

# aemtoday

Agnico-Eagle Mines Limited  
2009 Annual Report

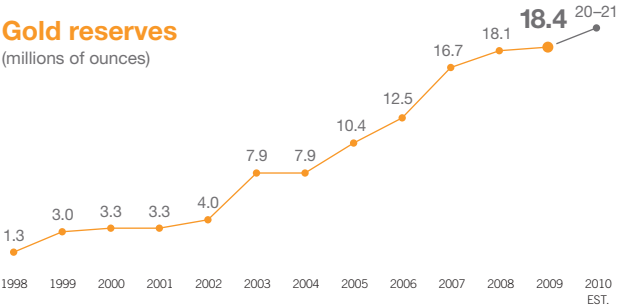
Agnico-Eagle Mines Limited 2009 Annual Report



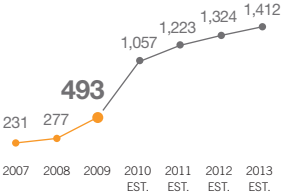
Pinos Altos / Mexico / 6:00 am

# 2009 highlights

**Gold reserves**  
(millions of ounces)



**Gold production**  
(annual target from existing projects)  
(thousands of ounces)



Since 1998, gold reserves have increased by 14.2 times, all at operating mines. Over this period, shares outstanding rose by only 3.1 times.

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

	2009	2008	2007
<b>Operating</b>			
Gold production (ounces)	492,972	276,762	230,992
Total cash costs per ounce	\$ 347	\$ 162	\$ (365)
Average realized gold price	\$ 1,024	\$ 879	\$ 748
<b>Financial</b> (millions except per share amounts)			
Revenue	\$ 613.8	\$ 368.9	\$ 432.2
Net income	86.5	73.2	139.3
Net income per share	0.55	0.51	1.05
Dividends per share	\$ 0.18	\$ 0.18	\$ 0.18

Total cash costs per ounce is a non-GAAP measure. A reconciliation is included in the attached Form 20-F.

This document may use the terms "measured resources," "indicated resources" and "inferred resources." The U.S. Securities and Exchange Commission does not recognize them. A more detailed discussion is included in the attached Form 20-F.

# operations at-a-glance

## 2009 highlights

- > Commercial production achieved at Lapa, Kittila and Pinos Altos.
- > Record annual gold production of 492,972 ounces.
- > Record proven and probable gold reserves of 18.4 million ounces.
- > Gold resources rose approximately 28% over 2008 level.
- > Low total cash costs per ounce of gold of \$347, placing the Company in the lowest quartile of cash costs in the industry.

In 2009, Agnico-Eagle Mines Limited neared the end of a major mine-building phase. By year-end, the Company had five mines operating in Canada, Finland and Mexico. The sixth mine, in northern Canada, began gold production in early 2010.

## Key performance drivers

Driver	2009 performance
Spot price of gold	Gold prices continued their upward march as Agnico-Eagle realized a 16% increase in gold prices to \$1,024 per ounce.
Production volumes	Record 492,972 ounces of payable gold production, largely due to additional production at the Goldex, Lapa, Kittila and Pinos Altos mines.
Production costs	<p>Total cash costs per ounce of gold of \$347 compared to \$162 in 2008, primarily as a result of the new mines not having the benefit of byproduct production to the same degree as LaRonde.</p> <p>Good cost control at the steady-state mines, LaRonde and Goldex, as minesite costs per tonne were \$72 and \$23, respectively.</p>
C\$/US\$ exchange rate	The Canadian dollar strengthened considerably by 16%. As many of the Company's operating costs are denominated in Canadian dollars, this partly offset the benefit of higher byproduct revenues during the year.

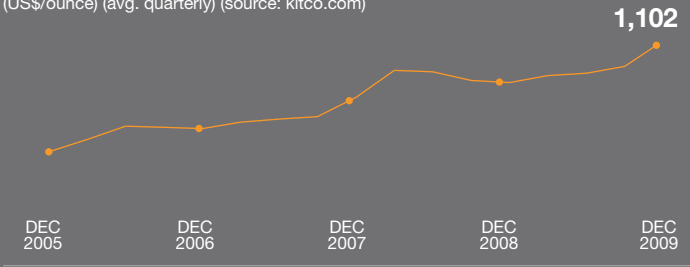
Total cash costs per ounce and minesite costs per tonne are non-GAAP measures. Reconciliations are included in the attached Form 20-F.

## Production outlook

	2010 (estimate)	2009 (actual)
Gold (ounces)	1,057,200	492,972
Silver (thousands of ounces)	5,145	4,035
Zinc (thousands of tonnes)	67.1	56.2
Copper (thousands of tonnes)	5.1	6.7

## London gold PM fix

(US\$/ounce) (avg. quarterly) (source: kitco.com)



## Declared annual dividend

(per common share)

\$0.18

- > In 2009, AEM declared its 28<sup>th</sup> consecutive annual cash dividend, payable in March 2010 at \$0.18 per common share.



### **LaRonde**

#### **Quebec, Canada**

Flagship mine remained a consistent engine of earnings and cash flow.



### **Goldex**

#### **Quebec, Canada**

Underground mine started up in 2008 and operated at or exceeded design capacity for most of 2009.



### **Lapa**

#### **Quebec, Canada**

New underground mine achieved commercial production on May 1, 2009.



### **Kittila**

#### **Kittila, Lapland, Finland**

New open pit mine achieved commercial production on May 1, 2009.



### **Pinos Altos**

#### **Chihuahua, Mexico**

New open pit mine achieved commercial production on November 1, 2009.



### **Meadowbank**

#### **Nunavut, Canada**

New open pit mine poured its first gold on February 27, 2010.



**six** operating  
gold mines

**growing**  
cash flow  
per share

**100%-owned**  
orebodies  
in mining-  
friendly  
regions

**low-cost,**  
efficient  
producer

**record** gold  
reserves of  
18.4 million  
ounces

**aggressive**  
exploration  
plans focused  
mainly on  
the current  
operations

**stable,**  
long-term,  
experienced  
management  
team

**robust**  
balance  
sheet with  
considerable  
financial  
flexibility

**consecutive**  
28-year track  
record of  
dividend  
payments

**longstanding**  
policy of not  
hedging gold

**industry-  
leading**  
shareholder  
returns

**strong**  
community  
relations



## letter to shareholders

**With the first gold poured at our Meadowbank mine earlier this year, AEM is nearing the end of an ambitious mine-building phase that has transformed the Company and created exceptional value for our shareholders, employees and host communities.**

Since the beginning of 2006, we have spent more than \$2 billion building five new mines. By year-end 2010, we expect to have increased annual gold production fourfold. While the process was challenging at times, it was also rewarding. Through much of this period, we continued to generate industry-leading returns for shareholders. We created opportunities for our employees to tackle new challenges and develop new skills, and we built a strong foundation for ongoing, mutually beneficial community relationships.

We also positioned the Company for continued growth. With the completion of our new mines come new opportunities to build even more value as we generate increased cash flow per share, step up exploration efforts and undertake smaller-scale, yet meaningful, production expansions.

### **Strong operating performance**

Today, our production base is stronger and more diversified with six mines now operating. Together with LaRonde, these mines are expected to double AEM's gold production in 2010. From 2011 to 2014, annual gold production is forecast to average more than 1.3 million ounces with total cash costs per ounce of approximately \$400.

The Goldex mine in the Abitibi region of Quebec came on-stream in 2008. The mine operated at, and occasionally exceeded, design rates for most of 2009. It is thought to be one of the lowest-cost hard rock underground operations in the gold industry, with minesite costs per tonne expected to average \$22 from 2011 to 2014.

The Lapa mine achieved commercial production on May 1, 2009. While we encountered start-up issues, primarily related to higher than expected ore dilution, we have applied our experience from the nearby LaRonde mine to maximize the profitability of Lapa, our highest-grade mine.

With the first gold poured at the Kittila mine in Finland in January 2009, production increased throughout the year as recoveries improved, and we anticipate operating at design rates throughout much of 2010. The Kittila mine is one of the largest known gold deposits in Europe and is expected to produce more than 150,000 ounces of gold, annually, from 2011 to 2014. Expansion studies are under way on this prolific deposit.

By year-end, the Pinos Altos mine in Mexico was pouring gold from both the heap leach and milling operations. Ramp-up to full production levels will continue in 2010. From 2011 to 2014, we expect Pinos Altos to produce, on average, more than 200,000 ounces of gold per year. Several satellite deposits are expected to add incrementally to gold production over this time. Further drilling is under way and driving economic studies.

In late February 2010, the most recent and largest of our mines poured its first gold. Meadowbank, our beachhead in the Canadian Arctic, is expected to produce approximately 400,000 ounces of gold, annually, from 2011 to 2014.

In addition to the new mines, our flagship mine, LaRonde, continued its solid performance in 2009, producing 203,494 ounces of gold at total cash costs per ounce of \$103. Despite having produced approximately 4 million ounces of gold since operations began in 1988, LaRonde still has almost 5 million ounces of gold in proven and probable reserves, which are among the largest gold reserves at an operating Canadian mine.

The financial benefits of our expanded production base were reflected in dramatic improvements in earnings and cash flow in the final quarter of 2009. Record quarterly gold production of 163,276 ounces pushed earnings to \$47.9 million. As gold output continues to expand in 2010 and beyond, the foundation is set for continued growth in earnings and cash flow per share. This puts us in a very strong position to continue to invest in growth opportunities and increase our longstanding dividend.

### **Compelling expansion opportunities**

As the major building projects neared completion, we turned our attention to a number of compelling expansion opportunities at the existing properties, which have the potential to further increase production over 2010 levels.

In 2009, we approved a \$10-million expansion at Goldex, which will result in the production of an additional 20,000 ounces of gold per year over the mine life. We also approved a \$64-million project to construct a 4,000-tonne-per-day open pit, heap leach operation on the Creston Mascota deposit near the Pinos Altos mine. Production should begin in 2011 and last for at least five years at a rate of approximately 46,000 ounces of gold annually.

In addition, we have feasibility and scoping studies under way at Pinos Altos, Kittila and Meadowbank. At Pinos Altos, we are considering putting several satellite deposits into production and expanding the Pinos Altos plant. At Kittila, we are assessing the economic feasibility of increasing annual gold production by at least 50% through a mill expansion and the sinking of a mine shaft. At Meadowbank, we are looking at increasing the average mill throughput by approximately 18% by accelerating development of two open pits, increasing the mill throughput and building an underground operation.

Construction of a deep extension of the LaRonde mine began in 2006 to access higher-grade ore and extend the life of the operation through to 2022, at least. Shaft sinking was completed in 2009 and production is scheduled to commence in late 2011. Once full production levels are achieved, LaRonde is expected to produce approximately 380,000 ounces of gold annually.

Through these potential expansions, AEM anticipates that its gold production could grow by 50% over the next five years from the approximate 1 million ounces expected in 2010. It is anticipated that this growth will again place the Company among industry leaders in terms of gold production growth.

### Exploration is a priority

Over the years, exploration success has been one of our core strengths and adding quality gold reserves through exploration remains a priority for AEM. Our focus is largely on our existing properties. With the new mines built, we have gained improved access to drill our gold deposits, and our team is excited by the opportunities before them.

In 2009, our exploration programs continued to increase the known size of the mineralized envelopes of several deposits, over and above the amount mined during the year, with particularly compelling results at Kittila, Pinos Altos and Meadowbank. At year-end, the Company's gold reserves totalled a record 18.4 million ounces, an increase of 2% over 2008 levels. Our gold resources increased by 28%, demonstrating that we can expect to convert more gold resources to reserves at our operating mines.

For 2010, we increased our exploration budget by 40% to \$76 million. This is our largest-ever exploration program and is an indication of the confidence we have in the quality and potential of our orebodies. These deposits are located in mining-friendly jurisdictions and have yet to be fully explored. In fact, we believe that four of our six mine deposits could ultimately exceed 5 million ounces of gold reserves – a level that we consider to be world-class.



Although gold prices have performed very well over the last few years, we expect prices to continue to move much higher, driven by increased investment demand. Gold will become increasingly sought after as a means of protecting wealth from the persistent debasement of paper money. In our view, this process is still in its early stages and, as a result, the bull market in gold has some way to go before running its course.

### Positioned to perform

As we enter a new phase in our company's development, AEM is positioned to continue to perform for shareholders. Our balance sheet is strong, with approximately \$164 million in cash and cash equivalents, and available credit facilities of approximately \$165 million at year-end 2009 – giving us the financial flexibility to carry out our growth plans. Our larger, low-cost gold production base and growing reserves enable us to provide greater leverage to higher gold prices and generate increasing cash flow. Furthermore, we remain committed to a strategy that is focused on per-share metrics, striving to be an industry leader in reserves per share, production per share and cash flow per share, as a means of creating exceptional shareholder value. This means that our measured approach to doing business will not change. It has worked well for our shareholders and employees for many years and it remains a good fit for our skill set.

Throughout our organization, there is great enthusiasm as we enter 2010. Our transformation to a multi-mine gold producer is complete and we are poised to capitalize on our hard work. Many of our people, myself included, have been with the Company for 20 years or more and take great pride in what we have accomplished and the value we have built. I would like to thank each and every employee, contractor, service provider and stakeholder for helping us achieve a significant milestone in our company's history and positioning us strongly for the future.



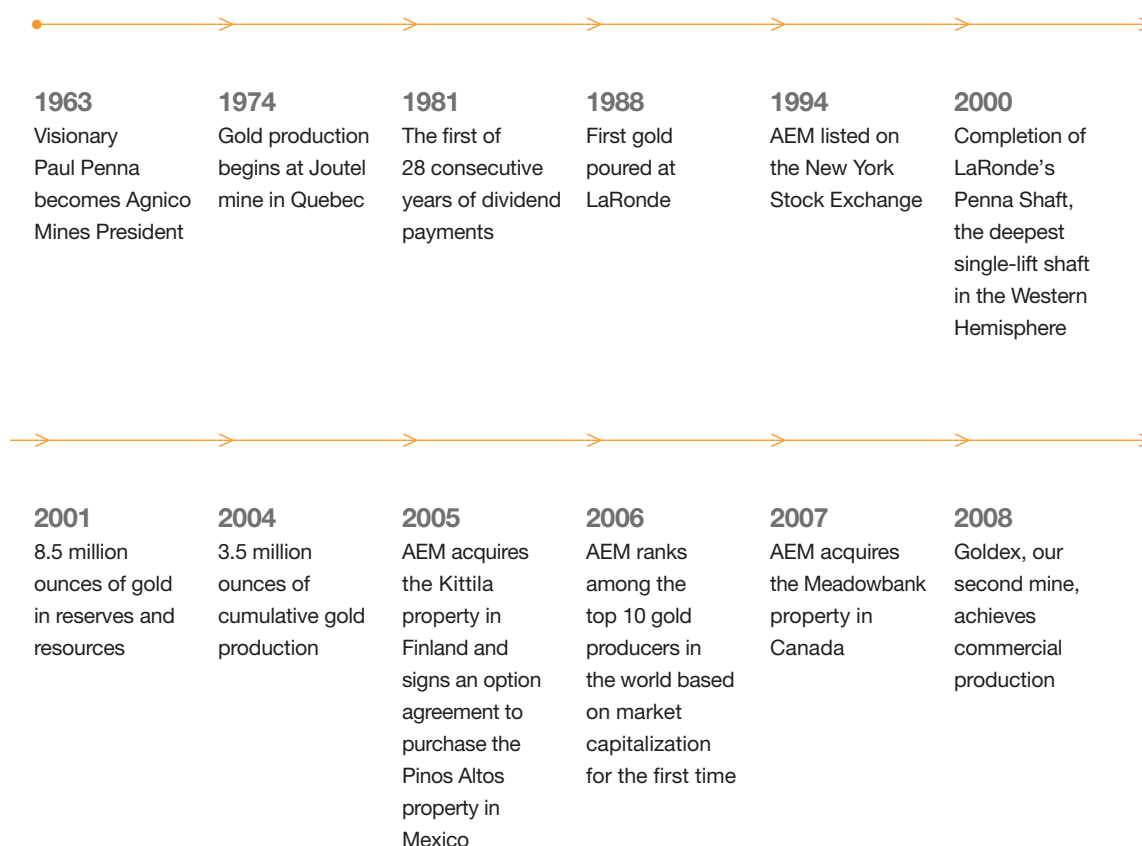
Sincerely,

A handwritten signature in dark ink that reads "Sean Boyd". The signature is fluid and cursive.

**Sean Boyd**

Vice-Chairman and Chief Executive Officer  
March 18, 2010

**AEM has 53 years of operating history, dating back to 1957 when Agnico Mines Limited was founded. In 1972, Agnico Mines merged with gold exploration company Eagle Gold Mines Limited to form today's AEM. From inception, AEM has operated a quality business, always maintaining a healthy balance sheet and never selling its gold forward.**





# aemyesterday

**Ebe Scherkus, Mine Manager,  
holding first gold bar poured at  
LaRonde / Quebec / 1988**



# aemtoday

LaRonde / Quebec / 9:00 am

With Lapa, Kittila and Pinos Altos achieving commercial production in 2009, AEM's five operating mines produced a record 492,972 ounces of gold, up 78% over 2008. Despite commissioning and ramp-up expenditures, total cash costs per ounce of gold of \$347 continued to place AEM's gold production in the lowest quartile of cash costs in the industry. We also strengthened our ties to the communities in which we operate.

Mine	Payable gold production (ounces)		Total cash costs per ounce of gold	
	2009	2010 (estimate)	2009	2010 (estimate)
Goldex	148,849	164,000	\$ 366	\$ 318
Kittila	71,838*	147,100	668*	502
Lapa	52,602*	115,600	751*	506
LaRonde	203,494	179,700	103	220
Meadowbank	N/A	299,900	N/A	460
Pinos Altos	16,189*	150,900	596*	401
Company overall	492,972	1,057,200	\$ 347	\$ 399

\* Partial year.

## operating mines

### LaRonde



#### LaRONDE 2009 PRODUCTION

**203,494 ounces of gold**

**3.9 million ounces of silver**

**56.2 tonnes of zinc**

**6.7 tonnes of copper**

Our flagship mine, LaRonde, continues to be a consistent, reliable, world-class mine, maintaining its solid operating performance again in 2009. The mill processed an average of 6,975 tonnes of ore per day versus 7,210 tonnes per day in 2008, a lower rate due to two planned maintenance shutdowns.

LaRonde's total cash costs per ounce were \$103 on payable gold production of 203,494 ounces, placing it among the lowest cash cost gold mines in the industry. This compares to total cash costs per ounce of \$106 on gold production of 216,208 ounces in 2008, as lower gold production was more than offset by stronger byproduct metals prices.

Good cost control continued to be a hallmark of LaRonde. Minesite costs per tonne were approximately C\$72, roughly 7% higher than in 2008 due to cost pressures in the industry for inputs such as labour and chemical reagents, but in line with expectations.

In 2010, gold production at LaRonde is expected to decrease to approximately 180,000 ounces as gold grades decline until late 2011 when the deeper, richer ore of the LaRonde extension is accessed. From 2011 to 2014, annual gold production of approximately 248,000 ounces is expected, reflecting the higher gold grades. Total cash costs per ounce over this period are expected to average \$301 as byproduct revenues decline, largely due to lower zinc grades at depth.



**Goldex****GOLDEX 2009 HIGHLIGHTS**

**Produced 148,849 ounces of gold**

**Processed 7,164 tonnes per day**

**Blasting 1.5 years ahead of schedule**

The Goldex mine achieved commercial production in 2008. It consistently operated at, or exceeded, design rates throughout 2009, processing an average of 7,164 tonnes per day compared to a design rate of 6,900 tonnes per day.

Payable gold production of 148,849 ounces at total cash costs of \$366 per ounce was below expectation because of a decision to mine lower grade ore from the eastern and central mining blocks for part of the year to allow the preparations for a large blast in the higher-grade western block to take place in early 2010. By year-end, normal mining sequencing had resumed and grades were back to reserve estimates.

Cost control was very good at Goldex, with minesite costs per tonne of C\$23. We believe that Goldex is one of the lowest-cost hard rock underground mines in the world.

At the current mining and blasting rate, it is expected that the Goldex orebody will be totally blasted approximately 1.5 years ahead of schedule, reducing costs over the balance of the mine life.

In 2010, gold production is forecast to be approximately 164,000 ounces, increasing to an average of 169,000 ounces, annually, from 2011 to 2014. Over this period, minesite costs per tonne are expected to average C\$22 and total cash costs per ounce are expected to average \$328.

## Lapa



### ABOUT LAPA

**AEM's smallest but highest-grade mine**

**Eleven kilometres east of LaRonde**

**Ore processed in a dedicated facility at LaRonde**

**Anticipated seven-year mine life**

The Lapa mine achieved commercial production on May 1, 2009. Production from the mine improved throughout the year, achieving the design rate of 1,500 tonnes per day by the fourth quarter.

Lower than expected payable gold production of 52,602 ounces and higher than expected total cash costs per ounce of \$751 were largely the result of higher than expected ore dilution of the mining blocks and mine sequencing. Minesite costs per tonne were C\$140. Costs are expected to decline significantly as the drilling, blasting, excavation and filling cycles are optimized for the orebody.

Gold production is expected to be approximately 116,000 ounces in 2010 and 118,000 ounces, annually, from 2011 to 2014. Total cash costs per ounce are expected to average \$519 from 2011 to 2014, with minesite costs per tonne averaging C\$123.

**Kittila****KITTILA PRODUCTION**

**Open pit mining expected to last five years**

**Underground mining began in 2010**

**Processing plant includes AEM's only autoclave**

**Study under way to double annual gold production**

With gold first poured at the Kittila mine in January, production increased over the course of 2009 as recoveries improved. We anticipate operating near design rates throughout 2010.

Reflecting the optimization process, the Kittila mill processed an average of 2,728 tonnes per day in the fourth quarter of 2009, and achieved in excess of 3,500 tonnes per day in December, compared to a design rate of 3,000 tonnes per day.

Gold production of 71,838 ounces was lower than expected due to low recovery rates for the early part of the year. Higher than expected minesite costs of €54 were a reflection of the low tonnage milled, as were total cash costs per ounce of \$668.

The Kittila mine is one of the largest known gold deposits in Europe. While the ore is initially being sourced from open pits, underground mining will begin in 2010. In 2009, underground development progressed in several areas and the first stope was extracted in January 2010.

In 2010, Kittila gold production is expected to be approximately 147,000 ounces. From 2011 to 2014, we are forecasting average annual gold production of more than 150,000 ounces at total cash costs per ounce of \$520, and minesite costs per tonne of €53.

## Pinos Altos



### MINING AT PINOS ALTOS

#### Series of open pits

#### Underground mining to start in 2010

#### Construction under way of an open pit heap leach operation at Creston Mascota

#### Potential to develop several other satellite deposits

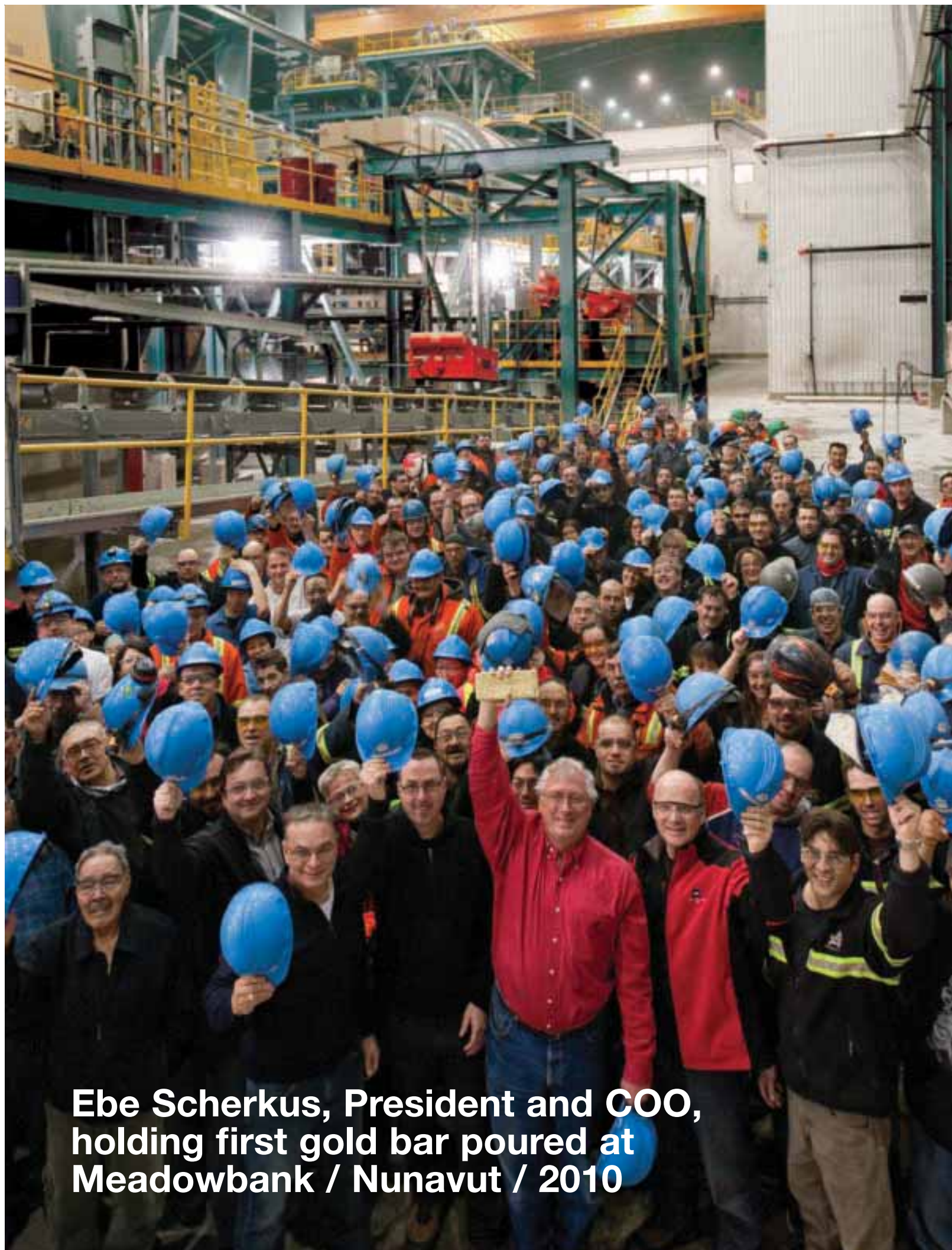
By year-end, the Pinos Altos mine in Mexico was pouring gold from both its heap leach and milling operations. In 2009, payable production was 16,189 ounces of gold. Commercial production was 9,565 ounces at total cash costs per ounce of \$596 and minesite costs per tonne of \$28. The mine declared commercial production as of November 1, 2009.

While ramp-up at Pinos Altos was slower than expected due to issues encountered in the commissioning of the dry tailings pressure filters, the mill was operating at approximately 75% of design capacity by year-end. Ramp-up to full production levels will continue in 2010 and new filter capacity has been ordered.

Underground mining and the first stope extraction at Pinos Altos are scheduled to begin in the second quarter of 2010.

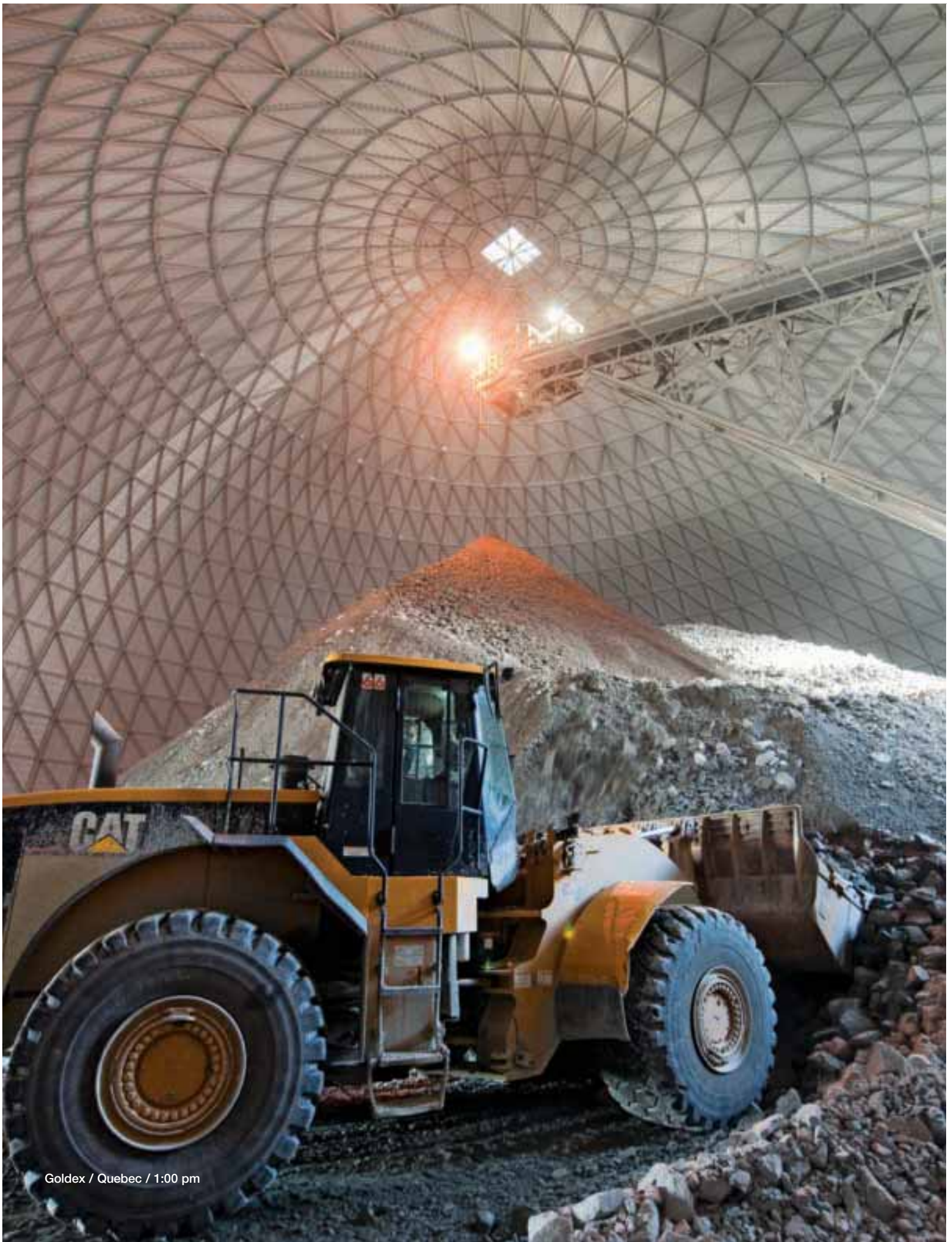
In 2010, gold production is expected to be approximately 151,000 ounces. From 2011 to 2014, annual gold production is expected to average more than 200,000 ounces with total cash costs per ounce averaging \$263.





**Ebe Scherkus, President and COO,  
holding first gold bar poured at  
Meadowbank / Nunavut / 2010**







**In the past two years, AEM has grown from approximately 2,500 employees and contractors to more than 4,500. In so doing, we have sought to maximize the number of local employees working at our operations. In 2009, 99% of our workforce at Pinos Altos came from Mexico, and 40% of our workforce at Meadowbank came from Nunavut. AEM invested heavily in employee training in 2009 and will continue to do so in the coming year, with safety at the core of all training activities.**

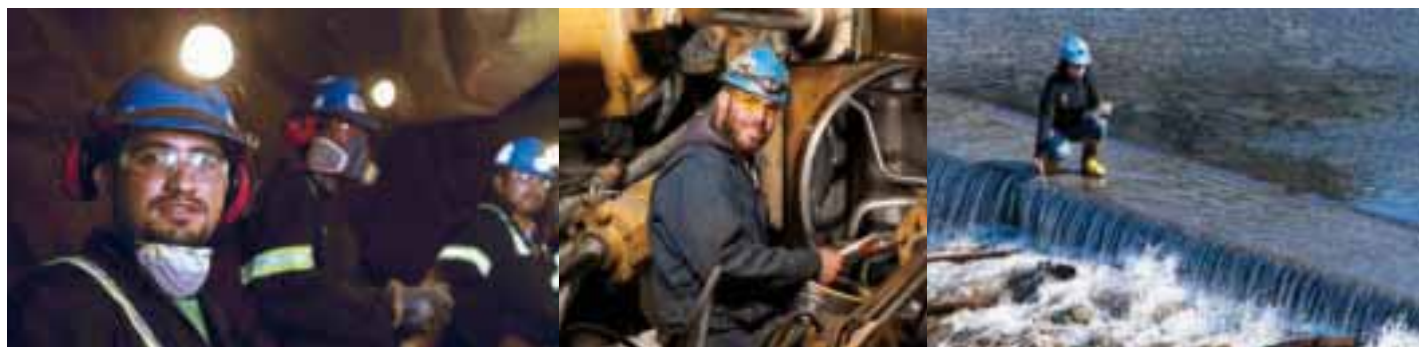
### Safe production

We want all of our people to return home safely at the end of each shift. Achieving this requires safe and orderly workplaces, competent and well-trained personnel who look out for each other's well-being, a positive and cooperative attitude towards working safely and effective safety systems that are jointly created and supported by all employees and continually improved.

In 2009, the lost-time injury frequency rate for all AEM employees and contractors was 2.65, which was well below our corporate objective and 2008 result of 3.70. This performance places AEM among the best performers in our sector of the mining industry. It is especially noteworthy in a year when construction was under way at all sites.

The LaRonde mine won its fifth consecutive Provincial Mine Rescue Championship, an accomplishment never before equalled in the Quebec mining industry. The Goldex mine rescue team also qualified in its first year in competition. Members of the LaRonde mine rescue teams have since travelled to Pinos Altos and Kittila to train mine rescue personnel at these new operations.

We introduced nursing and medical services at all mining operations. We also worked to instill our corporate safety culture in our new mines. This involved adapting proven health and safety programs to reflect the specialized needs of each site, including emergency response training, training on safe job procedures and ensuring that the required resources are in place.



### Respect the environment

From exploration to mining, we work hard to preserve and protect our natural environment by implementing sound environmental management systems and processes at all stages of our business activities, and by pursuing continuous improvement in our environmental performance.

In 2009, we continued to increase awareness and develop our management systems to improve environmental stewardship at all operations. There were no serious environmental incidents to report and no compliance actions were taken at any of our sites.

At Goldex, 3.2 million tonnes of non-acid-generating flotation tailings have been deposited onto the former Manitou tailings site since the start of operations in 2008. This represents approximately 20% of the total volume calculated as being necessary to fully

neutralize and encapsulate the acid-generating tailings at this formerly orphaned site, which is now being operated and reclaimed as a joint venture project between the Quebec Ministry of Natural Resources and AEM. The release of acidic runoff from this site has been halted and is now being managed under the joint venture.

At Meadowbank, we continued construction of the dewatering dikes to isolate mining pits from lakes. To address the issue of sediment control, we installed floating turbidity barriers at a cost of \$2 million and established a dedicated, round-the-clock monitoring program. Despite these actions, short-term exceedances of our target sediment release levels still occurred and we are taking remedial action. We also installed and operated two new water treatment plants, both of which have met the tight discharge standards for total suspended solids and turbidity established by the Nunavut Water Board.



At Pinos Altos, we commissioned the tailings filtration plant, with all of the mill tailings now being filtered and deposited as a dry stack within the tailings impoundment, and with the filtrate water being recycled to the mill for re-use as process water. The program to recover and move critical vegetation in the mine footprint was continued throughout 2009.

At Kittila, work started on an expansion of the tailings containment area with the preparation of the base for installation of a low permeability bituminous liner system along with the construction of the main dike. In 2009, we encountered unexpectedly elevated levels of nickel in the effluent from our autoclave operation, which led to the installation of a lime treatment system. In the interim, none of this effluent was released to the environment. The stored water is being treated and cycled within the tailings pond in preparation for its

release to an infiltration field in 2010, once nickel levels have been reduced to the accepted discharge standard.

### Respect for people and host communities

AEM strives to act as a responsible neighbour, employer, and business partner, to the benefit of the regions where we chose to work. This commitment to sustainability and responsible mining is reflected in our effort to build relationships based on trust, open dialogue, mutual respect, and understanding.

We work to be the “employer of choice” in each of the communities in which we operate. This requires that we empower our employees, treating them at all times in a fair, respectful and open manner, and seeking their input and involvement in a meaningful way in all phases of our operations. At each operation, we have

established Collaboration Committees, consisting of elected employees, which meet regularly with local mine management to discuss issues of concern to the employees, including conditions of employment, compensation, work schedules and procedures, equipment selection and grievances.

We engage our host communities through a wide variety of means specific to the country, region or site in which we operate. For example, Goldex maintains regular contact with elected representatives on the city council in order to address all issues relating to the mine's operation. At LaRonde, we are working with two local councils and nearby cottage owners to monitor and understand increased noise disruption, and we have installed new noise attenuation barriers and new ventilation fan enclosures as a result.

At Meadowbank, a Community Liaison Committee was jointly formed with the village of Baker Lake to provide a forum for ongoing community engagement in an area seeing industrial development for the first time. The committee brings together elders, community leaders, the business community, youth representatives and mine management to address all issues relating to this development and the impacts on their community.

At Pinos Altos, we are pleased to have received, for our second year running, certification as a socially responsible company from the Centro Mexicano para la Filantropia. This certification is overseen by a committee of 25 people who audit the performance of our Pinos Altos mine against a wide range of factors addressing Corporate Social Responsibility. Pinos Altos has also received certification for providing equality of women's rights in the workplace (Equidad de genero).

### **Sustainable Development Report**

As an important step towards continuous improvement, AEM collected sustainable development performance data in 2009. This data will be used to set objectives for subsequent years. It is based in part on the Global Reporting Initiative (GRI) indicators, the Canadian Mining Association's Toward Sustainable Mining (TSM) indicators, and AEM's own indicators. The data will be presented in May 2010 in the first AEM Sustainable Development Report.



**As an important step towards continuous improvement, AEM collected sustainable development performance data in 2009. This data will be used to set objectives for subsequent years.**





# aemtomorrow



Kittilä / Finland / 4:00 pm



**AEM enters 2010 with a much greater capacity to generate increased cash flow per share. The Company is well positioned to continue to grow gold output with a strong balance sheet, significant internal expansion opportunities, improved access to drill its gold deposits, and an increased focus on adding quality gold reserves through exploration. The short-term objective is 20 million to 21 million ounces of gold in reserves by year-end 2010.**

#### Reserves and resources summary

(at December 31, 2009)

	Proven and probable reserves	Indicated resources	Inferred resources
<b>Gold</b> (thousands of ounces)	<b>18,398</b>	<b>6,280</b>	<b>5,118</b>
Goldex	1,630	13	802
Kittila	4,025	1,445	588
Lapa	843	249	100
LaRonde	4,849	386	1,384
Meadowbank	3,655	3,312	751
Pinos Altos	3,396	461	695
<b>Silver</b> (thousands of ounces)	<b>129,648</b>	<b>18,720</b>	<b>15,341</b>
LaRonde	36,035	5,197	3,988
Pinos Altos	93,613	13,523	11,353
<b>Copper</b> (thousands of tonnes)	<b>97</b>	<b>9</b>	<b>29</b>
LaRonde	97	9	29
<b>Zinc</b> (thousands of tonnes)	<b>502</b>	<b>98</b>	<b>47</b>
LaRonde	502	98	47

Please refer to the complete reserves and resources table in the attached Form 20-F. Reserves are not a subset of resources.

## corporate strategy

**For many years, we have adhered to a low-risk corporate strategy focused on per-share metrics. We plan to follow the same strategy going forward.**

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### **one:** produce more gold

AEM has one of the most robust gold production growth profiles of any intermediate or senior gold producer. We are targeting a 2010 gold production of 1.0 million to 1.1 million ounces, up more than 100% from 2009 levels, as all six of our gold mines will be in commercial production. With the Meadowbank start-up in early 2010, and the Goldex, LaRonde extension and Creston Mascota expansions coming on-stream in 2011, AEM is on course to achieve average gold production of over 1.3 million ounces, annually, from 2011 to 2014, with total cash costs of approximately \$400 per ounce. Three more internal expansion projects are expected to contribute to additional production growth by 2015. Studies are under way which could potentially increase AEM's gold production to more than 1.5 million ounces of gold per year.

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### **two:** grow gold reserves

AEM has a strong record of growing gold reserves, having increased reserves per share almost fivefold over the past 11 years. From 18.4 million ounces at year-end 2009, gold mineral reserves are targeted to grow to between 20 million and 21 million ounces by year-end 2010. Our primary exploration targets are on our Kittila, Pinos Altos, and Meadowbank properties. The LaRonde operation is currently a 4.9-million-ounce gold reserve, and we see the potential for these other deposits to reach this size as well. For 2010, our largest-ever exploration budget of \$76 million will be weighted towards resource exploration (discovery) and resource-to-reserve conversion.

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### **three:** acquire small, think big

We plan to continue our successful acquisition strategy. We take a conservative approach, seeking out early-stage opportunities in regions of low political risk that are well matched to our skills and abilities and can significantly strengthen the business. This is the strategy used for our Kittila, Pinos Altos and Meadowbank acquisitions, for which we paid a total of \$784 million for what has become a combined 11.1 million ounces in gold reserves and an additional 7.3 million ounces in resources.

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### **four:** be a low-cost leader

Low-cost production is a competitive advantage that positions AEM to deliver value at every stage of the gold cycle and has allowed the payment of consecutive annual dividends since 1981. From 2010 to year-end 2014, we are projecting total cash costs of approximately \$400 per ounce of gold produced, a level we expect will place us in the lowest cost quartile in the industry over the long term.

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### **five:** maintain a solid financial profile

AEM ended the year with \$164 million in cash and cash equivalents and \$165 million available under its credit facilities. In March 2010, the Company further strengthened the balance sheet by issuing \$600 million in a series of bonds, with proceeds used to repay bank debt. A strong balance sheet gives us the financial flexibility to carry out our growth plans and act quickly on opportunities. In 2010, capital expenditures are expected to total approximately \$478 million and decline to approximately \$178 million in 2011. Through 2011, AEM expects to be self-funding as significant internal cash flow is generated from its expanding mines.

## growth projects



With the start-up of Meadowbank, AEM has reached the end of a significant construction phase, during which it spent more than \$2 billion since the beginning of 2006. With most of the mines nearing steady-state operation in 2010, capital expenditures of approximately \$463 million in 2010 and \$178 million in 2011 will be used primarily for expansions.

### Meadowbank

Meadowbank is the largest and most recent of our mine-building projects. The mine poured its first gold on February 27, 2010.

In 2009, operations at the Portage open pit began with the mining of 2.3 million tonnes of ore, compared to a planned mining of 2.0 million tonnes. By year-end, approximately 600,000 tonnes of ore were stockpiled. The power plant was completed and commissioning of the process plant was

under way. All of the materials necessary for the first nine months of operation were also delivered to the minesite.

Commercial production is budgeted for April 2010. For this partial year, payable gold production is forecast to be approximately 300,000 ounces, reflecting the commissioning period. From 2011 to 2014, the expected average gold production is approximately 400,000 ounces, annually, at total cash costs per ounce averaging \$454.

We are studying the potential of increasing the average daily production rate at Meadowbank from 8,500 tonnes to 10,000 tonnes, which would increase the average annual gold production to more than 400,000 ounces. The additional production would come initially from the accelerated development of the Goose Island and Portage open pits, and potentially from

an underground operation on the southern end of the deposit via ramp access. Study results will be reviewed in mid-2010.

### **LaRonde**

In 2006, AEM began to construct a deep extension of the LaRonde mine to access higher-grade ore and extend the life of the operation through to 2022. The work involved sinking an 835-metre-long internal shaft extending downward from the Penna Shaft, and constructing ramps to enable mining to a depth of three kilometres or more.

Initial production from the extension is expected in late 2011, with the full production rate reached in 2014. Post-2013, the plan is to produce 6,000 tonnes of ore per day at an average gold grade of approximately 6.0 grams per tonne, resulting in annual production of approximately 380,000 ounces. For the same period, annual byproduct production is expected to average 1.0 million ounces of silver, 5,700 tonnes of copper, and 12,300 tonnes of zinc.

### **Goldex**

In 2009, the Board of Directors approved an expansion of the production rate of the Goldex mine from 6,900 tonnes to 8,000 tonnes per day. The \$10-million project, mainly involving the addition of a surface crushing plant, will result in an additional 20,000 ounces of gold per year over the mine life. Construction began in late 2009, and the ramp-up to 8,000 tonnes per day should be complete in late 2011. We expect to extend the mine life of Goldex beyond 2017, in spite of the increased mining rate, by focusing on converting resources, such as the nearby “M” and “S” zones, into reserves.

### **Pinos Altos**

An expansion project was approved in 2009 to begin construction of a 4,000-tonne-per-day open pit heap leach operation on the Creston Mascota deposit, approximately seven kilometres northwest of the main Santo Nino deposit. The capital cost of the stand-alone project is estimated at \$64 million. Creston Mascota has about 362,000 ounces of gold and 3.7 million ounces of silver in probable reserves. Production should start in early 2011 and last for at least five years at a rate of 46,000 ounces of gold annually.

We are also considering increasing the Pinos Altos processing plant rate from 4,000 tonnes per day to a possible 6,000 tonnes per day, reflecting a 125% increase in reserve tonnage since the beginning of 2007. Results of the scoping study are expected in the third quarter of 2010.

### **Kittila**

A scoping study is under way to assess the economic feasibility of increasing annual gold production by at least 50% to between 225,000 ounces and 300,000 ounces. This would require sinking a new shaft to access the deeper ore and expanding the Kittila mineral-processing plant. The results of the study will be reviewed in early 2011.

## exploration



Growing gold reserves, on a per-share basis, is integral to AEM's strategy and critical to our long-term success. Our focus is on adding reserves at our existing properties.

At year-end 2009, AEM's proven and probable gold reserves reached a record high of 18.4 million ounces, a 2% increase over the previous year. The largest increase came from Kittila where approximately 0.8 million ounces of reserves were added in 2009.

Due to improved drilling access in 2010, an even larger amount of reserves is expected to be added with the year-end target being 20 million to 21 million ounces of gold.

Based on the results of the 2009 exploration program, it is possible that Kittila will become our largest gold deposit, and one of the largest in Europe. It appears that Pinos Altos will ultimately support several stand-alone satellite zones which will supplement production from the main Santo Nino deposit.

In 2010, we are increasing our exploration budget by 40% to \$76 million, and planning almost 300 kilometres of drilling. The emphasis will be on resource exploration (or discovery) and conversion.

The main exploration targets are at, or close to, our Kittila, Pinos Altos, and Meadowbank mines.



2010 exploration	Budgeted expenditures (US\$ millions)	Drilling (kilometres)
<b>Minesite exploration</b>		
Goldex	\$ 3	28
Kittila	16	81
Lapa	3	8
LaRonde	4	19
Meadowbank	6	25
Pinos Altos	4	19
<b>Grassroots exploration</b>		
Finland	7	20
Mexico	8	21
Nevada	8	17
Nunavut	5	16
Quebec	5	27
Western Canada	7	17
<b>Total</b>	<b>\$ 76</b>	<b>297</b>

We have 11 drills operating at Kittila, where the focus is on resource-to-reserve conversion and expansion along strike and below the Suuri and Roura zones.

The Pinos Altos mine consists of a series of open pits, which will eventually be supplemented by underground production, primarily from the large Santo Nino deposit. Drilling over the past two years has identified a number of satellite deposits on the large 11,000-hectare property. The Creston Mascota deposit is under construction and expected to begin production in early 2011. Recent drilling at the Sinter deposit and the new Cubiro deposit

has suggested that there is potential for these zones to be mined by open pit heap leach methods similar to Creston Mascota. We will continue to explore these deposits in 2010 and expect to complete a feasibility study for the Sinter deposit by year-end.

At Meadowbank, we are focused on resource-to-reserve conversion and the expansion of the Vault, Goose South and Portage deposits.

## corporate governance

AEM's governance practices reflect the structure and processes we believe are necessary to improve company performance and enhance shareholder value. We follow the development of corporate governance standards in both Canada and the United States. As requirements and practices evolve, we respond in a positive and proactive way by assessing our practices and making modifications as needed.

### Board of Directors

The Board of Directors consists of 12 directors. All but three directors are independent of management and free from any interest or business that could materially interfere with their ability to act in the Company's best interests.

The Board 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. The Board generally discharges its responsibilities either directly or through four committees.

### Board committees

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

The Audit Committee assists the Board 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 on the Company's strategy, policies and programs for compensating and developing senior management and directors.

The Health, Safety and Environment (HSE) Committee advises and makes recommendations to the Board with respect to monitoring and reviewing HSE policies, principles, practices and processes; HSE performance; and regulatory issues relating to health, safety and the environment.

With the exception of the HSE Committee, the Board committees are composed entirely of outside directors who are unrelated to and independent from AEM. Committee charters are posted to the corporate website.

### Ethical business conduct

AEM has adopted a Code of Business Conduct and Ethics that provides a framework for directors, officers, and employees on the conduct and ethical decision-making integral to their work. We have also adopted a Code of Business Conduct and Ethics for consultants and contractors. The Audit Committee is responsible for monitoring compliance with these Codes. In conjunction with the Codes, we have established a toll-free compliance hotline to allow for anonymous reporting of suspected violations. More information is posted on the corporate website.

## board of directors

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**James D. Nasso**  
Chairman of the Board  
(Director since 1986) <sup>1,2,4</sup>

Mr. Nasso is the retired founder and President of Unilac Limited, a manufacturer of infant formula, a position he held for 35 years. He is a graduate of St. Francis Xavier University (B.Comm.).

**Sean Boyd**  
Vice-Chairman  
(Director since 1998)

Mr. Boyd is Vice-Chairman and CEO of Agnico-Eagle Mines Limited and has been with the Company since 1985. He was appointed CEO in 1998 and became Vice-Chairman in 2005. Prior to that, Mr. Boyd held various senior management positions in the Company. Mr. Boyd is a graduate of the University of Toronto (B.Comm.) and a Chartered Accountant.

**Leanne M. Baker**  
(Director since 2003) <sup>1,2</sup>

Dr. Baker is a consultant to companies in the mining and financial services industries. Previously, she was employed by Salomon Smith Barney, where she was one of the top-ranked U.S. mining analysts. Dr. Baker is a graduate of the Colorado School of Mines (M.S. and Ph.D., Mineral Economics).

**Douglas R. Beaumont**  
(Director since 1997) <sup>2,3</sup>

Mr. Beaumont, now retired, is a former Senior Vice-President, Process Technology with SNC Lavalin. Prior to that, he was Executive Vice-President of Kilborn Engineering & Construction. Mr. Beaumont is a graduate of Queen's University (B.Sc.).

**Clifford J. Davis**  
(Director since 2008) <sup>2,4</sup>

Mr. Davis is a mining industry veteran, who is currently on the board of New Gold, and formerly a member of the senior management teams of Gabriel Resources and TVX Gold and of the boards of TVX Gold, Rio Narcea and Tiberon. Mr. Davis is a graduate of The Royal School of Mines, London, U.K. (B.Sc., Mining Engineering).

**David Garofalo, C.A., ICD.D.**  
(Director since 2008)

Mr. Garofalo is Senior Vice-President, Finance and CFO of Agnico-Eagle Mines Limited and has been with the Company since 1998. Before joining, he served as treasurer of Inmet Mining Corporation, an international mining company. Mr. Garofalo serves on the board of directors and audit and corporate governance committees of Stornoway Diamond Corporation. Mr. Garofalo is a graduate of the University of Toronto (B.Comm.) and is a Chartered Accountant.



**Bernard Kraft**  
(Director since 1992) <sup>1,3</sup>

Mr. Kraft recently retired as a senior partner of Kraft, Berger, Grill, Schwartz, Cohen & March, Chartered Accountants and is a consultant to that firm, and a principal in Kraft Yabrov Valuations Inc. Mr. Kraft is a member of the Canadian Institute of Chartered Business Valuators, the Association of Certified Fraud Examiners, and the American Society of Appraisers.



**Mel Leiderman**  
(Director since 2003) <sup>1,2</sup>

Mr. Leiderman is the managing partner of the Toronto accounting firm Lipton, Wiseman, Altbaum & Partners and is a graduate of the University of Windsor (B.A.).



**J. Merfyn Roberts, C.A.**  
(Director since 2008) <sup>1,3</sup>

Mr. Roberts, based in London, England, has been a fund manager and investment advisor for more than 20 years and has been closely associated with the mining industry. He sits on the boards of several resource companies, including Eastern Platinum Limited and Emerald Energy plc. Mr. Roberts is a graduate of Liverpool University, U.K. (B.Sc., Geology) and Oxford University, U.K. (M.Sc., Geochemistry).



**Eberhard Scherkus**  
(Director since 2005) <sup>4</sup>

Mr. Scherkus is President and COO of Agnico-Eagle Mines Limited and has been with the Company since 1985. He was appointed COO in 1998 and as President in 2005. Prior to that, Mr. Scherkus held various senior management positions, most recently as Executive Vice-President and COO, and was manager of the Company's LaRonde Division. Mr. Scherkus is a graduate of McGill University (B.Sc.).



**Howard Stockford**  
(Director since 2005) <sup>2,4</sup>

Mr. Stockford, now retired, is a former Executive Vice-President of Aur Resources Inc., and sits on several mining company boards. He has been involved in the mining business for more than 40 years. He is a graduate of The Royal School of Mines, Imperial College, London University.



**Pertti Voutilainen**  
(Director since 2005) <sup>2,4</sup>

Mr. Voutilainen is a mining industry veteran, most recently the Chairman of the Board of Riddarhyttan Resources AB. Previously, Mr. Voutilainen was Chairman of the Board and CEO for Kansallis Banking Group and President after its merger with Union Bank of Finland. He was also the CEO of Outokumpu Corp., Finland's largest mining and metals company.

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee

<sup>4</sup> Health, Safety and Environment Committee

## forward-looking statement

The information in this annual report has been prepared as at March 18, 2010. 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 Canadian provincial securities laws. When used in this document, the words “anticipate”, “expect”, “estimate”, “forecast”, “planned” and similar expressions are intended to identify forward-looking statements and information.

Such statements include, without limitation: estimates of future mineral production and sales; estimates of future production costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs; statements as to the projected development of certain ore deposits, including estimates of exploration, development, and other capital costs, and estimates of the timing of such development or decisions with respect to such development; estimates of reserves and resources, anticipated future exploration and feasibility study results; the anticipated timing of events with respect to the Company’s minesites; and other statements

regarding anticipated trends with respect to the Company’s capital resources and results of operations. Such statements reflect the Company’s views as at the date this annual report was prepared and are subject to certain risks, uncertainties and assumptions. 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: uncertainty of mineral reserve, mineral resource, mineral grade and mineral recovery estimates; uncertainty of future production, capital expenditures and other costs; gold and other metals price volatility; currency fluctuations; mining risks; and governmental and environmental regulation. For a more detailed discussion of such risks and other factors, see the Company’s Annual Information Form and Annual Report on Form 20-F for the year ended December 31, 2009 attached to this annual report, as well as the Company’s other filings with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission. The Company does not intend, and does not assume any obligation, to update these forward-looking statements.

### Technical Information

Please refer to the company press release dated February 17, 2010 for further details on the mineral reserves and resources. The technical information has been prepared under the supervision of, and reviewed by, Marc Legault, P.Eng., Vice-President, Project Development, and a “Qualified Person” for the purposes of National Instrument 43-101.



# senior management



Sean Boyd  
Vice-Chairman and  
Chief Executive Officer



Eberhard Scherkus  
President and  
Chief Operating Officer



David Garofalo  
Senior Vice-President,  
Finance and  
Chief Financial Officer



Donald G. Allan  
Senior Vice-President,  
Corporate Development



Alain Blackburn  
Senior Vice-President,  
Exploration



Tim Haldane  
Senior Vice-President,  
Latin America



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



Daniel Racine  
Senior Vice-President,  
Operations



Jean Robitaille  
Senior Vice-President,  
Technical Services



Picklu Datta  
Vice-President,  
Controller



Patrice Gilbert  
Vice-President,  
Human Resources



Paul-Henri Girard  
Vice-President,  
Canada



Louise Grondin  
Vice-President,  
Environment &  
Sustainable Development



Ingmar E. Haga  
Vice-President,  
Europe



Marc Legault  
Vice-President,  
Project Development



Claudio Mancuso  
Vice-President,  
Treasurer



David Smith  
Vice-President,  
Investor Relations

# shareholder information

**AUDITORS**  
Ernst & Young LLP  
Chartered Accountants

**SOLICITORS**  
Davies Ward Phillips & Vineberg LLP  
(Toronto and New York)

**LISTINGS**  
The New York Stock Exchange and  
the Toronto Stock Exchange  
Stock Symbol: AEM

**TRANSFER AGENT**  
Computershare Trust Company of Canada  
1-800-564-6253

**INVESTOR RELATIONS**  
Hazel Winchester  
(416) 947-1212

**ANNUAL MEETING OF SHAREHOLDERS**  
Le Royal Meridien King Edward Hotel  
37 King Street East  
Toronto, Ontario, Canada  
April 30, 2010  
11:00 am

**CORPORATE HEAD OFFICE**  
Agnico-Eagle Mines Limited  
145 King Street East, Suite 400  
Toronto, Ontario, Canada  
M5C 2Y7  
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# aemtomorrow



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