income (loss) before income and mining taxes	69,353	40,408	18,460	(387,273)	(259,052)
Income and mining taxes	24,423	35,436	1,407	6,383	67,649
Net income (loss) for the period	$ 44,930	$ 4,972	$ 17,053	$(393,656)	$ (326,701)
Net income (loss) per share – basic (US$)	$ 0.19	$ 0.02	$ 0.07	$ (1.68)	$ (1.40)
Net income (loss) per share – diluted (US$)	$ 0.19	$ 0.02	$ 0.07	$ (1.68)	$ (1.40)
Cash flows:					
Cash provided by operating activities	$ 207,706	$ 120,087	$ 137,573	$ 140,284	$ 605,650
Cash used in investing activities	$(354,717)	$(201,405)	$(311,870)	$(336,376)	$(1,204,368)
Cash (used in) provided by financing activities	$ (34,348)	$ 340,498	$ (13,952)	$ (18,099)	$ 274,099

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

	Three Months Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total 2018
Realized prices (US$):					
Gold (per ounce)	$ 1,332	$ 1,293	$ 1,204	$ 1,235	$ 1,266
Silver (per ounce)	$ 16.76	$ 16.43	$ 14.20	$ 14.53	$ 15.51
Zinc (per tonne)	$ 3,439	$ 3,144	$ 2,615	$ 2,568	$ 3,034
Copper (per tonne)	$ 7,201	$ 6,760	$ 5,900	$ 6,126	$ 6,543
Payable production(iii):					
Gold (ounces)					
Northern Business					
LaRonde mine	89,785	84,526	88,353	81,022	343,686
LaRonde Zone 5 mine	–	4,601	3,823	10,196	18,620
Lapa mine	1,722	14,533	10,464	7,307	34,026
Goldex mine	27,924	30,480	31,255	31,508	121,167
Meadowbank mine	61,447	59,627	68,259	59,664	248,997
Canadian Malartic mine(ii)	83,403	91,863	88,602	84,732	348,600
Kittila mine	48,118	42,049	49,459	49,353	188,979
Southern Business					
Pinos Altos mine	41,836	43,646	46,405	49,170	181,057
Creston Mascota mine	11,988	8,716	8,024	11,452	40,180
La India mine	23,055	24,920	27,074	26,308	101,357
Total gold (ounces)	389,278	404,961	421,718	410,712	1,626,669
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	367	234	234	205	1,040
LaRonde Zone 5 mine	–	–	1	1	2
Lapa mine	–	1	–	1	2
Goldex mine	–	1	–	–	1
Meadowbank mine	60	48	35	28	171
Canadian Malartic mine(ii)	106	117	110	104	437
Kittila mine	3	3	3	4	13
Southern Business					
Pinos Altos mine	541	538	658	631	2,368
Creston Mascota mine	91	77	59	83	310
La India mine	45	37	44	54	180
Total silver (thousands of ounces)	1,213	1,056	1,144	1,111	4,524
Zinc (tonnes)	1,046	2,778	872	3,168	7,864
Copper (tonnes)	1,292	961	1,026	914	4,193

AGNICO EAGLE MINES LIMITED
SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total 2018
Payable metal sold:					
Gold (ounces)					
Northern Business					
LaRonde mine	101,825	94,868	86,292	81,831	364,816
LaRonde Zone 5 mine	–	683	7,155	9,631	17,469
Lapa mine	613	13,286	6,335	11,640	31,874
Goldex mine	27,458	30,531	30,884	31,748	120,621
Meadowbank mine	68,125	59,126	67,153	58,610	253,014
Canadian Malartic mine(ii)(iv)	77,045	84,920	84,303	84,352	330,620
Kittila mine	49,780	41,758	48,340	47,993	187,871
Southern Business					
Pinos Altos mine	46,360	43,653	44,714	50,717	185,444
Creston Mascota mine	11,889	9,499	7,795	10,409	39,592
La India mine	22,030	25,362	26,005	25,067	98,464
Total gold (ounces)	405,125	403,686	408,976	411,998	1,629,785
Silver (thousands of ounces)					
Northern Business					
LaRonde mine	362	249	225	207	1,043
LaRonde Zone 5 mine	–	–	1	–	1
Lapa mine	–	1	–	1	2
Goldex mine	–	1	–	1	2
Meadowbank mine	58	51	35	26	170
Canadian Malartic mine(ii)(iv)	87	107	110	90	394
Kittila mine	4	2	3	4	13
Southern Business					
Pinos Altos mine	611	528	659	644	2,442
Creston Mascota mine	86	81	59	75	301
La India mine	47	41	37	51	176
Total silver (thousands of ounces)	1,255	1,061	1,129	1,099	4,544
Zinc (tonnes)	2,530	2,979	1,118	1,896	8,523
Copper (tonnes)	1,288	945	1,036	926	4,195

AGNICO EAGLE MINES LIMITED
SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	Three Months Ended				
	March 31, 2017	June 30, 2017(v)	September 30, 2017(v)	December 31, 2017(v)	Total 2017(v)
Operating margin(i):					
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(i)	307,120	282,242	317,835	277,565	1,184,762
Operating margin(i) by mine:					
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(ii)	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 mine	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(i)	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	90,122	92,776	81,872	336,734
Income before income and mining taxes	102,647	63,680	106,747	66,215	339,289
Income and mining taxes (recovery)	26,697	8,804	34,278	28,715	98,494
Net income for the period	$ 75,950	$ 54,876	$ 72,469	$ 37,500	$ 240,795
Net income per share – basic (US$)	$ 0.33	$ 0.24	$ 0.31	$ 0.16	$ 1.05
Net income per share – diluted (US$)	$ 0.33	$ 0.23	$ 0.31	$ 0.16	$ 1.04
Cash flows:					
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 (used in) provided by 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				
	March 31, 2017	June 30, 2017(v)	September 30, 2017(v)	December 31, 2017(v)	Total 2017(v)
Realized prices (US$):					
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
Payable production(iii):					
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(ii)	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 mine	11,244	12,074	11,054	14,012	48,384
La India mine	26,296	24,211	25,143	25,500	101,150
Total gold (ounces)	418,216	427,743	454,362	413,212	1,713,533
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(ii)	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 mine	56	70	71	84	281
La India mine	128	74	60	51	313
Total silver (thousands of ounces)	1,198	1,285	1,268	1,265	5,016
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				
	March 31, 2017	June 30, 2017(v)	September 30, 2017(v)	December 31, 2017(v)	Total 2017(v)
Payable metal sold:					
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(ii)(iv)	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 mine	11,626	11,414	10,763	13,448	47,251
La India mine	25,680	26,251	23,781	23,979	99,691
Total gold (ounces)	424,829	419,873	432,076	416,996	1,693,774
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(ii)(iv)	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 mine	50	70	63	82	265
La India mine	129	86	51	50	316
Total silver (thousands of ounces)	1,217	1,219	1,103	1,313	4,852
Zinc (tonnes)	2,136	1,645	1,314	1,221	6,316
Copper (tonnes)	1,229	885	1,157	1,328	4,599

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.

(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.

(v) The Company has adopted IFRS 9 effective January 1, 2018 on a retrospective basis and the comparative amounts have been adjusted accordingly. For more information please see Note 3 in the Company's consolidated financial statements.

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

	2018	2017[xi]	2016
Revenues from mining operations	$ 2,191,221	$ 2,242,604	$ 2,138,232
Production costs	1,160,355	1,057,842	1,031,892
Operating margin[i]	1,030,866	1,184,762	1,106,340
Amortization of property, plant and mine development	553,933	508,739	613,160
Impairment loss (reversal)	389,693	–	(120,161)
Exploration, corporate and other	346,292	336,734	344,880
Income (loss) before income and mining taxes	(259,052)	339,289	268,461
Income and mining taxes	67,649	98,494	109,637
Net income (loss) for the year	$ (326,701)	$ 240,795	$ 158,824
Net income (loss) per share – basic	$ (1.40)	$ 1.05	$ 0.71
Net income (loss) per share – diluted	$ (1.40)	$ 1.04	$ 0.70
Operating cash flow	$ 605,650	$ 767,557	$ 778,617
Investing cash flow	$(1,204,368)	$(1,000,052)	$ (553,490)
Financing cash flow	$ 274,099	$ 329,167	$ 190,386
Dividends declared per share	$ 0.44	$ 0.41	$ 0.36
Capital expenditures per Consolidated Statements of Cash Flows	$ 1,089,100	$ 874,153	$ 516,050
Average gold price per ounce realized	$ 1,266	$ 1,261	$ 1,249
Average silver price per ounce realized	$ 15.51	$ 17.07	$ 17.28
Average zinc price per tonne realized	$ 3,034	$ 2,829	$ 2,047
Average copper price per tonne realized	$ 6,543	$ 6,345	$ 4,827
Weighted average number of common shares outstanding – basic (thousands)	233,251	230,252	222,737
Working capital (including undrawn credit lines)	$ 1,910,978	$ 2,326,939	$ 2,005,785
Total assets	$ 7,852,843	$ 7,865,601	$ 7,107,951
Long-term debt	$ 1,721,308	$ 1,371,851	$ 1,072,790
Shareholders' equity	$ 4,550,012	$ 4,946,991	$ 4,492,474

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Operating Summary			
LaRonde mine			
Revenues from mining operations	$ 516,673	$ 484,488	$ 388,180
Production costs	228,294	185,488	179,496
Operating margin(i)	$ 288,379	$ 299,000	$ 208,684
Amortization of property, plant and mine development	94,406	82,979	85,292
Gross profit	$ 193,973	$ 216,021	$ 123,392
Tonnes of ore milled	2,108,068	2,246,114	2,240,144
Gold – grams per tonne	5.32	5.05	4.44
Gold production – ounces	343,686	348,870	305,788
Silver production – thousands of ounces	1,040	1,254	988
Zinc production – tonnes	7,864	6,510	4,687
Copper production – tonnes	4,193	4,501	4,416
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 664	$ 532	$ 587
Adjustments:			
Inventory and other adjustments(ii)	(30)	75	81
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 634	$ 607	$ 668
By-product metal revenues	(189)	(201)	(167)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 445	$ 406	$ 501
Minesite costs per tonne(iv)	C$ 119	C$ 108	C$ 106
LaRonde Zone 5 mine			
Revenues from mining operations	$ 21,327	$ –	$ –
Production costs	12,991	–	–
Operating margin(i)	$ 8,336	$ –	$ –
Amortization of property, plant and mine development	1,658	–	–
Gross profit	$ 6,678	$ –	$ –
Tonnes of ore milled	224,643	7,709	–
Gold – grams per tonne	2.76	–	–
Gold production – ounces	18,620	515	–

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 698	$ –	$ –
Adjustments:			
Inventory and other adjustments(ii)	35	–	–
Total cash costs per ounce of gold produced – co-product basis(iii)(v)	$ 733	$ –	$ –
By-product metal revenues	(1)	–	–
Total cash costs per ounce of gold produced – by-product basis(iii)(v)	$ 732	$ –	$ –
Minesite costs per tonne(iv)(vi)	C$ 80	C$ –	C$ –
Lapa mine			
Revenues from mining operations	$ 39,797	$ 64,572	$ 92,160
Production costs	27,870	38,786	52,974
Operating margin(i)	$ 11,927	$ 25,786	$ 39,186
Amortization of property, plant and mine development	268	1,736	30,915
Gross profit	$ 11,659	$ 24,050	$ 8,271
Tonnes of ore milled	311,013	398,248	592,683
Gold – grams per tonne	4.24	4.24	4.64
Gold production – ounces	34,026	48,613	73,930
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 819	$ 801	$ 717
Adjustments:			
Inventory and other adjustments(ii)	54	(44)	15
Total cash costs per ounce of gold produced – co-product basis(iii)(vii)	$ 873	$ 757	$ 732
By-product metal revenues	(1)	(2)	–
Total cash costs per ounce of gold produced – by-product basis(iii)(vii)	$ 872	$ 755	$ 732
Minesite costs per tonne(iv)	C$ 123	C$ 120	C$ 121
Goldex mine			
Revenues from mining operations	$ 152,426	$ 139,665	$ 149,730
Production costs	78,533	71,015	63,310
Operating margin(i)	$ 73,893	$ 68,650	$ 86,420
Amortization of property, plant and mine development	37,390	36,488	41,278
Gross profit	$ 36,503	$ 32,162	$ 45,142

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Tonnes of ore milled	2,624,682	2,572,014	2,545,300
Gold – grams per tonne	1.54	1.53	1.60
Gold production – ounces	121,167	118,947	120,704
Total cash costs per ounce of gold produced ($ per ounce basis): Production costs	$ 648	$ 640	$ 525
Adjustments:			
Inventory and other adjustments(ii)	(2)	(29)	7
Total cash costs per ounce of gold produced – co-product basis(iii)(viii)	$ 646	$ 611	$ 532
By-product metal revenues	–	(1)	–
Total cash costs per ounce of gold produced – by-product basis(iii)(viii)	$ 646	$ 610	$ 532
Minesite costs per tonne(iv)(ix)	C$ 39	C$ 37	C$ 33
Meadowbank mine			
Revenues from mining operations	$ 323,142	$ 449,025	$ 384,023
Production costs	211,147	224,364	218,963
Operating margin(i)	$ 111,995	$ 224,661	$ 165,060
Amortization of property, plant and mine development	83,361	74,130	122,545
Gross profit	$ 28,634	$ 150,531	$ 42,515
Tonnes of ore milled	3,263,040	3,853,034	3,915,102
Gold – grams per tonne	2.56	3.12	2.70
Gold production – ounces	248,997	352,526	312,214
Silver production – thousands of ounces	171	275	221
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 848	$ 636	$ 701
Adjustments:			
Inventory and other adjustments(ii)	(23)	(8)	26
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 825	$ 628	$ 727
By-product metal revenues	(11)	(14)	(12)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 814	$ 614	$ 715
Minesite costs per tonne(iv)	C$ 82	C$ 76	C$ 74

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Canadian Malartic mine[(x)]			
Revenues from mining operations	$ 448,526	$ 404,441	$ 371,920
Production costs	199,761	188,568	183,635
Operating margin[(i)]	$ 248,765	$ 215,873	$ 188,285
Amortization of property, plant and mine development	126,422	122,368	117,665
Gross profit	$ 122,343	$ 93,505	$ 70,621
Tonnes of ore milled	10,241,870	10,178,803	9,820,696
Gold – grams per tonne	1.20	1.09	1.04
Gold production – ounces	348,600	316,731	292,514
Silver production – thousands of ounces	437	341	340
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 573	$ 595	$ 628
Adjustments:			
Inventory and other adjustments[(ii)]	6	(1)	(2)
Total cash costs per ounce of gold produced – co-product basis[(iii)]	$ 579	$ 594	$ 626
By-product metal revenues	(20)	(18)	(20)
Total cash costs per ounce of gold produced – by-product basis[(iii)]	$ 559	$ 576	$ 606
Minesite costs per tonne[(iv)]	C$ 25	C$ 24	C$ 25
Kittila mine			
Revenues from mining operations	$ 237,284	$ 248,761	$ 252,346
Production costs	157,032	148,272	141,871
Operating margin[(i)]	$ 80,252	$ 100,489	$ 110,475
Amortization of property, plant and mine development	71,732	58,682	57,361
Gross profit	$ 8,520	$ 41,807	$ 53,114
Tonnes of ore milled	1,827,335	1,684,626	1,666,732
Gold – grams per tonne	3.80	4.15	4.41
Gold production – ounces	188,979	196,938	202,508
Silver production – thousands of ounces	13	13	12

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 831	$ 753	$ 701
Adjustments:			
Inventory and other adjustments(ii)	23	1	(1)
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 854	$ 754	$ 700
By-product metal revenues	(1)	(1)	(1)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 853	$ 753	$ 699
Minesite costs per tonne(iv)	€ 75	€ 78	€ 77
Pinos Altos mine			
Revenues from mining operations	$ 270,855	$ 257,905	$ 294,377
Production costs	138,362	108,726	114,557
Operating margin(i)	$ 132,493	$ 149,179	$ 179,820
Amortization of property, plant and mine development	70,203	59,970	64,101
Gross profit	$ 62,290	$ 89,209	$ 115,719
Tonnes of ore processed	2,217,979	2,307,872	2,260,155
Gold – grams per tonne	2.96	2.86	3.04
Gold production – ounces	181,057	180,859	192,772
Silver production – thousands of ounces	2,368	2,535	2,505
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 764	$ 601	$ 594
Adjustments:			
Inventory and other adjustments(ii)	(15)	33	(9)
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 749	$ 634	$ 585
By-product metal revenues	(201)	(239)	(229)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 548	$ 395	$ 356
Minesite costs per tonne(iv)	$ 61	$ 50	$ 49
Creston Mascota mine			
Revenues from mining operations	$ 54,673	$ 63,798	$ 62,967
Production costs	37,270	31,490	27,341
Operating margin(i)	$ 17,403	$ 32,308	$ 35,626
Amortization of property, plant and mine development	18,465	22,605	18,898
Gross profit	$ (1,062)	$ 9,703	$ 16,728

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY
(thousands of United States dollars, except where noted)

	2018	2017	2016
Tonnes of ore processed	1,422,411	2,195,655	2,119,245
Gold – grams per tonne	1.03	1.23	1.12
Gold production – ounces	40,180	48,384	47,296
Silver production – thousands of ounces	310	281	201
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 928	$ 651	$ 578
Adjustments:			
Inventory and other adjustments(ii)	33	18	10
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 961	$ 669	$ 588
By-product metal revenues	(120)	(94)	(72)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 841	$ 575	$ 516
Minesite costs per tonne(iv)	$ 27	$ 15	$ 13
La India mine			
Revenues from mining operations	$ 126,518	$ 129,949	$ 142,529
Production costs	69,095	61,133	49,745
Operating margin(i)	$ 57,423	$ 68,816	$ 92,784
Amortization of property, plant and mine development	48,329	46,918	72,043
Gross profit	$ 9,094	$ 21,898	$ 20,741
Tonnes of ore processed	6,127,526	5,965,250	5,837,404
Gold – grams per tonne	0.72	0.69	0.81
Gold production – ounces	101,357	101,150	115,162
Silver production – thousands of ounces	180	313	486
Total cash costs per ounce of gold produced ($ per ounce basis):			
Production costs	$ 682	$ 604	$ 432
Adjustments:			
Inventory and other adjustments(ii)	30	30	36
Total cash costs per ounce of gold produced – co-product basis(iii)	$ 712	$ 634	$ 468
By-product metal revenues	(27)	(54)	(73)
Total cash costs per ounce of gold produced – by-product basis(iii)	$ 685	$ 580	$ 395
Minesite costs per tonne(iv)	$ 12	$ 11	$ 9

AGNICO EAGLE MINES LIMITED
THREE YEAR FINANCIAL AND OPERATING SUMMARY

(thousands of United States dollars, except where noted)

Notes:

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

(ii) Under the Company's revenue recognition policy, revenue from contracts with customers is recognized upon the transfer of control over metals sold to the customer. 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.

(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 (loss) 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 and other adjustments 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 analysis in order to quantify the effects of fluctuating metal prices and exchange rates.

(iv) 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 (loss) 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.

(v) The LaRonde Zone 5 mine's per ounce of gold production calculations exclude 515 ounces for the year ended December 31, 2017 of payable gold production and the associated costs which were produced prior to the achievement of commercial production on June 1, 2018.

(vi) The LaRonde Zone 5 mine's per tonne calculations exclude 7,709 tonnes for the year ended December 31, 2017 and the associated costs which were processed prior to the achievement of commercial production on June 1, 2018.

(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 per ounce of gold production calculations for the year ended December 31, 2017 exclude 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 per tonne calculations for the year ended December 31, 2017 exclude 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.

(xi) The Company has adopted IFRS 9 effective January 1, 2018 on a retrospective basis and the comparative amounts have been adjusted accordingly. For more information please see Note 3 in the Company's consolidated financial statements.

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Annual Audited Consolidated Financial Statements

(Prepared in accordance with International Financial Reporting Standards)

AGNICO EAGLE

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, 2018. 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, 2018, 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, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Toronto, Canada
March 26, 2019

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, 2018 and 2017, the related consolidated statements of income (loss), comprehensive income (loss), 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, 2018 and 2017, 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, 2018, 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 26, 2019 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.

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

Toronto, Canada
March 26, 2019

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, 2018, 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, 2018, 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, 2018 and 2017, and the related consolidated statements of income (loss), comprehensive income (loss), equity and cash flows for the years then ended, and the related notes and our report dated March 26, 2019 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 Annual 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 26, 2019

AGNICO EAGLE MINES LIMITED
CONSOLIDATED BALANCE SHEETS

(thousands of United States dollars, except share amounts)

	As at December 31, 2018	As at December 31, 2017 Restated (Note 3)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 301,826	$ 632,978
Short-term investments	6,080	10,919
Trade receivables (Notes 6 and 19)	10,055	12,000
Inventories (Note 7)	494,150	500,976
Income taxes recoverable (Note 25)	17,805	13,598
Equity securities (Notes 6 and 8)	76,532	122,775
Fair value of derivative financial instruments (Notes 6 and 21)	180	17,240
Other current assets (Note 9(A))	165,824	151,048
Total current assets	1,072,452	1,461,534
Non-current assets:		
Goodwill (Note 23)	407,792	696,809
Property, plant and mine development (Note 10)	6,234,302	5,626,552
Other assets (Note 9(B))	138,297	80,706
Total assets	$7,852,843	$7,865,601
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 11)	$ 310,597	$ 290,722
Reclamation provision (Note 12)	5,411	10,038
Interest payable	16,531	12,894
Income taxes payable (Note 25)	18,671	16,755
Finance lease obligations (Note 13(A))	1,914	3,412
Fair value of derivative financial instruments (Notes 6 and 21)	8,325	–
Total current liabilities	361,449	333,821
Non-current liabilities:		
Long-term debt (Note 14)	1,721,308	1,371,851
Reclamation provision (Note 12)	380,747	345,268
Deferred income and mining tax liabilities (Note 25)	796,708	827,341
Other liabilities (Note 15)	42,619	40,329
Total liabilities	3,302,831	2,918,610
EQUITY		
Common shares (Note 16): Outstanding — 235,025,507 common shares issued, less 566,910 shares held in trust	5,362,169	5,288,432
Stock options (Notes 16 and 17)	197,597	186,754
Contributed surplus	37,254	37,254
Deficit	(988,913)	(598,889)
Other reserves (Note 18)	(58,095)	33,440
Total equity	4,550,012	4,946,991
Total liabilities and equity	$7,852,843	$7,865,601
Commitments and contingencies (Note 27)		

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 (LOSS)

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

	Year Ended December 31, 2018	2017 Restated (Note 3)
REVENUES		
Revenues from mining operations (Note 19)	$2,191,221	$2,242,604
COSTS, EXPENSES AND OTHER INCOME		
Production[(i)]	1,160,355	1,057,842
Exploration and corporate development	137,670	141,450
Amortization of property, plant and mine development (Note 10)	553,933	508,739
General and administrative	124,873	115,064
Impairment loss on equity securities (Note 8)	–	8,532
Finance costs (Note 14)	96,567	78,931
Loss (gain) on derivative financial instruments (Note 21)	6,065	(17,898)
Environmental remediation (Note 12)	14,420	1,219
Impairment loss (Note 24)	389,693	–
Foreign currency translation loss	1,991	13,313
Other income (Note 22)	(35,294)	(3,877)
Income (loss) before income and mining taxes	(259,052)	339,289
Income and mining taxes expense (Note 25)	67,649	98,494
Net income (loss) for the year	$ (326,701)	$ 240,795
Net income (loss) per share — basic (Note 16)	$ (1.40)	$ 1.05
Net income (loss) per share — diluted (Note 16)	$ (1.40)	$ 1.04
Cash dividends declared per common share	$ 0.44	$ 0.41

Note:

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

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(thousands of United States dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017 Restated (Note 3)
Net income (loss) for the year	$(326,701)	$240,795
Other comprehensive income (loss):		
Items that may be subsequently reclassified to net income:		
Equity securities (Note 8):		
Unrealized change in fair value of equity securities	–	(21,179)
Reclassification to impairment loss on equity securities	–	8,532
Reclassification to gain on sale of equity securities	–	(168)
Derivative financial instruments (Note 21):		
Unrealized change in fair value of cash flow hedges	(6,984)	10,763
Unrealized change in fair value of cost of hedging	(3,092)	3,092
Income tax impact of reclassification items (Note 25)	–	(1,117)
Income tax impact of other comprehensive income (loss) items (Note 25)	–	1,390
	(10,076)	1,313
Items that will not be subsequently reclassified to net income:		
Pension benefit obligations:		
Remeasurement gain (loss) of pension benefit obligations (Note 15)	841	(1,772)
Income tax impact (Note 25)	(38)	399
Equity securities (Note 8):		
Net change in fair value of equity securities at FVOCI	(39,585)	–
	(38,782)	(1,373)
Other comprehensive loss for the year	(48,858)	(60)
Comprehensive income (loss) for the year	$(375,559)	$240,735

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						
	Shares	Amount	Stock Options	Contributed Surplus	Deficit	Other Reserves	Total Equity
Balance at December 31, 2016	224,965,140	$4,987,694	$179,852	$37,254	$(744,453)	$ 32,127	$4,492,474
Net income (Restated – Note 3)	–	–	–	–	240,795	–	240,795
Other comprehensive income (loss) (Restated – Note 3)	–	–	–	–	(1,373)	1,313	(60)
Total comprehensive income (Restated – Note 3)	–	–	–	–	239,422	1,313	240,735
Transactions with owners:							
Shares issued under employee stock option plan (Notes 16 and 17(A))	1,538,729	56,802	(12,603)	–	–	–	44,199
Stock options (Notes 16 and 17(A))	–	–	19,505	–	–	–	19,505
Shares issued under incentive share purchase plan (Note 17(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 (Notes 16 and 17(C,D))	(42,380)	(6,272)	–	–	–	–	(6,272)
Restated Balance at December 31, 2017	232,250,441	$5,288,432	$186,754	$37,254	$(598,889)	$ 33,440	$4,946,991
Impact of adopting IFRS 9 on January 1, 2018 (net of tax) (Note 3)	–	–	–	–	39,385	(39,385)	–
Adjusted balance at January 1, 2018	232,250,441	$5,288,432	$186,754	$37,254	$(559,504)	$ (5,945)	$4,946,991
Net loss	–	–	–	–	(326,701)	–	(326,701)
Other comprehensive income (loss)	–	–	–	–	803	(49,661)	(48,858)
Total comprehensive loss	–	–	–	–	(325,898)	(49,661)	(375,559)
Transfer of loss on disposal of equity securities at FVOCI to deficit	–	–	–	–	(1,290)	1,290	–
Hedging gains and costs of hedging transferred to property, plant and mine development	–	–	–	–	–	(3,779)	(3,779)
Transactions with owners:							
Shares issued under employee stock option plan (Notes 16 and 17(A))	1,220,921	39,923	(8,961)	–	–	–	30,962
Stock options (Notes 16 and 17(A))	–	–	19,804	–	–	–	19,804
Shares issued under incentive share purchase plan (Note 17(B))	515,432	20,595	–	–	–	–	20,595
Shares issued under dividend reinvestment plan	495,819	18,286	–	–	–	–	18,286
Dividends declared ($0.44 per share)	–	–	–	–	(102,221)	–	(102,221)
Restricted Share Unit plan, Performance Share Unit plan and Long Term Incentive Plan (Notes 16 and 17(C,D))	(24,016)	(5,067)	–	–	–	–	(5,067)
Balance at December 31, 2018	234,458,597	$5,362,169	$197,597	$37,254	$(988,913)	$(58,095)	$4,550,012

See accompanying notes

AGNICO EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017 Restated (Note 3)
OPERATING ACTIVITIES		
Net (loss) income for the year	$ (326,701)	$ 240,795
Add (deduct) items not affecting cash:		
Amortization of property, plant and mine development (Note 10)	553,933	508,739
Deferred income and mining taxes (Note 25)	(30,961)	10,855
Stock-based compensation (Note 17)	50,658	43,674
Impairment loss on equity securities (Note 8)	–	8,532
Impairment loss (Note 24)	389,693	–
Foreign currency translation loss	1,991	13,313
Other	11,610	18,286
Adjustment for settlement of reclamation provision	(4,685)	(4,824)
Changes in non-cash working capital balances:		
Trade receivables	1,945	(3,815)
Income taxes	(2,291)	(31,913)
Inventories	(52,316)	(64,889)
Other current assets	(18,326)	(13,722)
Accounts payable and accrued liabilities	29,034	44,694
Interest payable	2,066	(2,168)
Cash provided by operating activities	605,650	767,557
INVESTING ACTIVITIES		
Additions to property, plant and mine development (Note 10)	(1,089,100)	(874,153)
Acquisition (Note 5)	(162,479)	(71,989)
Proceeds from sale of property, plant and mine development (Note 10)	35,246	–
Net sales (purchases) of short-term investments	4,839	(2,495)
Net proceeds from sale of equity securities (Note 8)	17,499	333
Purchases of equity securities and other investments (Note 8)	(11,163)	(51,724)
Decrease (increase) in restricted cash	790	(24)
Cash used in investing activities	(1,204,368)	(1,000,052)
FINANCING ACTIVITIES		
Dividends paid	(83,961)	(76,075)
Repayment of finance lease obligations (Note 13(A))	(3,382)	(5,252)
Proceeds from long-term debt (Note 14)	300,000	280,000
Repayment of long-term debt (Note 14)	(300,000)	(410,412)
Notes issuance (Note 14)	350,000	300,000
Long-term debt financing costs (Note 14)	(3,215)	(3,505)
Repurchase of common shares for stock-based compensation plans (Notes 16 and 17(C,D))	(30,062)	(24,684)
Proceeds on exercise of stock options (Note 17(A))	30,962	44,199
Common shares issued (Note 16)	13,757	224,896
Cash provided by financing activities	274,099	329,167
Effect of exchange rate changes on cash and cash equivalents	(6,533)	(3,668)
Net (decrease) increase in cash and cash equivalents during the year	(331,152)	93,004
Cash and cash equivalents, beginning of year	632,978	539,974
Cash and cash equivalents, end of year	$ 301,826	$ 632,978
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 91,079	$ 78,885
Income and mining taxes paid	$ 106,568	$ 127,915

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, 2018

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 26, 2019.

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").

B) *Basis of Presentation*

Overview

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. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

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")

2. BASIS OF PRESENTATION (Continued)

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.

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 (loss), 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 (loss) 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.

B) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) 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. Cash and cash equivalents are classified as financial assets measured at amortized cost.

D) 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 financial assets measured at amortized cost, which approximates fair value given the short-term nature of these investments.

E) 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 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.

F) Financial Instruments

The Company has adopted IFRS 9 – *Financial Instruments* ("IFRS 9") effective January 1, 2018 on a retrospective basis where appropriate; however, in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated except for the presentation of changes in the fair value of the time value component of options that the Company has designated as hedging items. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39 – *Financial Instruments: Recognition and Measurement.* Both accounting policies are discussed below.

Accounting Policy applicable under IFRS 9:

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, short-term investments, restricted cash, trade receivables, equity 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 cash and cash equivalents, short-term investments, accounts payable and accrued liabilities, and long-term debt are measured at amortized

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cost using the effective interest method. Other financial assets and liabilities are recorded at fair value subsequent to initial recognition.

Equity Securities

The Company's equity securities consist primarily of investments in common shares of entities in the mining industry recorded using trade date accounting. On initial recognition of an equity investment, the Company may irrevocably elect to measure the investment at fair value through other comprehensive income ("FVOCI") where changes in the fair value of equity securities are permanently recognized in other comprehensive income and will not be reclassified to profit or loss. The election is made on an investment-by-investment basis.

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 recognizes all derivative financial instruments in the consolidated financial statements at fair value and are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the balance sheet unless there is a legal right to offset and intent to settle on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss). Amounts deferred in other comprehensive income are reclassified when the hedged transaction has occurred.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value at the balance sheet date, with changes in fair value recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss).

Accounting Policy applicable under IAS 39:

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G) 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.

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.

H) Mining Properties, Plant and Equipment and Mine Development Costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 statements of income (loss) 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, 2018 range from an estimated 2 to 17 years.

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

	Useful Life
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 30 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (loss) 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 (loss) on a straight-line basis over the lease term.

I) 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 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.

J) 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 other than 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (loss) in the period in which they occur.

K) 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 (loss) over the period to maturity using the effective interest rate method.

L) 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 (loss).

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 (loss).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (loss). 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 (loss).

M) 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 57. 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 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

N) 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 (loss).

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.

O) 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 (loss) 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

P) Revenue from Contracts with Customers

The Company has adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18 – *Revenue* ("IAS 18"). Both accounting policies are disclosed below.

Gold and Silver

The Company sells gold and silver to customers in the form of bullion and dore bars.

The Company recognizes revenue from these sales when control of the gold or silver has transferred to the customer. This is generally at the point in time when the gold or silver is credited to the metal account of the customer. Once the gold or silver has been credited to the customer's metal account, the customer has legal title to,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

physical possession of, and the risks and rewards of ownership of the gold or silver; therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the gold or silver.

Under certain contracts with customers the transfer of control may occur when the gold or silver is in transit from the mine to the refinery. At this point in time, the customer has legal title to and the risk and rewards of ownership of the gold or silver; therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the gold or silver.

Revenue is measured at the transaction price agreed under the contract. Payment of the transaction price is due immediately when control of the gold or silver is transferred 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.

Metal Concentrates

The Company sells concentrate from certain of its mines to third-party smelter customers. These concentrates predominantly contain zinc and copper, along with quantities of gold and silver.

The Company recognizes revenue from these concentrate sales when control of the concentrate has transferred to the customer, which is the point in time that the concentrate is delivered to the customer. Upon delivery, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the concentrate. The customer is also committed to accept and pay for the concentrates once delivered; therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the concentrate.

The final prices for metals contained in the concentrate are generally determined based on the prevailing spot market metal prices on a specific future date, which is established as of the date the concentrate is delivered to the customer. Upon transfer of control at delivery, the Company measures revenue under these contracts based on forward prices at the time of delivery and the most recent determination of the quantity of contained metals less smelting and refining charges charged by the customer. This reflects the best estimate of the transaction price expected to be received at final settlement. A receivable is recognized for this amount and subsequently measured at fair value to reflect variability associated with the embedded derivative for changes in the market metal prices. These changes in the fair value of the receivable are adjusted through revenue from other sources at each subsequent financial statement date.

Under certain contracts with customers, the sale of gold contained in copper concentrate occurs once the metal has been processed into refined gold and is sold separately similar to the gold and silver dore bar terms described above. The transaction price for the sale of gold contained in concentrate is determined based on the spot market price upon delivery and provisional pricing does not apply.

Accounting Policy applicable before January 1, 2018:

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 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.

Q) 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.

R) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) Income Taxes

Current and deferred tax expenses are recognized in the consolidated statements of income (loss) except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income.

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.

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

IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 effective January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18 (accounting standard in effect for those periods).

The Company has concluded that there are no significant differences between the point of transfer of risks and rewards for its metals under IAS 18 and the point of transfer of control under IFRS 15. No adjustment has been recorded to the opening balance sheet at January 1, 2018.

IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 effective January 1, 2018 on a retrospective basis where appropriate; however in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated except for the presentation of changes in the fair value of the time value component of options that the Company has designated as hedging items. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a substantially reformed approach to hedge accounting.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As detailed below, the Company has changed its accounting policy for financial instruments retrospectively, except where described below. The main areas of change and corresponding transitional adjustments applied on January 1, 2018 are as follows:

i. Impact of adoption on the accounting for equity securities previously designated as available-for-sale

Upon adoption, investments in publicly traded equity securities held by the Company have been classified as fair value through other comprehensive income pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. Upon adoption, an adjustment was recorded to reclassify the accumulated impairment losses on these investments. The adjustment to reduce the opening deficit on January 1, 2018 was $44.1 million ($39.4 million net of tax) with a corresponding adjustment to other reserves. There was no impact on net loss for 2018.

ii. Impact of adoption on the accounting for derivative financial instruments

Upon adoption, the Company reassessed all of its existing hedge relationships that qualified for hedge accounting under *IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"*) and determined that these continued to qualify for hedge accounting under IFRS 9.

Under IFRS 9, the Company changed the presentation of the time value component of changes in the fair value of an option that is a hedging item. This time value component has been recorded in other comprehensive income, rather than in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss). Generally the hedge accounting requirements of IFRS 9 are adopted on a prospective basis; however the adjustment for the time value component requires retrospective application including restatement of comparative period presentation.

For the year ended December 31, 2017, the Company has reclassified the portion of the loss (gain) on derivative financial instruments that was due to the change in the time value component of hedging items to the unrealized change in fair value of cost of hedging recorded in other comprehensive loss. This resulted in a decrease in net income of $3.1 million and a corresponding decrease in other comprehensive loss for the year ended December 31, 2017.

Financial Assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents, restricted cash, and short-term investments are classified as financial assets measured at amortized cost. Previously under IAS 39 these amounts were classified as held to maturity.
- Trade receivables are classified as financial assets at fair value through profit or loss and measured at fair value during the quotational period until the final settlement price is determined. Once the final settlement price is determined, trade receivables are classified as financial assets measured at amortized cost. Previously under IAS 39, trade receivables were classified as loans and receivables measured at amortized cost except for the provisional pricing embedded derivative that was measured at fair value through profit or loss.

Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial assets on the transition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

Financial liabilities are recognized initially at fair value and in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable and long-term debt are classified as financial liabilities to be subsequently measured at amortized cost.

Expected Credit Loss Impairment Model

IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Recently Issued Accounting Pronouncements

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 will adopt the new standard beginning January 1, 2019 using the modified retrospective approach. Under the modified retrospective approach the Company recognizes transition adjustments, if any, in retained earnings on the date of initial application, without restating the financial statements on a retrospective basis.

The Company has assessed the estimated impact of the initial application of IFRS 16 on the consolidated financial statements. The new standard will result in an increase in assets and liabilities, a corresponding increase in amortization and finance expense and a decrease in production costs and general and administrative expenses. 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 Company will elect not to bring short-term leases or low value leases on the balance sheet and costs for these items will continue to be expensed in the consolidated statement of income (loss). Based on the information currently available, the Company estimates that it will recognize additional lease liabilities and right of use assets of between $75.0 to $95.0 million as at January 1, 2019.

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. The Company has determined that there will be no impact on the Company's current and deferred income tax balances as a result of the adoption of IFRIC 23.

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

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.

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. Judgement is also required in determining the appropriate valuation method for mineralization and ascribing anticipated economics to mineralization in cases where no comprehensive economic study has been completed. 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 (loss).

Mineral Reserve and Mineral Resource Estimates

Mineral reserves and mineral resources are estimates of the amount of ore that can be 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 is 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 proven and probable mineral reserves may change. Such changes may affect the Company's consolidated balance sheets and consolidated statements of income (loss), 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 (loss) 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 CGUs for impairment tests of goodwill and non-current assets.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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(l) 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.

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.

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.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Some of the factors that the Company may consider in its assessment of technical feasibility and commercial viability are set out below:

- the level of geological certainty of the mineral deposit;
- 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.

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

5. ACQUISITIONS

CMC Exploration Assets

On March 28, 2018, the Company acquired 100% of the Canadian exploration assets of CMC, including the Kirkland Lake and Hammond Reef gold projects (the "CMC Exploration Assets") by way of an asset purchase agreement (the "CMC Purchase Agreement") dated December 21, 2017. On the closing of the transactions relating to the CMC Purchase Agreement, Agnico acquired all of Yamana's indirect 50% interest in the CMC Exploration Assets, giving Agnico Eagle 100% ownership of the CMC Exploration Assets.

Pursuant to the CMC Purchase Agreement, the effective consideration for the CMC Exploration Assets after the distribution of the sale proceeds by CMC to its shareholders totaled $162.5 million in cash paid at closing.

The acquisition was accounted for by the Company as an asset acquisition and transaction costs associated with the acquisition totaling $2.9 million were capitalized to the mining properties acquired in addition to 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	$162,479
Total purchase price to allocate	$162,479
Fair value of assets acquired and liabilities assumed:	
Mining properties	$161,242
Plant and equipment	2,423
Reclamation provision	(1,186)
Net assets acquired	$162,479

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

5. ACQUISITIONS (Continued)

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 ("Go Gold") 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 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 principle 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 in addition to 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;

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

6. FAIR VALUE MEASUREMENT (Continued)

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, 2018, 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, trade receivables, equity securities, accounts payable and accrued liabilities, long-term debt and derivative financial instruments.

The fair values of cash and cash equivalents, short-term investments 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, 2018 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, 2018, the Company's long-term debt had a fair value of $1,762.2 million (2017 – $1,499.4 million).

The following table sets out the Company's financial assets measured at fair value on a recurring basis as at December 31, 2018 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trade receivables	$ –	$10,055	$ –	$10,055
Equity securities	61,245	15,287	–	76,532
Fair value of derivative financial instruments	–	180	–	180
Total financial assets	$61,245	$25,522	$ –	$86,767
Financial liabilities:				
Fair value of derivative financial instruments	$ –	$ 8,325	$ –	$ 8,325
Total financial liabilities	$ –	$ 8,325	$ –	$ 8,325

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

6. FAIR VALUE MEASUREMENT (Continued)

The following table sets out the Company's financial assets and liabilities 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
Financial assets:				
Trade receivables	$ –	$12,000	$ –	$ 12,000
Equity 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

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).

Equity Securities

Equity 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). Equity securities representing shares of non-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).

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

6. FAIR VALUE MEASUREMENT (Continued)

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, 2018	As at December 31, 2017
Ore in stockpiles and on leach pads	$ 65,616	$108,161
Concentrates and dore bars	100,420	123,047
Supplies	328,114	269,768
Total current inventories	$494,150	$500,976
Non-current ore in stockpiles and on leach pads(i)	116,762	69,587
Total inventories	$610,912	$570,563

Note:

(i) Ore that the Company does not expect to process within 12 months is classified as non-current and is recorded in the other assets line item on the consolidated balance sheets.

During the year ended December 31, 2018, a charge of $16.0 million (2017 – $2.5 million) was recorded within production costs to reduce the carrying value of inventories to their net realizable value.

8. EQUITY SECURITIES

Upon adoption of IFRS 9, the Company made the irrevocable election to designate all of its investments in equity securities as financial assets at fair value through other comprehensive income and measured at fair value. The Company considers this to be an appropriate classification because the securities are strategic investments in nature and not held for trading.

The following table sets out the Company's equity securities which have been designated at FVOCI:

	As at December 31, 2018(i)
Orla Mining Ltd.	$13,563
White Gold Corp.	25,029
Other(ii)	37,940
Total equity securities	$76,532

Notes:

(i) Prior to the adoption of IFRS 9 on January 1, 2018, the Company's equity securities were classified as available-for-sale.

(ii) The balance is comprised of 23 equity investments that are individually immaterial.

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

8. EQUITY SECURITIES (Continued)

Disposal of Equity Securities

During the year ended December 31, 2018 the Company sold its interest in certain equity securities as they no longer fit the Company's investment strategy. The fair value at the time of sale was $17.5 million and the Company recognized a cumulative net loss on disposal of $1.3 million which was transferred to deficit.

During the year ended December 31, 2017, the Company sold its interest in certain equity securities as they no longer fit the Company's investment strategy. The shares had a cumulative fair value of $0.3 million at the time of sale and the Company recognized a gain before income taxes of $0.2 million. In accordance with the Company's accounting policy for the year ended December 31, 2017, the gain and associated tax impact was transferred from other comprehensive income to the consolidated statements of income (loss) at the date of sale.

Impairment Loss on Equity Securities

For the year ended December 31, 2018, changes in the fair value of equity securities are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

Prior to the adoption of IFRS 9 on January 1, 2018, the Company recognized an impairment loss on equity securities of $8.5 million for the year ended December 31, 2017. Impairment loss evaluations of equity securities were based on whether a decline in fair value was considered to be significant or prolonged.

9. OTHER ASSETS

A) *Other Current Assets*

	As at December 31, 2018	As at December 31, 2017
Federal, provincial and other sales taxes receivable	$ 93,294	$ 83,593
Prepaid expenses	55,146	53,503
Other	17,384	13,952
Total other current assets	$165,824	$151,048

B) *Other Assets*

	As at December 31, 2018	As at December 31, 2017
Non-current ore in stockpiles and on leach pads	$116,762	$69,587
Non-current prepaid expenses	13,736	5,551
Other	7,799	5,568
Total other assets	$138,297	$80,706

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

10. PROPERTY, PLANT AND MINE DEVELOPMENT

	Mining Properties	Plant and Equipment	Mine Development Costs	Total
As at December 31, 2016	$ 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)	–
As at December 31, 2017	1,665,527	1,991,121	1,969,904	5,626,552
Additions	335,938	247,655	681,882	1,265,475
Impairment loss	(100,676)	–	–	(100,676)
Disposals	(8,554)	(5,590)	–	(14,144)
Amortization	(146,793)	(268,028)	(128,084)	(542,905)
Transfers between categories	29,621	19,709	(49,330)	–
As at December 31, 2018	$ 1,775,063	$ 1,984,867	$2,474,372	$ 6,234,302
As at December 31, 2017				
Cost	$ 2,782,732	$ 4,602,106	$2,648,514	$10,033,352
Accumulated amortization and 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, 2018				
Cost	$ 3,135,284	$ 4,839,166	$3,281,066	$11,255,516
Accumulated amortization and impairments	(1,360,221)	(2,854,299)	(806,694)	(5,021,214)
Carrying value – December 31, 2018	$ 1,775,063	$ 1,984,867	$2,474,372	$ 6,234,302

As at December 31, 2018, assets under construction, and therefore not yet being depreciated, included in the carrying value of property, plant and mine development amounted to $1,424.2 million (2017 – $910.6 million).

During the year ended December 31, 2018, the Company disposed of property, plant and mine development with a carrying value of $14.1 million (2017 – $16.1 million). The loss on disposal was recorded in the other income line item in the consolidated statements of income (loss).

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

10. PROPERTY, PLANT AND MINE DEVELOPMENT (Continued)

Geographic Information:

	As at December 31, 2018	As at December 31, 2017
Northern Business:		
Canada	$4,386,051	$3,730,809
Finland	996,946	889,610
Sweden	13,812	13,812
Southern Business:		
Mexico	835,797	982,115
United States	1,696	10,206
Total property, plant and mine development	$6,234,302	$5,626,552

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2018	As at December 31, 2017
Trade payables	$163,032	$144,135
Wages payable	51,378	50,380
Accrued liabilities	75,287	76,562
Other liabilities	20,900	19,645
Total accounts payable and accrued liabilities	$310,597	$290,722

In 2018 and 2017, 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, 2018 ranged between 0.79% and 2.64% (2017 – between 1.14% and 2.39%).

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

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, 2018	Year Ended December 31, 2017
Asset retirement obligations – long-term, beginning of year	$341,077	$259,706
Asset retirement obligations – current, beginning of year	8,609	5,953
Current year additions and changes in estimate, net	45,470	58,891
Current year accretion	7,500	5,247
Liabilities settled	(2,315)	(1,115)
Foreign exchange revaluation	(25,353)	21,004
Reclassification from long-term to current, end of year	(3,856)	(8,609)
Asset retirement obligations – long-term, end of year	$371,132	$341,077

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 2026.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Environmental remediation liability – long-term, beginning of year	$ 4,191	$ 5,602
Environmental remediation liability – current, beginning of year	1,429	3,240
Current year additions and changes in estimate, net	8,285	850
Liabilities settled	(2,370)	(4,559)
Foreign exchange revaluation	(365)	487
Reclassification from long-term to current, end of year	(1,555)	(1,429)
Environmental remediation liability – long-term, end of year	$ 9,615	$ 4,191

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.

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

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, 2018, the total net book value of assets recorded under sale-leaseback finance leases amounted to $1.5 million (2017 – $3.3 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, 2018, the Company's attributable finance lease obligations were $1.9 million (2017 – $3.3 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, 2018			As at December 31, 2017		
	Minimum Finance Lease Payments	Interest	Present Value	Minimum Finance Lease Payments	Interest	Present Value
Within 1 year	$1,970	$56	$1,914	$3,570	$158	$3,412
Between 1 – 5 years	–	–	–	1,971	56	1,915
Total	$1,970	$56	$1,914	$5,541	$214	$5,327

As at December 31, 2018, the total net book value of assets recorded under finance leases, including sale-leaseback finance leases, was $3.8 million (2017 – $8.4 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 (loss).

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

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, 2018	As at December 31, 2017
Within 1 year	$15,711	$ 4,305
Between 1 – 3 years	27,011	7,415
Between 3 – 5 years	21,186	7,484
Thereafter	28,341	9,429
Total	$92,249	$28,633

During the year ended December 31, 2018, $14.1 million (2017 – $6.3 million) of operating lease payments were recognized in the consolidated statements of income (loss).

14. LONG-TERM DEBT

	As at December 31, 2018	As at December 31, 2017
Credit Facility(i)(ii)	$ (5,708)	$ (6,181)
2018 Notes(i)(iii)	347,803	–
2017 Notes(i)(iii)	298,022	297,784
2016 Notes(i)(iii)	348,265	348,002
2015 Note(i)(iii)	49,560	49,495
2012 Notes(i)(iii)	199,233	199,063
2010 Notes(i)(iii)	484,133	483,688
Total long-term debt	$1,721,308	$1,371,851

Notes:

(i) Inclusive of unamortized deferred financing costs.

(ii) There were no amounts outstanding under the Credit Facility (as defined below) as at December 31, 2018 and December 31, 2017. The December 31, 2018 and December 31, 2017 balances relate to deferred financing costs which are being amortized on a straight-line basis until the maturity date of June 22, 2023. Credit Facility availability is reduced by outstanding letters of credit, amounting to nil as at December 31, 2018.

(iii) The terms 2018 Notes, 2017 Notes, 2016 Notes, 2015 Note, 2012 Notes and 2010 Notes are defined below.

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

14. LONG-TERM DEBT (Continued)

Scheduled Debt Principal Repayments

	2019	2020	2021	2022	2023	2024 and Thereafter	Total
2018 Notes	$ –	$ –	$ –	$ –	$ –	$ 350,000	$ 350,000
2017 Notes	–	–	–	–	–	300,000	300,000
2016 Notes	–	–	–	–	100,000	250,000	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	$100,000	$1,050,000	$1,735,000

Credit Facility

On December 14, 2018, the Company amended its $1.2 billion unsecured revolving bank credit facility (the "Credit Facility") to, among other things, extend the maturity date from June 22, 2022 to June 22, 2023 and amend pricing terms.

As at December 31, 2018 and December 31, 2017, no amounts were outstanding under the Credit Facility. Credit Facility availability is reduced by outstanding letters of credit. As at December 31, 2018, $1,200.0 million was available for future drawdown under the Credit Facility (December 31, 2017 – $1,199.2 million). During the year ended December 31, 2018, Credit Facility drawdowns totaled $300.0 million and repayments totaled $300.0 million. During the year ended December 31, 2017, Credit Facility drawdowns totaled $280.0 million and repayments totaled $280.0 million.

The Credit Facility is available in multiple currencies through prime rate and base rate advances, priced at the applicable rate plus a margin that ranges from 0.20% to 1.75%, through LIBOR advances, bankers' acceptances and financial letters of credit, priced at the applicable rate plus a margin that ranges from 1.20% to 2.75% and through performance letters of credit, priced at the applicable rate plus a margin that ranges from 0.80% to 1.83%. The lenders under the Credit Facility are each paid a standby fee at a rate that ranges from 0.24% to 0.55% of the undrawn portion of the facility. In each case, the applicable margin or standby fees vary depending on the Company's credit rating and the Company's total net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio.

2018 Notes

On February 27, 2018, the Company agreed to a $350.0 million private placement of guaranteed senior unsecured notes (the "2018 Notes") which were issued on April 5, 2018. Upon issuance, the 2018 Notes had a weighted average maturity of 13.9 years and weighted average yield of 4.57%.

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

14. LONG-TERM DEBT (Continued)

The following table sets out details of the individual series of the 2018 Notes:

	Principal	Interest Rate	Maturity Date
Series A	$ 45,000	4.38%	4/5/2028
Series B	55,000	4.48%	4/5/2030
Series C	250,000	4.63%	4/5/2033
Total	$350,000		

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 were issued 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%.

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		

2016 Notes

On June 30, 2016, the Company closed a $350.0 million private placement of guaranteed senior unsecured notes (the "2016 Notes").

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		

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

14. LONG-TERM DEBT (Continued)

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%.

2012 Notes

On July 24, 2012, the Company closed a $200.0 million private placement of guaranteed senior unsecured notes (the “2012 Notes”).

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 2018 Notes, the 2017 Notes, the 2016 Notes, the 2015 Note and the 2012 Notes, the “Notes”).

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, 2018, the principal amount of the 2010 Notes that remains outstanding is $485.0 million.

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		

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.

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

14. LONG-TERM DEBT (Continued)

The Credit Facility and Note Purchase Agreements also require the Company to maintain a total net debt to 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, 2018.

Interest on Long-term Debt

Total long-term debt interest costs incurred during the year ended December 31, 2018 were $87.4 million (2017 – $70.0 million).

Total borrowing costs capitalized to property, plant and mine development during the year ended December 31, 2018 were $7.9 million (2017 – $6.4 million) at a capitalization rate of 1.33% (2017 – 1.37%).

15. OTHER LIABILITIES

Other liabilities consist of the following:

	As at December 31, 2018	As at December 31, 2017
Long-term portion of finance lease obligations (Note 13(A))	$ –	$ 1,915
Pension benefit obligations	32,881	33,542
Other	9,738	4,872
Total other liabilities	$42,619	$40,329

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, 2018. 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 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 at least 10 years of service as a permanent employee and are 57 years of age or older. The Retirement Program is not funded.

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

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 2018 and 2017, is as follows:

	Year Ended December 31,	
	2018	**2017**
Reconciliation of plan assets:		
Plan assets, beginning of year	$ 2,457	$ 2,192
Employer contributions	1,037	303
Benefit payments	(819)	(90)
Administrative expenses	(109)	(106)
Interest on assets	79	87
Net return on assets excluding interest	(79)	(87)
Effect of exchange rate changes	(203)	158
Plan assets, end of year	2,363	2,457
Reconciliation of defined benefit obligation:		
Defined benefit obligation, beginning of year	24,243	11,867
Current service cost	975	493
Past service cost	–	8,754
Benefit payments	(819)	(90)
Interest cost	758	544
Actuarial (gains) losses arising from changes in economic assumptions	(1,188)	1,035
Actuarial losses arising from changes in demographic assumptions	1,277	–
Actuarial (gains) losses arising from Plan experience	(226)	421
Effect of exchange rate changes	(1,988)	1,219
Defined benefit obligation, end of year	23,032	24,243
Net defined benefit liability, end of year	**$20,669**	**$21,786**

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

15. OTHER LIABILITIES (Continued)

The components of Agnico Eagle's pension expense recognized in net income (loss) relating to the Executives Plan and the Retirement Program are as follows:

	Year Ended December 31,	
	2018	**2017**
Current service cost	$ 975	$ 493
Past service cost	–	8,754
Administrative expenses	109	106
Interest cost on defined benefit obligation	758	544
Interest on assets	(79)	(87)
Pension expense	$1,763	$9,810

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,	
	2018	**2017**
Actuarial (gains) losses relating to the defined benefit obligation	(137)	1,456
Net return on assets excluding interest	79	87
Total remeasurements of the net defined benefit liability	$ (58)	$1,543

In 2019, the Company expects to make contributions of $1.4 million and benefit payments of $1.3 million, in aggregate, related to the Executives Plan and the Retirement Program. The weighted average duration of the Company's defined benefit obligation is 5.8 years at December 31, 2018 (2017 – 6.4 years).

The following table sets out significant assumptions used in measuring the Company's Executives Plan defined benefit obligations:

	As at December 31,	
	2018	**2017**
Assumptions:		
Discount rate – beginning of year	3.3%	3.8%
Discount rate – end of year	3.8%	3.3%

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

15. OTHER LIABILITIES (Continued)

The following table sets out significant assumptions used in measuring the Company's Retirement Program defined benefit obligations:

	As at December 31,	
	2018	**2017**
Assumptions:		
Discount rate – beginning of year	3.0%	3.3%
Discount rate – end of year	3.5%	3.0%
Range of mine closure dates	2019 – 2032	2018 – 2034
Termination of employment per annum	0.53% – 2.58%	0.65% – 10.0%

Other significant actuarial assumptions used in measuring the Company's Retirement Program defined benefit obligations as at December 31, 2018 and December 31, 2017 include assumptions of the expected retirement age of participants.

The following table sets out the effect of changes in significant actuarial assumptions on the Company's Executives Plan and Retirement Program defined benefit obligations:

	As at December 31, 2018
Change in assumption:	
0.5% increase in discount rate	(1,039)
0.5% decrease in discount rate	1,129

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 the 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 2018, $12.6 million (2017 – $10.6 million) was contributed to the Basic Plan, $0.2 million of which related to contributions for key management personnel (2017 – $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 2018, the Company made $1.6 million (2017 – $1.4 million) in notional contributions to the Supplemental Plan, $1.0 million (2017 – $1.0 million) of which related to contributions for key management personnel. The Company's liability related to the Supplemental Plan is $8.8 million at December 31, 2018 (2017 – $8.2 million). At retirement date, the notional account balance is converted to a pension payable in five annual installments.

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, 2018, Agnico Eagle's issued common shares totaled 235,025,507 (December 31, 2017 – 232,793,335), of which 566,910 common shares are held in a trust as described below (2017 – 542,894).

The common shares are held in a trust in connection with the Company's RSU plan, PSU plan and a Long Term Incentive Plan ("LTIP") for certain employees of the Partnership and CMC. 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, 2018 were exercised:

Common shares outstanding at December 31, 2018	234,458,597
Employee stock options	6,361,265
Common shares held in a trust in connection with the RSU plan (Note 17(C)), PSU plan (Note 17(D)) and LTIP	566,910
Total	241,386,772

Net Income (Loss) Per Share

The following table sets out the weighted average number of common shares used in the calculation of basic and diluted net income (loss) per share:

	Year Ended December 31,	
	2018	**2017**
Net income (loss) for the year	$(326,701)	$240,795
Weighted average number of common shares outstanding – basic (in thousands)	233,251	230,252
Add: Dilutive impact of common shares related to the RSU plan, PSU plan and LTIP	–	694
Add: Dilutive impact of employee stock options	–	1,515
Weighted average number of common shares outstanding – diluted (in thousands)	233,251	232,461
Net income (loss) per share – basic	$ (1.40)	$ 1.05
Net income (loss) per share – diluted	$ (1.40)	$ 1.04

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.

16. EQUITY (Continued)

For the year ended December 31, 2018, the impact of any additional shares issued under the employee stock option plan or related to the RSU plan, PSU plan or LTIP would have been anti-dilutive as a result of the net loss recorded for the year. Consequently, diluted net loss per share was calculated in the same manner as basic net loss per share in 2018. For the year ended December 31, 2017, 52,000 employee stock options were excluded from the calculation of diluted net income per share as their impact would have been anti-dilutive.

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.

17. 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 2018, the shareholders approved a resolution to increase the number of common shares reserved for issuance under the ESOP to 35,700,000 common shares.

Of the 1,990,850 stock options granted under the ESOP in 2018, 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. 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. Upon the exercise of stock options under the ESOP, the Company issues common shares from treasury to settle the obligation.

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

17. STOCK-BASED COMPENSATION (Continued)

The following table sets out activity with respect to Agnico Eagle's outstanding stock options:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,857,504	C$41.18	5,478,837	C$34.40
Granted	1,990,850	58.04	2,018,140	56.57
Exercised	(1,220,921)	32.46	(1,538,729)	37.18
Forfeited	(59,168)	53.91	(99,644)	42.09
Expired	(207,000)	52.13	(1,100)	37.05
Outstanding, end of year	6,361,265	C$47.65	5,857,504	C$41.18
Options exercisable, end of year	3,429,813	C$42.28	2,628,998	C$37.66

The average share price of Agnico Eagle's common shares during the year ended December 31, 2018 was C$52.81 (2017 – C$59.47).

The weighted average grant date fair value of stock options granted in 2018 was C$12.66 (2017 – C$14.51). The following table sets out information about Agnico Eagle's stock options outstanding and exercisable as at December 31, 2018:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
C$28.03 – C$38.15	2,544,126	1.55 years	C$33.07	2,052,333	1.44 years	C$32.28
C$40.66 – C$66.57	3,817,139	3.52 years	57.37	1,377,480	3.36 years	57.18
C$28.03 – C$66.57	6,361,265	2.73 years	C$47.65	3,429,813	2.21 years	C$42.28

The Company has reserved for issuance 6,361,265 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, 2018 was 7,046,981.

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

17. STOCK-BASED COMPENSATION (Continued)

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, 2018	Year Ended December 31, 2017
Risk-free interest rate	2.10%	1.15%
Expected life of stock options (in years)	2.4	2.3
Expected volatility of Agnico Eagle's share price	35.0%	45.0%
Expected dividend yield	1.00%	1.09%

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 (loss) for 2018 was $19.8 million (2017 – $19.5 million). Of the total compensation cost for the ESOP, $0.5 million was capitalized as part of the property, plant and mine development line item of the consolidated balance sheets in 2018 (2017 – $0.3 million).

Subsequent to the year ended December 31, 2018, 2,118,850 stock options were granted under the ESOP, of which 527,975 stock options vested within 30 days of the grant date. The remaining stock options, all of which expire in 2024, vest in equal installments on each anniversary date of the grant over a three-year period.

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 2018 related to the ISPP was $6.9 million (2017 – $5.8 million).

In 2018, 515,432 common shares were subscribed for under the ISPP (2017 – 382,663) for a value of $20.6 million (2017 – $17.4 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, 2018, Agnico Eagle has reserved for issuance 656,875 common shares (2017 – 1,172,307) 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.

17. 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 2018, 379,324 (2017 – 369,623) RSUs were granted with a grant date fair value of $47.91 (2017 – $44.42). In 2018, the Company funded the RSU plan by transferring $17.6 million (2017 – $16.4 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 $15.2 million in 2018 (2017 – $13.1 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 (loss).

Subsequent to the year ended December 31, 2018, 404,100 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 2018, 180,000 (2017 – 182,000) PSUs were granted with a grant date fair value of $58.47 (2017 – $49.38). The Company funded the PSU plan by transferring $8.4 million (2017 – $8.1 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. In 2018, the Company purchased an additional 100,345 shares to fulfill the payout of its 2016 PSU grant. The Company funded the purchase by transferring $3.5 million to an employee benefit trust that then purchased common shares of the Company in the open market. The purchase was treated as a treasury transaction and recognized directly in equity.

Compensation expense related to the PSU plan was $9.3 million in 2018 (2017 – $6.0 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 (loss).

Subsequent to the year ended December 31, 2018, 190,500 PSUs were granted under the PSU plan.

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

18. OTHER RESERVES

The following table sets out the movements in other reserves during the years ended December 31, 2018 and December 31, 2017:

	Equity securities reserve	Cash flow hedge reserve	Costs of hedging reserve[(i)]	Total[(i)]
Balance at December 31, 2016	$ 32,127	$ –	$ –	$ 32,127
Unrealized change in fair value	(21,179)	10,763	3,092	(7,324)
Tax impact	1,390	–	–	1,390
Realized gain reclassified to net income	(168)	–	–	(168)
Impairment loss reclassified to net income	8,532	–	–	8,532
Tax impact of reclassifications	(1,117)	–	–	(1,117)
Restated Balance at December 31, 2017	$ 19,585	$10,763	$3,092	$ 33,440
Adoption of IFRS 9 on January 1, 2018	(44,048)	–	–	(44,048)
Tax impact	4,663	–	–	4,663
Adjusted Balance at January 1, 2018	$(19,800)	$10,763	$3,092	$ (5,945)
Net change in fair value	(39,585)	(6,984)	(3,092)	(49,661)
Transfer of loss on disposal of equity securities at FVOCI to deficit	1,290	–	–	1,290
Hedging gains transferred to property, plant and mine development	–	(3,779)	–	(3,779)
Balance at December 31, 2018	$(58,095)	$ –	$ –	$(58,095)

Note:

(i) The Company has adopted IFRS 9 – *Financial instruments* ("IFRS 9") effective January 1, 2018 on a retrospective basis and the comparative amounts have been adjusted accordingly. For more information please see Note 3 in the Company's consolidated financial statements.

19. 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, 2018, four customers each contributed more than 10.0% of total revenues from mining operations for a combined total of approximately 74.0% 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.

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

19. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES (Continued)

The following table sets out sales to individual customers that exceeded 10% of revenues from mining operations:

	Year Ended December 31, 2018[i]
Customer 1	$ 453,561
Customer 2	419,907
Customer 3	390,745
Customer 4	358,087
Total sales to customers exceeding 10% of revenues from mining operations	$1,622,300
Percentage of total revenues from mining operations	74.0%

Trade receivables are recognized once the transfer of control for the metals sold has occurred and reflect the amounts owing to the Company in respect of its sales concentrates to third parties prior to the satisfaction in full of the payment obligations of the third parties. As at December 31, 2018, the Company had $10.1 million (2017 – $12.0 million) in receivables relating to provisionally priced concentrate sales.

The Company has recognized the following amounts relating to revenue in the consolidated statements of income (loss):

	Year Ended December 31, 2018[i]
Revenue from contracts with customers	2,192,044
Provisional pricing adjustments on concentrate sales	(823)
Total revenues from mining operations	$2,191,221

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

19. REVENUES FROM MINING OPERATIONS AND TRADE RECEIVABLES (Continued)

The following table sets out the disaggregation of revenue by metals and form of sale:

	Year Ended December 31, 2018[(i)]
Revenues from mining operations:	
Gold	$2,080,270
Silver	75,676
Zinc	15,293
Copper	20,805
Provisional pricing adjustments on concentrate sales	(823)
Total revenues from mining operations	$2,191,221

In 2018, precious metals (gold and silver) accounted for 98.4% of Agnico Eagle's revenues from mining operations (2017 – 99.3%). The remaining revenues from mining operations consisted of net by-product metal revenues from non-precious metals.

Note:

(i) The Company has adopted IFRS 15 on a modified retrospective basis. Under this method, the comparative information has not been restated (refer to Note 3). There would be no change to total revenues from mining operations for the year ended December 31, 2018 if reported under IAS 18.

20. 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.

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, 2018 and December 31, 2017.

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

20. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

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 long-term 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. As at December 31, 2018, there were no metal derivative positions.

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 21 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 (but is not limited to) the use of purchased puts, sold calls, collars and forwards that are not held for speculative purposes (refer to Note 21 for further details on the Company's derivative financial instruments).

The following table sets out the translation impact on income before income and mining taxes and equity for the year ended December 31, 2018 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	$ 862	$ (862)
Euro	$ 3,982	$(3,982)
Mexican peso	$(5,915)	$ 5,915

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

20. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

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, trade receivables and derivative financial instruments. The Company holds its cash and cash equivalents 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, 2018	As at December 31, 2017
Cash and cash equivalents	$301,826	$632,978
Short-term investments	6,080	10,919
Trade receivables	10,055	12,000
Derivative financial instrument assets	180	17,240
Total	$318,141	$673,137

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 credit 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) and contractual maturities relating to long-term debt are detailed in Note 14. Other financial liabilities, including accounts payable and accrued liabilities and derivative financial instruments, have maturities within one year of December 31, 2018.

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, 2018	As at December 31, 2017
Long-term debt	$1,721,308	$1,371,851
Total equity	4,550,012	4,946,991
Total	$6,271,320	$6,318,842

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

20. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

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 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, 2017	Changes from Financing Cash Flows(i)	Foreign Exchange	Other(ii)	As at December 31, 2018
Long-term debt	$1,371,851	$346,785	$ –	$2,672	$1,721,308
Finance lease obligations	5,327	(3,382)	(125)	94	1,914
Total liabilities from financing activities	$1,377,178	$343,403	$(125)	$2,766	$1,723,222

Notes:

(i) Includes the 2018 Notes net of the financing costs on the notes issuance.

(ii) Includes the amortization of deferred financing costs on long-term debt and interest paid on finance lease obligations reflected in cash from operating activities.

21. 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 and capital expenditures. The economic hedges relate to a portion of the foreign currency denominated cash outflows arising from foreign currency denominated expenditures.

As at December 31, 2018, the Company did not have any outstanding foreign exchange zero cost collars with a cash flow hedging relationship that qualified for hedge accounting under IFRS 9.

As at December 31, 2018, the Company had outstanding derivative contracts where hedge accounting was not applied. At December 31, 2018, the non-hedge derivatives related to $626.4 million of 2019 expenditures and the Company recognized mark-to-market adjustments in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss).

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 2018 and 2017 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, 2018 or December 31, 2017. The call option premiums were recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss).

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

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 primarily with Nunavut's diesel fuel exposure as it relates to operating costs. There were derivative financial instruments outstanding as at December 31, 2018 relating to 12.0 million gallons of heating oil (December 31, 2017 – 5.0 million). The related mark-to-market adjustments prior to settlement were recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss). 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, 2018 and December 31, 2017, 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.

The following table sets out a summary of the amounts recognized in the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss):

	Year Ended December 31,	
	2018	**2017**
Premiums realized on written foreign exchange call options	$ (3,110)	$ (2,925)
Unrealized loss on warrants[(i)]	452	15
Realized gain on currency and commodity derivatives	(2,790)	(10,832)
Unrealized loss (gain) on currency and commodity derivatives[(i)]	11,513	(4,156)
Loss (gain) on derivative financial instruments	$ 6,065	$(17,898)

Note:

(i) Unrealized gains and losses on financial instruments that did not qualify for hedge accounting are recognized through the loss (gain) on derivative financial instruments line item of the consolidated statements of income (loss) and through the other line item of the consolidated statements of cash flows.

22. OTHER INCOME

The following table sets out a summary of the amounts recognized in the other income line item of the consolidated statements of income (loss):

	Year Ended December 31,	
	2018	**2017**
(Gain) loss on disposal of property, plant and mine development	$ (22,764)	$ 8,815
Interest income	(10,245)	(10,564)
Other	(2,285)	(2,128)
Other income	$ (35,294)	$ (3,877)

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

22. OTHER INCOME (Continued)

Sale of West Pequop Joint Venture, Summit and PQX Properties

On June 11, 2018, the Company completed the sale of its 51% interest in the West Pequop Joint Venture and its 100% interest in the Summit and PQX properties located in northeastern Nevada (collectively, the "Nevada Properties") to a subsidiary of Newmont Mining Corp.

Under the purchase and sale agreement, the Company received a cash payment of $35.0 million and was granted a 0.8% net smelter return ("NSR") royalty on the Nevada Properties held by the West Pequop Joint Venture and a 1.6% NSR on the Summit and PQX properties. Upon closing of the sale, the Company recognized a net gain on disposal of $26.5 million in the other income line item of the consolidated statements of income (loss) and through the other line item of the consolidated statements of cash flows.

The Nevada Properties were included in the Company's Exploration segment.

23. 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, LaRonde Zone 5 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 mine 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.

The Company has adjusted its operating segments as a result of the acquisition of the additional 50.0% of the CMC Exploration Assets on March 28, 2018 (see Note 5). The Company has reclassified the CMC Exploration Assets and

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23. SEGMENTED INFORMATION (Continued)

applicable exploration expenses from the Canadian Malartic joint operation segment into the Exploration segment and comparative information has been restated to reflect this change.

	Year Ended December 31, 2018				
	Revenues from Mining Operations	**Production Costs**	**Exploration and Corporate Development**	**Impairment Loss**	**Segment Income (Loss)**
Northern Business:					
LaRonde mine	$ 516,673	$ (228,294)	$ –	$ –	$ 288,379
LaRonde Zone 5 mine	21,327	(12,991)	–	–	8,336
Lapa mine	39,797	(27,870)	–	–	11,927
Goldex mine	152,426	(78,533)	–	–	73,893
Meadowbank mine	323,142	(211,147)	(25,128)	–	86,867
Canadian Malartic joint operation	448,526	(199,761)	(488)	(250,000)	(1,723)
Kittila mine	237,284	(157,032)	–	–	80,252
Total Northern Business	1,739,175	(915,628)	(25,616)	(250,000)	547,931
Southern Business:					
Pinos Altos mine	270,855	(138,362)	–	–	132,493
Creston Mascota mine	54,673	(37,270)	–	–	17,403
La India mine	126,518	(69,095)	–	(39,017)	18,406
Total Southern Business	452,046	(244,727)	–	(39,017)	168,302
Exploration	–	–	(112,054)	(100,676)	(212,730)
Segments totals	$2,191,221	$(1,160,355)	$(137,670)	$(389,693)	$ 503,503
Total segments income					$ 503,503
Corporate and other:					
Amortization of property, plant and mine development					(553,933)
General and administrative					(124,873)
Finance costs					(96,567)
Loss on derivative financial instruments					(6,065)
Environmental remediation					(14,420)
Foreign currency translation loss					(1,991)
Other income					35,294
Loss before income and mining taxes					$(259,052)

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

23. SEGMENTED INFORMATION (Continued)

	Year Ended December 31, 2017			
	Revenues from Mining Operations	**Production Costs**	**Exploration and Corporate Development**	**Segment Income (Loss)**
Northern Business:				
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)	(489)	215,384
Kittila mine	248,761	(148,272)	–	100,489
Total Northern Business	1,790,952	(856,493)	(29,360)	905,099
Southern Business:				
Pinos Altos mine	257,905	(108,726)	–	149,179
Creston Mascota mine	63,798	(31,490)	–	32,308
La India mine	129,949	(61,133)	–	68,816
Total Southern Business	451,652	(201,349)	–	250,303
Exploration	–	–	(112,090)	(112,090)
Segments totals	$2,242,604	$(1,057,842)	$(141,450)	$1,043,312
Total segments income				$1,043,312
Corporate and other:				
Amortization of property, plant and mine development				(508,739)
General and administrative				(115,064)
Impairment loss on equity securities				(8,532)
Finance costs				(78,931)
Gain on derivative financial instruments				17,898
Environmental remediation				(1,219)
Foreign currency translation loss				(13,313)
Other income				3,877
Income before income and mining taxes				$ 339,289

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

23. SEGMENTED INFORMATION (Continued)

	Total Assets as at	
	December 31, 2018	**December 31, 2017**
Northern Business:		
LaRonde mine	$ 794,155	$ 845,113
LaRonde Zone 5 mine	59,420	25,037
Lapa mine	11,654	17,867
Goldex mine	289,393	275,132
Meadowbank mine	681,761	565,355
Canadian Malartic joint operation	1,550,565	1,810,162
Meliadine project	1,645,360	1,194,414
Kittila mine	1,082,017	982,378
Total Northern Business	6,114,325	5,715,458
Southern Business:		
Pinos Altos mine	551,179	668,492
Creston Mascota mine	47,960	50,144
La India mine	315,411	427,957
Total Southern Business	914,550	1,146,593
Exploration	489,270	410,241
Corporate and other	334,698	593,309
Total assets	$7,852,843	$7,865,601

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

23. SEGMENTED INFORMATION (Continued)

The following table sets out the changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and December 31, 2018:

	Meliadine Project	La India Mine	Canadian Malartic Joint Operation	Exploration	Total
Cost:					
Balance at December 31, 2017	$ 200,064	$ 39,017	$ 657,792	$ –	$ 896,873
Acquisition (Note 5)	–	–	(60,000)	60,000	–
Balance at December 31, 2018	$ 200,064	$ 39,017	$ 597,792	$ 60,000	$ 896,873
Accumulated impairment:					
Balance at December 31, 2017	$(200,064)	$ –	$ –	$ –	$(200,064)
Impairment loss (Note 24)	–	(39,017)	(250,000)	–	(289,017)
Balance at December 31, 2018	$(200,064)	$(39,017)	$(250,000)	$ –	$(489,081)
Carrying amount at December 31, 2017	$ –	$ 39,017	$ 657,792	$ –	$ 696,809
Carrying amount at December 31, 2018	$ –	$ –	$ 347,792	$ 60,000	$ 407,792

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

23. SEGMENTED INFORMATION (Continued)

The following table sets out capital expenditures by segment:

	Capital Expenditures Year Ended December 31,	
	2018	**2017**
Northern Business:		
LaRonde mine	$ 77,488	$ 67,128
LaRonde Zone 5 mine	25,896	22,621
Goldex mine	52,857	57,050
Meadowbank mine	202,353	111,516
Canadian Malartic joint operation	82,833	86,549
Meliadine project	398,090	372,071
Kittila mine	173,704	87,789
Total Northern Business	1,013,221	804,724
Southern Business:		
Pinos Altos mine	40,297	49,337
Creston Mascota mine	19,500	8,108
La India mine	9,197	10,783
Total Southern Business	68,994	68,228
Corporate and other	6,885	1,201
Total capital expenditures	$1,089,100	$874,153

The following table sets out revenues from mining operations by geographic area(i):

	Year Ended December 31,	
	2018	**2017**
Canada	$1,501,891	$1,542,191
Mexico	452,046	451,652
Finland	237,284	248,761
Total revenues from mining operations	$2,191,221	$2,242,604

Note:

(i) Presented based on the location of the mine from which the product originated.

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

23. SEGMENTED INFORMATION (Continued)

The following table sets out non-current assets by geographic area:

	Non-current Assets as at	
	December 31, 2018	December 31, 2017
Canada	$4,893,840	$4,452,478
Mexico	863,672	1,026,740
Finland	1,007,370	900,831
Sweden	13,812	13,812
United States	1,697	10,206
Total non-current assets	$6,780,391	$6,404,067

24. IMPAIRMENT LOSS

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.

Goodwill Impairment Tests

The estimated recoverable amount of the Canadian Malartic joint operation segment as at December 31, 2018 and December 31, 2017 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. As a result of the acquisition of the additional 50.0% of the CMC Exploration Assets on March 28, 2018 (see Note 5), the Company has removed the CMC Exploration Assets from the Canadian Malartic joint operation goodwill test in 2018. 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 5.50% (2017 – 5.75% – 9.00%), 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) (2017 – $1,300), foreign exchange rates of US$0.76:C$1.00 to US$0.80:C$1.00 (2017 – US$0.78: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. As the Canadian Malartic joint operation segment's carrying amount exceeded its estimated recoverable amount at December 31, 2018, an impairment loss of $250.0 million was recognized in the impairment loss line item in the consolidated statements of income (loss) at December 31, 2018 to decrease the carrying amount of goodwill. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

The estimated recoverable amount of the La India mine CGU as at December 31, 2018 and December 31, 2017 was determined on the basis of fair value less costs to dispose of the La India mine. The estimated recoverable amount of the La India mine was calculated by discounting the estimated future net cash flows over the estimated life of the mine using a nominal discount rate of 6.25% (2017 – 6.25%), 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)

24. IMPAIRMENT LOSS (Continued)

(2017 – $1,300), an inflation rate of 2.0%, and capital, operating and reclamation costs based on applicable life of mine plans. Other mineral resources within the CGU were valued by reference to comparable recent transactions. As the La India mine CGU's carrying amount exceeded its estimated recoverable amount at December 31, 2018, an impairment loss of $39.0 million was recognized in the impairment loss line item in the consolidated statements of income (loss) at December 31, 2018 to decrease the carrying amount of goodwill. The goodwill impairment was primarily due to the expected loss of value from production while the carrying value was not equally reduced through amortization. The discounted cash flow approach uses significant unobservable inputs and is therefore considered Level 3 fair value measurement under the fair value hierarchy.

Impairment Indicators Assessment

Agnico Eagle owns a 100% interest in the El Barqueño project in the state of Jalisco, Mexico. In 2018, 28,000 meters of drilling was completed at the El Barqueño project, with a principal focus on testing new target areas. Progress on current development studies at the end of 2018 indicated that the project did not meet the Company's internal investment criteria. The Company identified this as a circumstance that suggested that the carrying amount of the El Barqueño exploration asset may exceed its recoverable amount and an impairment test was performed as at December 31, 2018. In estimating the fair value of the El Barqueño project, the Company applied a market approach using a price per gold equivalent ounce metric by reference to comparable recent transactions. As the El Barqueño project's carrying amount exceeded its estimated fair value, an impairment loss of $101.6 million was recognized in the impairment loss line item in the consolidated statements of income (loss) at December 31, 2018 to decrease the carrying amount of the mining property. The El Barqueño project is part of the Company's Exploration segment.

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 local government 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 including determining the appropriate valuation method for mineralization and ascribing anticipated economics to mineralization in cases where no comprehensive economic study has been completed.

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

25. INCOME AND MINING TAXES

Income and mining taxes expense is made up of the following components:

	Year Ended December 31,	
	2018	2017
Current income and mining taxes	$ 98,610	$ 87,639
Deferred income and mining taxes:		
Origination and reversal of temporary differences	(30,961)	10,855
Total income and mining taxes expense	$ 67,649	$ 98,494

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,	
	2018	2017
Combined federal and composite provincial tax rates	26%	26%
Expected income tax expense (recovery) at statutory income tax rate	$ (67,354)	$ 88,215
Increase (decrease) in income and mining taxes resulting from:		
Mining taxes	42,991	40,886
Impact of foreign tax rates	(11,308)	(7,915)
Permanent differences	(3,599)	(4,813)
Impairment not tax deductible	100,736	–
Impact of foreign exchange on deferred income tax balances	6,183	(17,879)
Total income and mining taxes expense	$ 67,649	$ 98,494

The following table sets out the components of Agnico Eagle's net deferred income and mining tax liabilities:

	As at December 31, 2018	As at December 31, 2017
Mining properties	$1,056,185	$1,089,751
Net operating and capital loss carry forwards	(87,025)	(97,946)
Mining taxes	(72,637)	(75,238)
Reclamation provisions and other liabilities	(99,815)	(89,226)
Total deferred income and mining tax liabilities	$ 796,708	$ 827,341

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

25. INCOME AND MINING TAXES (Continued)

	Year Ended December 31,	
	2018	2017
Deferred income and mining tax liabilities – beginning of year	$827,341	$819,562
Income and mining tax impact recognized in net income	(30,671)	10,181
Income tax impact recognized in other comprehensive income (loss) and equity	38	(2,402)
Deferred income and mining tax liabilities – end of year	$796,708	$827,341

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, 2018	As at December 31, 2017
Net capital loss carry forwards	$ 74,364	$ 54,503
Other deductible temporary differences	270,590	265,919
Unrecognized deductible temporary differences and unused tax losses	$344,954	$320,422

The Company also has unused tax credits of $12.7 million as at December 31, 2018 (December 31, 2017 – $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 $285.7 million (2017 – $474.9 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 by applicable taxation authorities.

26. EMPLOYEE BENEFITS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

During the year ended December 31, 2018, employee benefits expense was $596.7 million (2017 – $526.8 million). In 2018, related party transactions consisted of the Company's acquisition of the CMC Exploration Assets (Note 5) and compensation of key management personnel. In 2017, there were no related party transactions other than compensation of key management personnel. Key management personnel include the members of the Board and the senior leadership team.

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

26. EMPLOYEE BENEFITS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL (Continued)

The following table sets out the compensation of key management personnel:

	Year Ended December 31,	
	2018	**2017**
Salaries, short-term incentives and other benefits	$14,701	$13,852
Post-employment benefits	1,984	1,928
Share-based payments	20,440	16,331
Total	$37,125	$32,111

27. 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, 2018, the total amount of these guarantees was $358.9 million.

Certain of the Company's properties are subject to royalty arrangements. Set out below are the Company's 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 aggregate consideration of $5.0 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 2.0% net smelter return royalties on the LaRonde Zone 5 mine in Quebec, Canada.
- The Company is committed to pay a 12.0% net profits interest royalty on production from the Meadowbank mine in Nunavut, Canada.
- 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 2.5% to 3.5% at the Pinos Altos and Creston Mascota mines and 0.5% at the La India mine.

The Company regularly enters into various earn-in and shareholder agreements, often with commitments to pay net smelter return and other royalties.

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

27. COMMITMENTS AND CONTINGENCIES (Continued)

The Company had the following purchase commitments as at December 31, 2018, of which $90.4 million related to capital expenditures:

	Purchase Commitments
2019	$ 67,568
2020	25,916
2021	5,559
2022	3,481
2023	453
Thereafter	1,625
Total	$104,602

28. ONGOING LITIGATION

On August 2, 2016, the Partnership, a general partnership jointly owned by the Company and Yamana, 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 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 under its Good Neighbor Guide (the "Guide"). In September 2018, the Superior Court introduced an annual revision of the ending date of the class action period and a mechanism for the partial exclusion of class members, allowing the residents to individually settle for a specific period (usually a calendar year) and to opt-out from the class action for such specific period. Both of these judgments were confirmed by the Court of Appeal and the class members will thus continue to have the option to benefit from the Guide. In January 2018, a judgment was rendered in favor of the Partnership, resulting in the removal from the class action of the pre-transaction period, spanning from August 2013 to June 16, 2014, during which the Canadian Malartic mine was not operated by the Partnership. The plaintiff did not seek leave to appeal this decision and will rather add new allegations in an attempt to recapture the pre-transaction 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 impact 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.

On June 1, 2017, the Partnership was served with an application for judicial review to obtain the annulment of a governmental decree authorizing 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 occurred in

28. ONGOING LITIGATION (Continued)

October 2018, but no judgment has been rendered. 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.

29. SUBSEQUENT EVENTS

Dividends Declared

On February 14, 2019, Agnico Eagle announced that the Board approved the payment of a quarterly cash dividend of $0.125 per common share (a total value of approximately $29.4 million), paid on March 15, 2019 to holders of record of the common shares of the Company on March 1, 2019.

SHAREHOLDER INFORMATION

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Ernst & Young LLP

Solicitors
Davies Ward Philips & Vineberg LLP
(Toronto and New York)

Listings
New York Stock Exchange and
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Annual Meeting of Shareholders
Friday, April 26, 2019 at 11:00 AM (E.D.T.)

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We will not deviate from our strategy for success. It remains our mission to be 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 and countries in which we operate.

AGNICO EAGLE

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