

**QUARTERLY MANAGEMENT DISCUSSION AND ANALYSIS**  
**UNITED STATES GAAP**

*(all figures are expressed in US dollars unless otherwise noted)*

***Results of Operations***

Agnico-Eagle reported first quarter net income of \$10.4 million, or \$0.12 per share, compared to a net income of \$12.9 million, or \$0.15 per share, in the first quarter of 2004. Gold production in the first quarter of 2005 was 55,310 compared to 70,188 ounces in the first quarter of 2004. Cash flow provided by operating activities was \$28.1 million in the quarter compared to \$6.2 million in the prior year's first quarter.

Year to date ore processed increased 4% to 715,121 tons in the first three months of 2005 compared to 689,176 tons in the same period in 2004.

The table below summarizes the key variances in net income for the first quarter of 2005 from the net income reported for the same period in 2004.

<i>(millions of dollars)</i>	<i>First Quarter</i>
Decrease in gold production	\$ (6.1)
Increase in gold price	0.9
Decrease in copper and silver revenues	(1.8)
Increase in zinc revenue	7.5
Reversal of prior year inventory build-up and settlement adjustments	9.6
Stronger Canadian dollar, net of hedges	(2.9)
Increased amortization	(1.6)
Cost of increased ore throughput	(0.8)
Non-cash mark-to-market on byproduct metal hedges	(3.4)
Corporate costs and other	<u>(3.9)</u>
<b>Net negative variance</b>	<b><u>\$ (2.5)</u></b>

In the first quarter of 2005, revenue from mining operations increased \$13.2 million to \$61.8 million from \$48.4 million in the first quarter of 2004. While realized prices for all metals increased in 2005 compared to the first quarter of 2004, these increased metal prices were offset by lower gold, silver and copper production. The decreased production volume for these metals was offset by a 12% increase in zinc production. Revenue was also positively impacted by the reversal of the large copper concentrate inventory which had built up at December 31, 2004 and by positive settlement adjustments resulting from price increases for all metals.

The continued strength of the Canadian dollar had a negative impact on our production costs. In the first quarter of 2004, the impact of the rising dollar was somewhat mitigated by delivering into foreign exchange hedges which allowed us to sell US dollars at a C\$/US\$ exchange rate of \$1.59; well above the prevailing spot price in the first quarter of 2004. The impact of our foreign exchange hedges had a much smaller impact in the first quarter of 2005 thereby resulting in increased production costs. Production costs also increased slightly as a result of the 4% increase in ore throughput in the first quarter of 2005.

In the first quarter of 2005, we recorded an unrealized, non-cash mark-to-market loss on byproduct metals derivative contracts of \$3.4 million, or \$0.04 per share. These byproduct metals contracts were entered into in the first quarter of 2005.

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Exploration costs increased in the first quarter of 2005 compared to the first quarter of 2004 due to increased exploration activities around our LaRonde mine. Also contributing to the increased exploration were expenditures on U.S. properties purchased from Contact Diamond Corporation, the Company's 44% equity investee, in the fourth quarter of 2004. Exploration expenditures in the first quarter of 2005 were also impacted by the previously announced option agreement with Industrias Peñoles S.A. de C.V. ("Peñoles") to acquire the Pinos Altos project located in the Sierra Madre gold belt of Mexico. Exploration work on the Pinos Altos project commenced in the first quarter of 2005. Equity losses in Contact Diamond Corporation ("Contact") and Riddarhyttan Resources, AB ("Riddarhyttan") also increased in the first quarter of 2005 compared to 2004. The first quarter of 2004 did not include equity losses from Riddarhyttan as the Company purchased its 14% stake in May 2004. Equity losses from Contact increased in the first quarter of 2005 as Contact increased its field exploration activities relating to its potential diamond deposits.

Amortization was \$1.6 million higher in the first quarter of 2005 compared to 2004 due to the reversal of the copper concentrate inventory which had built up at the end of 2004 as the amortization relating to the production of those concentrates is recognized in the same period as the related revenue. General and administrative expenditures increased \$2.0 million primarily due to the expensing of stock options granted. The compensation expense related to these options recognized in the first quarter of 2005 was \$1.2 million, or \$0.01 per share. Interest costs also increased in the first quarter of 2005 due to payments made under our interest rate swap as a result of increasing 3-month LIBOR rates.

In the first quarter of 2005 total cash operating costs per ounce decreased to \$67 per ounce of gold produced from \$78 per ounce in the first quarter of 2004. The main driver leading to the decrease in total cash operating costs for the quarter were higher byproduct metal prices, offset partially by lower gold production. Operating costs per ton was unchanged at C\$48 in the first quarter of 2005 compared to the first quarter of 2004. As cash costs are calculated on a production basis, the reversal of the prior quarter's copper buildup did not affect cash costs.

The following tables provide a reconciliation of the total cash operating costs per ounce of gold produced and operating cost per ton to the financial statements:

<i>(thousands of dollars, except where noted)</i>	<i>Q1 2005</i>	<i>Q1 2004</i>
Cost of production per Statement of Income (Loss)	<b>\$30,973</b>	\$24,141
Adjustments:		
Byproduct revenues	<b>(25,261)</b>	(18,210)
Production royalty		-
Inventory adjustment <sup>(i)</sup>	<b>(1,894)</b>	(294)
Non-cash reclamation provision	<b>(107)</b>	(131)
Cash operating costs	<b>\$3,711</b>	\$5,506
Gold production (ounces)	<b>55,310</b>	70,188
Total cash operating costs (per ounce)	<b><u>\$ 67</u></b>	<u>\$ 78</u>

<i>(thousands of dollars, except where noted)</i>	<i>Q1 2005</i>	<i>Q1 2004</i>
Cost of production per Statement of Income (Loss)	<b>\$30,973</b>	\$24,141
Adjustments:		
Inventory adjustment <sup>(i)</sup> and hedging adjustments <sup>(ii)</sup>	<b>(3,220)</b>	865
Non-cash reclamation provision	<b>(107)</b>	(131)
Minesite operating costs (US\$)	<b>\$ 27,646</b>	\$24,875
Minesite operating costs (C\$)	<b>\$ 33,918</b>	\$32,790
Tons milled (000's tons)	<b>649</b>	689
Operating costs per ton (C\$) <sup>(iii)</sup>	<b><u>\$ 48</u></b>	<u>\$ 48</u>

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Notes:

- (i) Under the Company's revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since total cash operating costs are calculated on a production basis, this adjustment reflects the portion of concentrate production for which revenue has not been recognized in the period.
- (ii) Hedging adjustments reflect gains and losses on the Company's derivative positions entered into to hedge the effects of foreign exchange fluctuations on production costs. These items are not reflective of operating performance and thus have been eliminated when calculating operating costs per ton.
- (iii) Total cash operating costs and operating cost per ton data are not a recognized measures under US GAAP. Management uses these generally accepted industry measures in evaluating operating performance and believes them to be realistic indications of such performance. The data also indicates the Company's ability to generate cash flow and operating earnings at various gold prices. This additional information should be considered together with other data prepared in accordance with US GAAP.

Taking into consideration year to date performance, the Company's has revised its gold production targets to 270,000 ounces. LaRonde's total cash operating costs are expected to be below \$100 per ounce, as lower gold production is offset by higher byproduct production and metal prices.

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

At March 31, 2005, Agnico-Eagle's cash balance was \$117 million while working capital was \$185 million (cash includes cash and cash equivalents, restricted cash, and short-term investments). At December 31, 2004, the Company had \$106 million in cash and cash equivalents and \$177 million in working capital. The Company's policy is to invest excess cash in highly liquid investments of the highest credit quality to eliminate any risks associated with these investments.

The increase in cash was driven by higher cash flow provided by operating activities of \$28.1 million in the first quarter of 2005 compared to \$6.2 million in the first quarter of 2004. Cash flow provided by operating activities was positively impacted by higher gold and byproduct metal prices partially offset by lower gold production when compared to the first quarter of 2004. Working capital changes also contributed to our overall cash balance in the quarter due to the reversal of the copper concentrate buildup we experienced at the end of 2004 and the receipt of income tax refunds.

In addition, the Company currently has \$91 million in undrawn credit lines. Although there are currently no amounts drawn on the \$100 million credit facility, the amount available under the facility is reduced by outstanding letters of credit. The facility limits, among other things, the Company's ability to incur additional indebtedness, pay dividends, make investments or loans, transfer assets or make expenditures that are not consistent with mine plans and operating budgets delivered pursuant to the facility. The facility also requires the Company to maintain specified financial ratios and meet financial condition covenants. Letters of credit issued as security for pension and environmental obligations decrease the amount available under the facility.

For the three months ended March 31, 2005, capital expenditures were \$15.2 million compared to \$10.4 million in the first quarter of 2004. Capital expenditures at the LaRonde mine increased to \$9.4 million from \$7.5 million in the first quarter of 2004. The remainder of the capital expenditures in 2005 represents continued expenditures for the Company's regional projects, namely Lapa, Goldex and LaRonde II. Capital expenditures for these projects increased by \$3.2 million compared to the first quarter of 2004 as shaft sinking commenced at Lapa in the first quarter of 2005. For the full year, capital expenditures are essentially in line with the original budget of \$41.9 million.

The Company expects to continue fund its current project expenditures with internally generated funds. The Company's ability to continue generating cash flow is dependent on continued strength in gold and byproduct metal prices and continued cost savings generated from economies of scale at LaRonde as the mill processes more tons of ore.