



AEM

Third Quarter Report 2007

QUARTERLY MANAGEMENT'S DISCUSSION AND ANALYSIS

UNITED STATES GAAP

(all figures are expressed in US dollars unless otherwise noted and
all units of measurement expressed in metric unless otherwise noted)

Results of Operations

Agnico-Eagle Mines Limited ("Agnico-Eagle" or the "Company") reported third quarter net income of \$11.5 million, or \$0.08 per share, compared to net income of \$45.2 million, or \$0.38 per share, in the third quarter of 2006. Gold production in the third quarter of 2007 was 55,830 ounces compared to 59,603 ounces in the third quarter of 2006. Cash provided from operating activities was \$49.9 million in the third quarter of 2007 compared to \$73.9 million in the prior year's third quarter. For the year to date, net earnings were \$74.2 million, or \$0.57 per share, compared to a net income of \$119.5 million, or \$1.05 per share, in the first nine months of 2006. Over the same periods, operating cash flow increased to \$185.8 million in 2007 from \$141.8 million in 2006.

Third quarter ore processed was down 0.3% to 667,238 tonnes from 669,026 tonnes in 2007 compared to the same period in 2006. Year to date ore processed was up 1.6% to 2,018,487 tonnes from 1,987,456 tonnes in the first nine months of 2007 compared to the same period in 2006.

The table below summarizes the key variances in net income for the third quarter of 2007 from the net income reported for the same periods in 2006.

<u>(millions of dollars)</u>	<u>Third Quarter</u>	<u>Year to Date</u>
Increase (decrease) in gold revenue	\$ 7.3	\$ (0.1)
Increase in silver revenue	1.1	10.8
Decrease in zinc revenue	(14.7)	(9.4)
Increase (decrease) in copper revenue	2.3	(4.0)
Non cash foreign currency translation loss . .	(25.7)	(32.0)
Higher Production Costs	(4.7)	(12.6)
Impact of stronger Canadian dollar on minesite costs	(3.8)	(6.1)
Decreased income and mining and federal capital taxes	7.6	20.8
Corporate costs and other	<u>(3.2)</u>	<u>(12.7)</u>
Net variance	<u>\$(33.8)</u>	<u>\$(45.3)</u>

In the third quarter of 2007, revenues from mining operations decreased to \$104.8 million from \$108.8 million in the third quarter of 2006. For the year to date, revenues from mining operations decreased slightly to \$323.5 million from \$326.3 million in the first nine months of 2006. The decrease was mainly due to the decrease in the realized sales price for zinc and lower sales volumes for gold, zinc and copper, offset somewhat by a higher realized gold price.

In the third quarter of 2007, total cash costs per ounce increased to \$(307) per ounce of gold produced from \$(709) per ounce in the third quarter of 2006. The main driver leading to the increase in total cash costs for the quarter was higher minesite costs, a stronger Canadian dollar and lower byproduct metal revenue in the third quarter of 2007.

Minesite costs per tonne increased to C\$66 in the third quarter of 2007 from C\$63 in the third quarter of 2006 due to cost escalation of various components including mining, underground service and administration costs. Production costs for the quarter increased by 23% to \$44.9 million from \$36.5 million, and year to date production costs increased by 18% to \$123.9 million from \$105.2 million due to the same factors and a substantially stronger Canadian dollar.

General and administrative expenditures were \$1.9 million higher in the third quarter of 2007 and \$7.7 million higher during the first three quarters of 2007 compared to the same periods in 2006. The increases are primarily due to increased stock options expense.

Foreign currency translation loss was \$24.2 million higher in the third quarter of 2007 and \$22.5 million higher during the first three quarters of 2007 compared to the same periods in 2006. The increases are mainly due to a combination of a stronger Canadian dollar and an increase in future income and mining tax liabilities.

On February 14, 2007, the Company signed an agreement with Cumberland Resources Ltd. (“Cumberland”) under which the Company agreed to make an exchange offer for all of the outstanding common shares of Cumberland not already owned by the Company. The Company owned 2,037,000 or 2.6% of the outstanding shares of Cumberland on a fully diluted basis.

As of July 9, 2007, all common shares of Cumberland had been validly deposited pursuant to the offer. All conditions of the offer have now been complied with. The Company has taken up and accepted for payment all Cumberland shares tendered which together with the Cumberland shares owned by the Company represent approximately 100% of the outstanding Cumberland shares on a fully-diluted basis. As of July 9, 2007, a total of 13,768,510 of the Company’s shares were issued for the acquisition resulting in an increase of \$536.6 million in common shares issued. The total purchase price as of July 9, 2007 amounted to \$577.0 million which was allocated to various balance sheet accounts, mainly property, plant and mine development.

The following tables provide a reconciliation of the total cash costs per ounce of gold produced and mine site costs per tonne to the interim consolidated financial statements:

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended September 30, 2007</u>	<u>Three months ended September 30, 2006</u>	<u>Nine months ended September 30, 2007</u>	<u>Nine months ended September 30, 2006</u>
Production costs per Consolidated Statements of Income	\$ 44,936	\$ 36,456	\$ 123,924	\$ 105,210
Adjustments:				
Byproduct revenues	(63,165)	(74,192)	(204,653)	(207,419)
Inventory adjustment ⁽ⁱ⁾	1,396	(4,430)	8,078	(9,767)
Non-cash reclamation provision . .	(293)	(116)	(837)	(333)
Cash operating costs	<u>\$(17,126)</u>	<u>\$(42,282)</u>	<u>\$ (73,488)</u>	<u>\$(112,309)</u>
Gold production (ounces)	<u>55,830</u>	<u>59,603</u>	<u>170,810</u>	<u>179,804</u>
Total cash costs (per ounce) ⁽ⁱⁱ⁾	<u>\$ (307)</u>	<u>\$ (709)</u>	<u>\$ (430)</u>	<u>\$ (625)</u>

<u>(thousands of dollars, except where noted)</u>	<u>Three months ended September 30, 2007</u>	<u>Three months ended September 30, 2006</u>	<u>Nine months ended September 30, 2007</u>	<u>Nine months ended September 30, 2006</u>
Production costs per Consolidated Statements of Income	\$44,936	\$36,456	\$123,924	\$105,210
Adjustments:				
Inventory adjustments ⁽ⁱⁱⁱ⁾	(2,576)	1,250	2,319	2,812
Non-cash reclamation provision . .	(293)	(116)	(837)	(333)
Minesite operating costs (US\$)	<u>42,067</u>	<u>\$37,590</u>	<u>125,406</u>	<u>\$107,689</u>
Minesite operating costs (C\$)	<u>44,138</u>	<u>\$42,153</u>	<u>134,857</u>	<u>\$121,591</u>
Tonnes of ore milled (000’s tonnes) .	<u>667</u>	<u>669</u>	<u>2,018</u>	<u>1,987</u>
Minesite costs per tonne (C\$) ^(iv) . . .	<u>\$ 66</u>	<u>\$ 63</u>	<u>\$ 67</u>	<u>\$ 61</u>

Notes:

- (i) Under the Company’s revenue recognition policy, revenue is recognized on concentrates when legal title passes. Since total cash costs are calculated on a production basis, this inventory adjustment reflects the sales margin on the portion of concentrate production for which revenue has not been recognized in the period.
- (ii) Total cash costs is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. As illustrated in the table above, this measure is calculated by adjusting Production Costs

as shown in the Consolidated Statements of Income and Comprehensive Income for net byproduct revenues, royalties, inventory adjustments and asset retirement provisions. This measure is intended to provide investors with information about the cash generating capabilities of the Company's mining operations. Management uses this measure to monitor the performance of the Company's mining operations. Since market prices for gold are quoted on a per ounce basis, using this per ounce measure allows management to assess the mine's cash generating capabilities at various gold prices. Management is aware that this per ounce measure of performance can be impacted by fluctuations in byproduct metal prices and exchange rates. Management compensates for the limitation inherent with this measure by using it in conjunction with the minesite costs per tonne measure (discussed below) as well as other data prepared in accordance with US GAAP. Management also performs sensitivity analyses in order to quantify the effects of fluctuating metal prices and exchange rates.

- (iii) This inventory adjustment reflects production costs associated with unsold concentrates.
- (iv) Minesite costs per tonne is not a recognized measure under US GAAP and this data may not be comparable to data presented by other gold producers. As illustrated in the table above, this measure is calculated by adjusting Production Costs as shown in the Consolidated Statements of Income and Comprehensive Income for inventory and hedging adjustments and asset retirement provisions and then dividing by tonnes processed through the mill. Since total cash costs data can be affected by fluctuations in byproduct metal prices and exchange rates, management believes minesite costs per tonne provides additional information regarding the performance of mining operations and allows management to monitor operating costs on a more consistent basis as the per tonne measure eliminates the cost variability associated with 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 is impacted by fluctuations in production levels and thus uses this evaluation tool in conjunction with production costs prepared in accordance with US GAAP. This measure supplements production cost information prepared in accordance with US GAAP and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

The Company is targeting gold production of approximately 230,000 to 235,000 ounces in 2007 with total cash costs expected to be negative, as the Company continues to benefit from higher byproduct production and metal prices.

Liquidity and Capital Resources

At September 30, 2007, Agnico-Eagle's cash, cash equivalents and short-term investments balance was \$427.6 million, of which short-term investments were \$68.8 million, while working capital was \$510.1 million. At December 31, 2006, the Company had \$458.6 million in cash, cash equivalents and short-term investments and \$550.9 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. As such, the Company has no exposure to asset-backed commercial paper. Such investments with remaining maturities at time of purchase greater than three months are classified as short-term investments and decisions regarding the length of maturities are based on cash flow requirements, rates of returns and other various factors.

Cash provided by operating activities was \$49.9 million in the third quarter of 2007 compared to \$73.9 million in the third quarter of 2006. For the first nine months of 2007, cash flow provided by operating activities was \$185.8 million compared to \$141.8 million for the same period of 2006. The variance in cash flow from operations for the quarter and year to date is largely attributable to working capital movements.

For the three months ended September 30, 2007, capital expenditures were \$141.7 million compared to \$41.4 million in the three months ended September 30, 2006. The significant increase is mainly attributable to the increased capital expenditures on Meadowbank, the LaRonde depth extension, Goldex, Kittila and Pinos Altos. All of these increased capital expenditures are in line with the Company's gold growth plans. For the full year, forecasted capital expenditures are now estimated to be over \$450 million.

During April 2007, the Company acquired Cumberland Resources. As a result, \$96.0 million of cash and cash equivalents were acquired from Cumberland Resources. The Company's treasury policies were applied to these acquired cash balances.

The Company currently has \$300 million in undrawn credit lines. Although there are currently no amounts drawn on the \$300 million credit facility, the amount available under the facility is reduced by outstanding letters of credit to approximately \$288 million. 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.

AGNICO-EAGLE MINES LIMITED
SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted, US GAAP basis)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<i>Income and cash flows</i>				
<i>LaRonde Mine</i>				
Revenues from mining operations	\$ 104,812	\$ 108,798	\$ 323,477	\$ 326,251
Production costs	44,936	36,456	123,924	105,210
Gross profit (exclusive of amortization shown below)	\$ 59,876	\$ 72,342	\$ 199,553	\$ 221,041
Amortization	7,578	6,119	21,600	18,224
Gross profit	<u>\$ 52,298</u>	<u>\$ 66,223</u>	<u>\$ 177,953</u>	<u>\$ 202,817</u>
Net income for the period	\$ 11,452	\$ 45,203	\$ 74,183	\$ 119,485
Net income per share (basic)	\$ 0.08	\$ 0.38	\$ 0.57	\$ 1.05
Net income per share (diluted)	\$ 0.08	\$ 0.37	\$ 0.55	\$ 1.02
Cash provided by operating activities	\$ 49,946	\$ 73,945	\$ 185,844	\$ 141,751
Cash used in investing activities	\$(213,199)	\$(185,498)	\$(147,693)	\$(242,045)
Cash provided by financing activities	\$ 15,361	\$ 2,268	\$ 6,551	\$ 294,173
Weighted average number of common shares outstanding — basic (in thousands)	135,509	120,386	130,151	113,649
Tonnes of ore milled	667,238	669,026	2,018,487	1,987,456
Head grades:				
Gold (grams per tonne)	2.85	3.01	2.89	3.07
Silver (grams per tonne)	75.00	75.90	76.00	77.00
Zinc	3.80%	4.43%	3.65%	4.16%
Copper	0.32%	0.39%	0.34%	0.37%
Recovery rates:				
Gold	91.58%	92.34%	91.25%	91.88%
Silver	88.10%	88.30%	87.65%	87.50%
Zinc	86.20%	87.70%	86.30%	87.30%
Copper	84.90%	81.70%	85.30%	82.30%
Payable production:				
Gold (ounces)	55,830	59,603	170,810	179,804
Silver (ounces in thousands)	1,222	1,233	3,754	3,707
Zinc (tonnes)	18,609	22,068	54,015	61,318
Copper (tonnes)	1,647	1,884	5,327	5,527
Payable metal sold:				
Gold (ounces)	55,797	57,326	170,400	187,969
Silver (ounces in thousands)	1,192	1,137	3,957	3,512
Zinc (tonnes)	19,487	20,541	53,714	59,340
Copper (tonnes)	1,644	1,880	5,310	5,534
Realized prices:				
Gold (per ounce)	\$ 748	\$ 600	\$ 697	\$ 632
Silver (per ounce)	\$ 12.79	\$ 12.39	\$ 13.39	\$ 12.09
Zinc (per tonne)	\$ 2,838	\$ 3,525	\$ 3,165	\$ 3,345
Copper (per tonne)	\$ 7,910	\$ 6,843	\$ 7,342	\$ 8,818
Total cash costs (per ounce):				
Production costs	\$ 804	\$ 612	\$ 726	\$ 585
Less: Net byproduct revenues	(1,131)	(1,340)	(1,198)	(1,224)
Inventory adjustments	25	21	47	16
Accretion expense and other	(5)	(2)	(5)	(2)
Total cash costs (per ounce)	<u>\$ (307)</u>	<u>\$ (709)</u>	<u>\$ (430)</u>	<u>\$ (625)</u>
Minesite costs per tonne milled (C\$)	<u>\$ 66</u>	<u>\$ 63</u>	<u>\$ 67</u>	<u>\$ 61</u>

AGNICO-EAGLE MINES LIMITED
SUMMARIZED QUARTERLY DATA

(thousands of United States dollars, except where noted)

	December 31, 2005	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007	June 30, 2007	September 30, 2007
Consolidated Financial Data								
<i>Income and cash flows</i>								
<i>LaRonde Division</i>								
Revenues from mining operations	\$ 71,392	\$ 90,581	\$126,872	\$ 108,798	\$138,381	\$100,730	\$117,935	\$ 104,812
Production costs	33,576	33,187	35,567	36,456	38,543	36,178	42,810	44,936
Gross profit (exclusive of amortization shown below) .	\$ 37,816	\$ 57,394	\$ 91,305	\$ 72,342	\$ 99,838	\$ 64,552	\$ 75,125	\$ 59,876
Amortization	6,592	5,997	6,108	6,119	7,031	6,928	7,094	7,578
Gross profit	<u>\$ 31,224</u>	<u>\$ 51,397</u>	<u>\$ 85,197</u>	<u>\$ 66,223</u>	<u>\$ 92,807</u>	<u>\$ 57,624</u>	<u>\$ 68,031</u>	<u>\$ 52,298</u>
Net income for the period . .	\$ 11,695	\$ 37,190	\$ 37,092	\$ 45,203	\$ 41,852	\$ 24,922	\$ 37,809	\$ 11,452
Net income per share (basic) .	\$ 0.13	\$ 0.35	\$ 0.32	\$ 0.38	\$ 0.35	\$ 0.21	\$ 0.28	\$ 0.08
Net income per share (diluted)	\$ 0.13	\$ 0.34	\$ 0.31	\$ 0.37	\$ 0.34	\$ 0.20	\$ 0.27	\$ 0.08
Cash provided by operating activities	\$ 24,621	\$ 19,711	\$ 48,095	\$ 73,945	\$ 84,501	\$ 56,066	\$ 79,832	\$ 49,946
Cash provided by (used in) investing activities	\$(31,635)	\$(50,969)	\$ (5,578)	\$(185,498)	\$(57,378)	\$ 90,748	\$(25,242)	\$(213,199)
Cash provided by (used in) financing activities	\$ 2,433	\$ 45,456	\$246,449	\$ 2,268	\$ 4,406	\$(10,663)	\$ 1,853	\$ 15,361
Weighted average number of common shares outstanding (basic — in thousands) . . .	97,127	106,127	114,434	120,386	120,897	121,159	133,788	135,509

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED BALANCE SHEETS
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	As at September 30, 2007	As at December 31, 2006
ASSETS		
<i>Current</i>		
Cash and cash equivalents	\$ 358,823	\$ 288,575
Short-term investments	68,771	170,042
Trade receivables	74,619	84,987
Inventories:		
Ore stockpiles	5,023	2,330
Concentrates	3,727	3,794
Supplies	15,010	11,152
Other current assets	77,322	61,953
Total current assets	<u>603,295</u>	<u>622,833</u>
Other assets	15,494	7,737
Future income and mining tax assets	19,131	31,059
Property, plant and mine development (note 9)	<u>1,893,634</u>	<u>859,859</u>
	<u><u>\$2,531,554</u></u>	<u><u>\$1,521,488</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current</i>		
Accounts payable and accrued liabilities	\$ 92,596	\$ 42,538
Dividends payable	647	15,166
Income taxes payable	—	14,231
Total current liabilities	<u>93,243</u>	<u>71,935</u>
Reclamation provision and other liabilities	36,727	27,457
Future income and mining tax liabilities (note 9)	<u>507,660</u>	<u>169,691</u>
Shareholders' equity		
Common shares		
Authorized — unlimited		
Issued — 135,893,339 (December 31, 2006 — 121,025,635) (note 5)	1,791,777	1,230,654
Stock options (note 6)	22,374	5,884
Warrants	14,653	15,723
Contributed surplus	15,128	15,128
Retained earnings	72,711	3,015
Accumulated other comprehensive loss	(22,719)	(17,999)
Total shareholders' equity	<u>1,893,924</u>	<u>1,252,405</u>
	<u><u>\$2,531,554</u></u>	<u><u>\$1,521,488</u></u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(thousands of United States dollars except share and per share amounts, US GAAP basis)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
REVENUES				
Revenues from mining operations	\$104,812	\$108,798	\$323,477	\$326,251
Interest and sundry income	7,448	12,039	18,793	16,644
Gain on sale of available-for-sale securities (note 7)	886	1,062	4,088	22,975
	113,146	121,899	346,358	365,870
COSTS AND EXPENSES				
Production	44,936	36,456	123,924	105,210
Loss on derivative financial instruments (note 9)	—	967	5,829	13,012
Exploration and corporate development	3,792	7,808	18,658	20,143
Equity loss in junior exploration companies	—	346	—	663
Amortization	7,578	6,119	21,600	18,224
General and administrative	7,744	5,853	24,420	16,672
Provincial capital tax	2,008	729	4,508	1,626
Interest	941	349	2,662	1,923
Foreign currency translation loss	25,243	1,037	32,021	9,555
Income before income, mining and federal capital taxes	20,904	62,235	112,736	178,842
Income and mining tax expense	9,452	17,032	38,553	59,357
Net income for the period	\$ 11,452	\$ 45,203	\$ 74,183	\$119,485
Net income per share — basic	\$ 0.08	\$ 0.38	\$ 0.57	\$ 1.05
Net income per share — diluted	\$ 0.08	\$ 0.37	\$ 0.55	\$ 1.02
Weighted average number of shares outstanding (in thousands)				
Basic	135,509	120,386	130,151	113,649
Diluted	140,223	123,822	134,866	117,086
Comprehensive income:				
Net income for the period	\$ 11,452	\$ 45,203	\$ 74,183	\$119,485
<i>Other comprehensive income (loss):</i>				
Unrealized gain (loss) on available-for-sale securities	(5,417)	288	(4,011)	1,859
Adjustments for derivative instruments maturing during the period	406	(48)	1,218	(1,625)
Adjustments for realized gains on available-for-sale securities due to dispositions during the period	—	(448)	(1,918)	(12,628)
Amortization of unrecognized loss on pension liability	(4)	—	(12)	—
Tax effect of other comprehensive income (loss) items	1	335	3	679
Other comprehensive income (loss) for the period	(5,014)	127	(4,720)	(11,715)
Total comprehensive income for the period	\$ 6,438	\$ 45,330	\$ 69,463	\$107,770

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Retained earnings (deficit)				
Balance, beginning of period	\$ 61,259	\$(70,252)	\$ 3,015	\$(138,697)
FIN 48 adjustment (note 3)	—	—	(4,487)	—
Stockpile inventory adjustment, net of tax	—	—	—	(5,837)
Net income for the period	11,452	45,203	74,183	119,485
Balance, end of period	\$ 72,711	\$(25,049)	\$ 72,711	\$ (25,049)
Accumulated other comprehensive loss				
Balance, beginning of period	\$(17,705)	\$ (8,519)	\$(17,999)	\$ 3,323
Other comprehensive income (loss) for the period	(5,014)	127	(4,720)	(11,715)
Balance, end of period	\$(22,719)	\$ (8,392)	\$(22,719)	\$ (8,392)

See accompanying notes

AGNICO-EAGLE MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands of United States dollars, US GAAP basis)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Operating activities				
Net income for the period	\$ 11,452	\$ 45,203	\$ 74,183	\$ 119,485
Add (deduct) items not affecting cash:				
Amortization of plant and mine development	7,578	6,119	21,600	18,224
Future income and mining taxes	7,960	13,275	30,221	45,109
Unrealized loss on derivative contracts	—	(3,545)	5,018	4,571
Gain on sale of available-for-sale securities	(886)	(1,062)	(4,088)	(22,975)
Stock option expense	1,617	867	8,397	4,506
Gain on Contact Diamond Corporation	—	(7,361)	—	(7,361)
Foreign currency translation loss	25,243	1,037	32,021	9,555
Amortization of deferred costs and other	(972)	3,246	8,992	10,645
Changes in non-cash working capital balances				
Trade receivables	1,892	16,782	10,368	(23,778)
Fair Value of derivative financial instruments	—	(6,387)	—	(18,118)
Income taxes payable	(17,121)	4,216	(14,231)	14,474
Inventories	3,959	(871)	(2,049)	(3,260)
Other current assets	(12,585)	458	(24,618)	138
Accounts payable and accrued liabilities	21,809	1,968	40,030	(7,221)
Interest payable	—	—	—	(2,243)
Cash provided by operating activities	<u>49,946</u>	<u>73,945</u>	<u>185,844</u>	<u>141,751</u>
Investing activities				
Additions to property, plant and mine development	(141,721)	(41,395)	(311,111)	(95,903)
Purchase of gold derivatives (note 9)	—	—	(15,875)	—
Acquisition of Pinos Altos property	—	—	—	(32,500)
Investment in Stornoway	—	(19,784)	—	(19,784)
Cash acquired on acquisition of Cumberland Resources Ltd. net of transaction costs (note 9)	—	—	84,207	—
Recoverable Value Added Tax on acquisition of Pinos Altos property	—	—	9,750	(9,750)
Decrease (increase) in short-term investments	(68,771)	(137,738)	101,271	(110,215)
Proceeds on sale of available-for-sale securities and other	1,433	555	4,903	33,655
Purchases of available-for-sale securities	(4,140)	(907)	(12,319)	(1,625)
Purchase of Stornoway debentures	—	—	(8,519)	—
Decrease in restricted cash	—	13,771	—	(5,923)
Cash used in investing activities	<u>(213,199)</u>	<u>(185,498)</u>	<u>(147,693)</u>	<u>(242,045)</u>
Financing activities				
Dividends paid	—	—	(13,406)	(3,166)
Short-term debt	—	(7,232)	—	—
Proceeds from common shares issued	15,361	9,649	19,957	312,105
Share issue costs	—	(149)	—	(14,766)
Cash provided by financing activities	<u>15,361</u>	<u>2,268</u>	<u>6,551</u>	<u>294,173</u>
Effect of exchange rate changes on cash and cash equivalents	11,381	730	25,546	(116)
Net increase (decrease) in cash and cash equivalents during the period	<u>(136,511)</u>	<u>(108,555)</u>	<u>70,248</u>	<u>193,763</u>
Cash and cash equivalents, beginning of period	495,334	363,473	288,575	61,155
Cash and cash equivalents, end of period	<u>\$ 358,823</u>	<u>\$ 254,918</u>	<u>\$ 358,823</u>	<u>\$ 254,918</u>
<i>Other operating cash flow information:</i>				
Interest paid during the period	\$ 509	\$ 117	\$ 1,638	\$ 3,436
Income, mining and capital taxes paid during the period	<u>\$ 20,407</u>	<u>\$ 264</u>	<u>\$ 23,544</u>	<u>\$ 1,232</u>

See accompanying notes

AGNICO-EAGLE MINES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(thousands of United States dollars except per share amounts, unless otherwise indicated)
(Unaudited)
September 30, 2007

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”) in US dollars. They do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments necessary to present fairly the financial position as at September 30, 2007 and the results of operations and cash flows for the three and nine months ended September 30, 2007 and 2006.

Operating results for the ninth-month period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the fiscal 2006 annual consolidated financial statements, including the accounting policies and notes thereto, included in the Annual Report and Annual Information Form/Form 20-F for the year ended December 31, 2006.

2. USE OF ESTIMATES

The preparation of the financial statements in conformity with US GAAP requires management to make 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 interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

3. ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of their application as the December 31, 2006 audited consolidated annual financial statements except for the application of the Financial Accounting Standards Board’s (“FASB”) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

Agnico-Eagle Mines Limited (“Agnico-Eagle” or “the Company”) adopted FIN 48 on January 1, 2007 and as a result of the implementation of this interpretation, future tax assets and retained earnings decreased by \$4.5 million. There was no change in unrecognized tax benefits.

4. LONG-TERM DEBT

During the first quarter of 2006, the Company extinguished the remainder of its Convertible Debentures. Between January 1, 2006 and February 15, 2006, holders representing \$131.8 million aggregate principal amount converted their debentures into 9,413,189 common shares. On February 15, 2006, the Company redeemed the remaining \$1.1 million aggregate principal amount, at par plus accrued interest, by exercising its redemption option and delivering 70,520 freely tradeable common shares.

5. CAPITAL STOCK

For the third quarter of 2007 and 2006, the Company’s warrants were dilutive and were included in the calculation of diluted net income per share.

The following table presents the maximum number of common shares that would be outstanding if all instruments outstanding at September 30, 2007 were exercised:

Common shares outstanding at September 30, 2007	135,893,339
Employees’ stock options	3,694,143
Warrants	6,410,170
	<u>145,997,652</u>

During the nine-month period ended September 30, 2007, 438,997 (2006 — 1,547,985) employee stock options were exercised for cash of \$7.1 million (2006 — \$22.8 million) and 1,691,250 (2006 — 1,232,000) options were granted with a weighted average exercise price of C\$41.64 (2006 — C\$24.52).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. CAPITAL STOCK (Continued)

During the first quarter of 2006, the Company closed two private placements from treasury for a total of 1,226,000 flow-through shares for total proceeds of \$35 million. The funds were raised in three tranches during February and March 2006. Effective December 31, 2006, the Company renounced an equivalent amount of tax deductions from its exploration program expenditures to the investors.

In addition, during June 2006 the Company closed a public offering of 8,455,000 common shares for net proceeds of \$238 million after expenses of the offering of \$12 million.

The following table illustrates the changes in share capital for the nine months ended September 30, 2007:

	<u>Shares</u>	<u>Amount</u>
Balance, beginning of period	121,025,635	\$1,230,654
Shares issued under Employee Stock Option Plan	438,997	8,104
Shares issued under Incentive Share Purchase Plan	141,817	5,193
Shares issued under Dividend Reinvestment Plan	32,550	932
Shares issued on exercise of warrants	485,830	10,338
Shares issued for acquisition of Cumberland (note 9)	13,768,510	536,556
Balance, end of period	<u>135,893,339</u>	<u>\$1,791,777</u>

6. STOCK-BASED COMPENSATION

The following summary sets out the activity with respect to Agnico-Eagle's outstanding stock options for the nine months ended September 30, 2007:

	<u># of Options</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of period	2,478,790	C\$19.55
Granted	1,691,250	C\$41.64
Exercised	(438,997)	C\$17.45
Cancelled	<u>(36,900)</u>	<u>C\$18.10</u>
Outstanding, end of period	<u>3,694,143</u>	<u>C\$29.93</u>
Options exercisable at end of period	<u>1,823,018</u>	<u>C\$23.82</u>

For the first nine months of 2007 and 2006, Agnico-Eagle estimated the fair value of options under the Black-Scholes option pricing model using the following weighted average assumptions:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	4.02%	3.91%
Expected life of options (in years)	2.5	2.5
Expected volatility of Agnico-Eagle's share price	37.6%	48.7%
Expected dividend yield	0.29%	0.12%

7. GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES

During the quarter, the Company received proceeds of \$1.4 million from the sale of certain available-for-sale securities and recognized a gain before taxes of \$0.9 million.

During the first nine months of 2006, the Company liquidated a substantial portion of its portfolio of available-for-sale securities which resulted in proceeds of \$34.5 million and a gain before taxes of \$23.0 million.

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8. RELATED PARTY TRANSACTIONS

On January 26, 2007, the Company entered into a note assignment agreement with Stornoway Diamond Corporation (“Stornoway”). The agreement resulted in Stornoway acquiring the C\$4.0 million loan payable to the Company by Contact Diamond Corporation in full by way of assignment of the note in consideration for the issuance to the Company of 3,207,861 common shares of Stornoway at a deemed value of C\$1.25 per share on February 12, 2007.

In addition, during the first quarter 2007 the Company purchased from Stornoway C\$5 million in unsecured Series A Convertible Debentures and C\$5 million in unsecured Series B Convertible Debentures. Both series of debentures mature two years after their date of issue and interest is payable under the debentures quarterly at 12% per annum. At the option of Stornoway, interest payments may be paid in cash or in shares of Stornoway. On the maturity date, the principal amount of the Series A Debentures may be repaid in cash or shares at Stornoway’s election and the Series B Debentures must be repaid in cash or shares at the Company’s election.

9. ACQUISITIONS

Cumberland Resources Ltd.

On February 14, 2007, the Company and Agnico-Eagle Acquisition Corporation (“Agnico Acquisition”), a wholly-owned subsidiary of the Company, signed an agreement with Cumberland Resources Ltd. (“Cumberland”) under which the Company and Agnico Acquisition (the “Offeror”) agreed to make an exchange offer (the “Offer”) for all of the outstanding common shares of Cumberland not already owned by the Company. The Company owned 2,037,000 or 2.6% of the outstanding shares of Cumberland on a fully diluted basis. Under the terms of the offer, each Cumberland share was to be exchanged for 0.185 common shares of Agnico-Eagle. Cumberland owns 100% of the Meadowbank gold project, located in Nunavut, Canada.

As of July 9, 2007, all common shares of Cumberland had been validly deposited pursuant to the offer. All conditions of the offer have now been complied with. The Company has taken up and accepted for payment all Cumberland shares tendered which together with the Cumberland shares owned by the Company represent approximately 100% of the outstanding Cumberland shares on a fully-diluted basis. As of July 9, 2007, a total of 13,768,510 of the Company’s shares were issued for the acquisition resulting in an increase of \$536.6 million in common shares issued. The total purchase price as of July 9, 2007 amounted to \$577.0 million which was allocated to various balance sheet accounts, mainly property, plant and mine development.

The results of operations of Cumberland are included in the income statement for the combined entity from April 17, 2007.

The purchase price paid through the issuance of 13,768,510 shares of the Company is summarized as follows:

	<u>Shares Issued</u>
Total issuance of the Company’s Shares for Cumberland Acquisition:	
April 16, 2007	11,610,074
April 30, 2007	932,958
July 9, 2007	<u>1,225,478</u>
Total shares issued	<u><u>13,768,510</u></u>

In addition, the Company entered into a series of gold derivative transactions in connection with the take-over bid for Cumberland in February 2007. Prior to announcement of the take-over bid by Agnico-Eagle, Cumberland secured a gold loan facility for up to 420,000 ounces. As part of the condition of the gold loan, Cumberland entered into a series of derivative transactions to secure a minimum monetized value for the gold that was expected to be received under the gold loan. Cumberland entered into a zero-cost collar whereby a gold put option was bought with a strike price of C\$605 per ounce. The cost of the put option was financed by the sale of a gold call option with a strike price of \$800 per ounce. Both of Cumberland’s derivative positions are for 420,000 ounces of gold and mature on September 20, 2007, the expected drawdown date of the loan. As Agnico-Eagle’s philosophy is to not sell forward gold production, Agnico-Eagle entered into a series of transactions to neutralize Cumberland’s derivative position. Accordingly, Agnico-Eagle purchased call options and sold put options with the exact same size, strike price and maturity as Cumberland’s derivative position for \$15.9 million. Both derivative positions were eventually extinguished in late June 2007.

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9. ACQUISITIONS (Continued)

The allocation of the total purchase price for the 100% owned by the Offerors to the fair values of assets acquired is set forth in the table below:

Total Purchase Price:

Purchase price	\$536,556
Share of Cumberland previously acquired for cash	9,637
Fair value of options and warrants acquired	<u>18,956</u>
Transaction costs	<u>11,836</u>
Total purchase price to allocate	<u>\$576,985</u>

Fair Value of Assets Acquired:

Net working capital acquired (including cash of \$96,043)	\$ 81,704
Property, plant and equipment	40,238
Other net liabilities	(1,399)
Mineral properties	736,197
Future income tax liability	<u>(279,755)</u>
Total purchase price	<u>\$576,985</u>

The purchase price allocation for this acquisition is preliminary and adjustments may occur as a result of obtaining more information regarding the asset valuations and liabilities assumed.

Pro forma results of operations for Agnico-Eagle assuming the acquisition of Cumberland described above had occurred as of Jan 1, 2006 are shown below. On a pro forma basis, there would have been no effect on Agnico-Eagle's consolidated revenues.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Pro forma net income	\$11,452	\$41,598	\$59,231	\$109,863
Pro forma income per share — basic	\$ 0.08	\$ 0.31	\$ 0.46	\$ 0.86

Pinos Altos Project

In March 2005, the Company entered into an agreement with Industrias Peñoles S.A. de C.V. ("Peñoles") to acquire the Pinos Altos project in Chihuahua, Mexico. The Pinos Altos project is located in the Sierra Madre gold belt, 225 kilometres west of Chihuahua City, the state capital.

Under the terms of the agreement, Agnico-Eagle had the option to purchase the Pinos Altos project for cash and share consideration. On March 15, 2006, Agnico-Eagle paid Peñoles \$32.5 million in cash and 2,063,635 common shares to close the agreement and obtain 100% ownership of the Pinos Altos project. In addition, the Company incurred \$0.2 million in transaction costs associated with the property acquisition.

The allocation of the total purchase price to the fair values of assets acquired is set forth in the table below:

Total Purchase Price:

Purchase price	\$66,809
Transaction costs	167
Total purchase price to allocate	<u>\$66,976</u>

Fair Value of Assets Acquired:

Pinos Altos mining property	<u>\$66,976</u>
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10. INCOME TAXES

The Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of this interpretation, future tax assets and retained earnings decreased by \$4.5 million. There was no change in unrecognized tax benefits in the current quarter. Taxation years from 1998 onward are still open for examination by the tax authorities.

11. CONTINGENCIES

The Company was served with a Statement of Claim on April 30, 2007 from a former employee, alleging, among other things, wrongful dismissal and seeking damages of approximately C\$13.1 million. The Company believes this claim is frivolous and without merit and will vigorously defend the matter.

12. COMPARATIVE FIGURES

Certain items in the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.

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