AGNICO EAGLE MINES LTD
Form SUPPL
June 05, 2006

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Subject to Completion
Preliminary Prospectus Supplement dated June 5, 2006

The information contained in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT
(To prospectus dated November 15, 2004)

Shares

AGNICO-EAGLE MINES LIMITED

Common Shares

Agnico-Eagle Mines Limited (the "Company") is offering common shares of the Company (the "Common Shares") in Canada and the United States. The outstanding common shares of the Company are listed on the New York Stock Exchange (the "NYSE") and the Toronto Stock Exchange (the "TSX") under the symbol "AEM". Application has been made to list the Common Shares on the NYSE and the TSX. Listing is subject to the Company fulfilling all of the requirements of the NYSE and the TSX, respectively. The closing price of the Company's common shares on June 2, 2006 on the NYSE was $34.68 per share and on the TSX was C$38.07 per share.

Investing in the Common Shares involves risks that are described in the "Risk Factors" section beginning on page S-13 of this prospectus supplement.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are residents in, or citizens of, the United States may not be fully described herein.

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of the Province of Ontario, that most of its directors and all of its officers are residents of a country other than the United States, that some or all of the underwriters or experts named in the registration statement may be residents of a country other than the United States, and that all or a substantial portion of the assets of the Company and said persons are located outside the United States.

	Per Share	Total

Public offering price	$	$250,000,000
Underwriting commission	$	$11,250,000
Proceeds, before expenses, to the Company	$	$238,750,000

The public offering price for Common Shares offered is payable in US dollars or Canadian dollars. The Canadian dollar amount is equivalent to the U.S. dollar price of the Common Shares being offered hereby.

The Underwriters may also purchase up to Common Shares from the Company at the public offering price, less the underwriting commission, within 30 days after the date of this prospectus supplement solely to cover overallotments, if any.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The Common Shares will be ready for delivery on or about , 2006.

Sole Book-Running Manager

Merrill Lynch & Co.

UBS Investment Bank

NBF Securities (USA) Corp.

Orion Securities (USA) Inc.

TD Securities

Scotia Capital

Sprott Securities (U.S.A.) Limited

Blackmont Capital Corp.

CIBC World Markets

Citigroup

Paradigm Capital U.S. Inc.

Raymond James

The date of this prospectus supplement is , 2006.

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Prospectus Supplement

Prospectus

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering and also adds to and updates information contained in the accompanying short form base shelf prospectus dated November 15, 2004 (the "Prospectus") and the documents incorporated by reference therein. The second part is the accompanying Prospectus which gives more general information, some of which may not apply to the offering.

Only the information contained or incorporated by reference in the accompanying Prospectus, including this prospectus supplement, should be relied upon. The Company has not authorized any other person to provide different information. If anyone provides different or inconsistent information, it should not be relied upon. The Common Shares may not be offered or sold in any jurisdiction where the offer or sale is not permitted. Unless otherwise indicated, the statistical, operating and financial information contained in this prospectus supplement is presented as of the date of this prospectus supplement. It should be assumed that the information appearing in this prospectus supplement, the Prospectus and the documents incorporated by reference herein or in the Prospectus is accurate only as of their respective dates. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, unless stated otherwise, "Agnico-Eagle", the "Company", "we", "us", and "our" refer to Agnico-Eagle Mines Limited and its consolidated subsidiaries.

NOTICES TO CERTAIN EUROPEAN RESIDENTS

For the purposes of these Notices to Certain European Residents, Offered Securities means the Common Shares that are the subject of this offering.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "relevant implementation date") an offer to the public of any Offered Securities which are the subject of the offering contemplated by this prospectus supplement may not be made in that Relevant Member State except that an offer to the public in that Relevant member State of any Offered Securities may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriters for any such offer; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Offered Securities shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of any Offered Securities to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offered Securities to be offered so as to enable an investor to decide to purchase any Offered Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that relevant member state and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Offered Securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offered Securities acquired by it in the global offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Offered Securities to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Offered Securities in the global offer.

This prospectus supplement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order") (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Common Shares may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This prospectus supplement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Underwriter has represented and warranted that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")) received by it in connection with the issue or sale of the Offered Securities in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom.

NOTE TO INVESTORS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES

The mineral reserve and mineral resource estimates contained in or incorporated by reference in this prospectus supplement and the Prospectus have been prepared in accordance with the Canadian Securities Administrators' National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). These standards are similar to those used by the U.S. Securities and Exchange Commission's ("SEC") Industry Guide No. 7. However, the definitions in NI 43-101 differ in certain respects from those under Industry Guide No. 7. Accordingly, mineral reserve and mineral resource information contained herein, in the Prospectus and incorporated by reference herein or in the Prospectus may not be comparable to similar information disclosed by U.S. companies. Under the requirements of the SEC, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

The metal grades reported in the mineral reserve and mineral resource estimates represent in-place grades and do not reflect losses in the recovery process, that is, the metallurgical losses associated with processing the extracted ore. The mineral reserve figures presented herein or in the Prospectus and incorporated by reference herein or in the Prospectus are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The Company does not include equivalent gold ounces for byproduct metals contained in mineral reserves in its calculation of contained ounces.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This prospectus supplement, the Prospectus and the documents incorporated by reference herein or in the Prospectus use the terms "measured resources" and "indicated resources". We advise investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. **Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves**.

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This prospectus supplement, the Prospectus and the documents incorporated by reference herein or in the Prospectus use the term "inferred resources". We advise investors that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

For definitions of the terms used in this section, see the Company's Annual Report on Form 20-F for the year ended December 31, 2005 (filed with the SEC on March 28, 2006, as amended by the Company's Annual Report on Form 20-F/A filed with the SEC on May 26, 2006) (as so amended, the "Form 20-F").

CURRENCY EXCHANGE RATES

The Company publishes its consolidated financial statements in United States dollars ("U.S. dollars"). Unless otherwise indicated, all references to "$", "US$" or "dollar" in this prospectus supplement refer to U.S. dollars and "C$" refers to Canadian dollars. The following tables present, in Canadian dollars, the exchange rates for the U.S. dollar, based on the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"). On June 2, 2006, the Noon Buying Rate was US$1.00 equals C$1.1001.

	2006	Three months ended March 31,		Year ended December 31,		
	April 1 to June 2	2006	2005	2005	2004	2003
High	1.1718	1.1726	1.2562	1.2703	1.3970	1.5750
Low	1.0989	1.1320	1.1982	1.1507	1.1775	1.2923
End of Period	1.1001	1.1670	1.2094	1.1656	1.2034	1.2923
Average	1.1251	1.1547	1.2262	1.2115	1.3017	1.4012

SUMMARY

This summary highlights more detailed information contained elsewhere in this prospectus supplement. You should read the entire prospectus supplement, the Prospectus and the documents incorporated by reference herein and in the Prospectus, including, in particular, the "Risk Factors" beginning on page S-13 and the selected consolidated financial statements incorporated by reference in this prospectus supplement.

The Company

The Company is an established Canadian gold producer with mining operations in Quebec and exploration and development activities in Canada, Finland, Mexico and the United States. The Company's operating history includes over three decades of continuous gold production, primarily from underground operations. Since its formation in 1972, the Company has produced over 4.0 million ounces of gold. In 2005, the Company produced 241,807 ounces of gold at a total cash cost of $43 per ounce, net of revenues received from the sale of silver, zinc and copper byproducts. The Company believes it is currently one of the lowest total cash cost producers in the North American gold mining industry. The Company has historically sold all of its production at the spot price of gold pursuant to its general policy not to sell forward its future gold production.

The Company's strategy is to focus on the continuing exploration and development at the LaRonde Mine (including the LaRonde II project, described below), the Goldex mine project and the Lapa mine project in Quebec, and at the Kittila mine project (the Suurikuusikko deposit) in northern Finland, with a view to increasing annual gold production and gold mineral reserves. In addition, the Company intends to continue exploration and development at its recently acquired Pinos Altos project in northern Mexico.

The LaRonde Mine currently accounts for all of the Company's gold production. In July 2005, the Company initiated construction at the Goldex mine project, where initial production is expected to commence in 2008. The Company is also initiating construction of the Kittila mine project and completing construction of the Lapa mine project, which are both expected to commence production in 2008. In addition, the Company has commenced construction of the LaRonde II project at the LaRonde Mine. The Company expects production from the LaRonde II deposit to commence in 2011.

Recent Developments

On June 5, 2006, the Company announced that it will initiate construction of the Kittila mine project and complete construction of the Lapa mine project. Estimated probable mineral reserves at the Kittila mine project are 2.4 million ounces of gold from 14.2 million tonnes of ore grading 5.16 grams of gold per tonne. Estimated probable mineral reserves at the Lapa mine project are 1.1 million ounces of gold from 3.4 million tonnes of ore grading 10.17 grams of gold per tonne. The Company expects that production from both the Kittila mine project and the Lapa mine project will commence in 2008.

On May 12, 2006, the Company announced that it will initiate construction of additional infrastructure at the LaRonde Mine to access the ore beneath the lowest levels of the Penna Shaft (the "LaRonde II" project). LaRonde II has probable mineral reserves of approximately 3.6 million ounces of gold contained in 18.8 million tonnes of ore grading 6.0 grams of gold per tonne. The Company anticipates that production from LaRonde II will commence in 2011.

In the first quarter of 2006, the Company produced 64,235 ounces of gold. Total cash costs were *minus* $241 per ounce compared to $67 per ounce in the first quarter of 2005, a result of increased prices realized by the Company on the sale of byproduct metals.

In March 2006, the Company acquired the Pinos Altos project in northern Mexico. The Pinos Altos project is an advanced stage exploration project that contains indicated mineral resources of 12.5 million tonnes of ore with a grade of 3.94 grams of gold per tonne and 102.25 grams of silver per tonne. The Company anticipates completing a feasibility study on the Pinos Altos project by the end of the second quarter of 2007.

THE OFFERING

Issue	Common Shares (Common Shares if the Underwriters' overallotment option is exercised in full)
Price	$ per Common Share (C$ per Common Share)
Common shares outstanding after the offering	[1]
Use of proceeds	The net proceeds of this offering will be approximately $237.6 million (C$ million based on the Noon Buying Rate on June , 2006), determined after deducting the underwriting commission and the estimated expenses of this offering payable by the Company and assuming no exercise of the Underwriters' overallotment option. The net proceeds of this offering will be used to fund the completion of construction of the Lapa mine project, construction of the Kittila mine project, the exploration and development of the Company's other projects and for general corporate purposes, including possible acquisitions. Pending such application, the net proceeds of the offering will be temporarily added to cash and cash equivalents and short-term investments.
NYSE and TSX symbol	AEM

Note

(1) This figure does not include 3,207,615 common shares of the Company issuable at May 31, 2006 under stock options for directors, officers and employees of the Company, 6,900,000 common shares of the Company issuable on the exercise of the Company's warrants to purchase one common share of the Company for a price of $19.00 at any time prior to November 15, 2007 and any common shares issuable pursuant to the exercise of the Underwriters' overallotment option.

SUMMARY OPERATING AND RESERVE DATA

The following table sets forth summary operating and gold mineral reserve data for the Company for the periods indicated.

	Three months ended March 31,		Year ended December 31,		
	2006	**2005**	**2005**	**2004**	**2003**
Operating Data					
Production					
Gold production ounces	64,235	55,310	241,807	271,567	236,653
Silver production ounces (in thousands)	1,227	1,097	4,831	5,699	3,953
Zinc production tonnes	18,462	18,661	76,545	75,879	45,513
Copper production tonnes	2,053	1,810	7,378	10,349	9,131
Total cash costs					
Total cash costs per ounce[1]	$ (241)	$ 67	$ 43	$ 56	$ 269
Minesite costs					
Minesite costs per tonne milled[1]	C $57	C $52	C $55	C $53	C $58
Realized prices per unit of production					
Gold per ounce	$ 611	$ 430	$ 449	$ 418	$ 368
Silver per ounce	$ 10.83	$ 6.85	$ 8.01	$ 6.84	$ 5.07
Zinc per tonne	$ 2,640	$ 1,323	$ 1,513	$ 1,036	$ 838
Copper per tonne	$ 5,812	$ 3,241	$ 4,376	$ 2,954	$ 1,807
Gold reserves (at year-end)[2]					
Proven and probable reserves[2] tonnes (in thousands)			75,961	61,168	63,281
Total contained gold ounces (in thousands)			10,442	7,903	7,864

Notes:

(1) Total cash costs per ounce and minesite costs per tonne milled are not recognized measures under United States generally accepted accounting principles ("US GAAP"). For a reconciliation of these measures to the most comparable financial measures calculated and presented in accordance with US GAAP, see "Note to Investors Concerning Certain Measures of Performance" in this prospectus supplement.

(2) For further detail regarding the estimates and assumptions used in calculating the Company's mineral reserve estimates, see "Note to Investors Concerning Estimates of Mineral Reserves and Mineral Resources" in this prospectus supplement and "Item 4. Information on the Company Property, Plant and Equipment Mineral Reserves and Mineral Resources" in the Form 20-F.

USE OF PROCEEDS

The net proceeds to the Company of this offering will be approximately $237.6 million (C$ million based on the Noon Buying Rate on June , 2006), determined after deducting the underwriting commission and the estimated expenses of the offering payable by the Company and assuming no exercise of the Underwriters' overallotment option. The net proceeds of this offering will be used to fund the completion of construction of the Lapa mine project, construction of the Kittila mine project, and the exploration and of development of the Company's other projects and for general corporate purposes, including possible acquisitions. Pending such application, the net proceeds of the offering will be temporarily added to cash and cash equivalents and short-term investments.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents, restricted cash and short-term investments and capitalization of the Company as at March 31, 2006 both actual and as adjusted to reflect the issuance of the Common Shares (based on the offering price of $ per Common Share after deducting the underwriting commission and the estimated expenses of the offering and assuming no exercise of the overallotment option). This table should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2005 (the "Annual Financial Statements"), the related management's discussion and analysis of financial condition and results of operations of the Company for the year ended December 31, 2005 (the "Annual MD&A"), the unaudited consolidated financial statements of the Company as at and for the three months ended March 31, 2006 (the "First Quarter Financial Statements") and related management's discussion and analysis of operations of the Company for the three months ended March 31, 2006 (the "First Quarter MD&A"), each incorporated by reference into this prospectus supplement.

	March 31, 2006	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents, restricted cash and short-term investments[(1)(2)]	$ 154,909	$ 392,459
Long-term debt:		
Bank credit facility[(3)]	$	$
Total long-term debt		
Shareholders' equity:		
Common shares: authorized unlimited; issued and outstanding actual 111,424,876; as adjusted [(2)(4)]	973,116	1,210,666
Contributed surplus	7,181	7,181
Stock options	4,243	4,243
Warrants	15,732	15,732
Deficit	(107,344)	(107,344)
Accumulated other comprehensive loss	(7,190)	(7,190)
Total shareholders' equity[(2)]	885,738	1,123,288
Total capitalization[(2)]	$ 885,738	$ 1,123,288

Notes:

(1) The net proceeds from the sale of the Common Shares will be used to fund the completion of construction of the Lapa mine project, construction of the Kittila mine project, the exploration and development of the Company's other projects and for general corporate purposes, including possible acquisitions. Pending such application, the net proceeds of the offering will be temporarily added to cash and cash equivalents and short-term investments. See "Use of Proceeds". As at March 31, 2006, restricted cash was $28.8 million. Restricted cash reflects proceeds from issuances by the Company of flow-through common shares. Under the agreements governing the issuance of these shares, the Company agreed to use these funds solely for Canadian exploration activities during 2006 and 2007.

(2) If the Underwriters' overallotment option is exercised in full, the "as adjusted" amount for cash and cash equivalents, restricted cash and short-term investments would be $428,272, for common shares would be $1,246,479, for total shareholders' equity would be $1,159,101 and for total capitalization would be $1,159,101 (in each case, in thousands).

(3) In December 2005, the Company entered into an amended and restated $150 million credit facility with a group of financial institutions. See Note 4(b) to the Annual Financial Statements. As at June 2, 2006, the Company had no amounts of principal or interest owing under such credit facility; however, as at March 31, 2006, the Company's available amount under the credit facility was

$139 million, as a result of certain letters of credit issued by the Company.

(4) Does not include 3,375,515 common shares of the Company issuable at March 31, 2006 under stock options for directors, officers and employees of the Company and 6,900,000 common shares of the Company issuable on the exercise of the Company's warrants to purchase one common share of the Company for a price of $19.00 at any time prior to November 15, 2007. The Company's shareholders rights plan was not reconfirmed at the Company's annual and special meeting of shareholders on Friday, May 6, 2005. Accordingly all rights issued pursuant to such plan ceased to be of any force or effect at the close of such meeting.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The following table sets forth the range of high and low closing prices for the Company's common shares on the NYSE and the TSX for the periods indicated.

	NYSE			TSX		
	($)			(C$)		
	High	Low	Average Daily Volume	High	Low	Average Daily Volume
2004						
First Quarter	15.07	11.96	1,028,974	19.76	15.50	490,874
Second Quarter	15.07	11.47	679,561	19.80	15.86	271,694
Third Quarter	14.68	12.47	482,805	19.30	16.45	257,437
Fourth Quarter	16.73	13.16	730,069	19.95	16.40	401,533
2005						
First Quarter	15.76	11.97	678,275	18.97	14.95	340,193
Second Quarter	14.67	10.80	686,026	18.12	13.63	293,041
Third Quarter	15.35	12.03	682,551	18.10	14.81	357,060
Fourth Quarter	19.86	12.82	1,050,529	23.13	15.11	479,998
2006						
January	25.70	19.94	1,642,480	29.39	23.31	790,912
February	27.04	22.52	1,662,584	30.95	26.03	741,447
March	30.51	23.20	1,831,413	35.63	27.10	1,082,927
April	36.86	30.54	1,713,479	41.18	35.30	732,488
May	41.70	30.32	2,387,100	45.65	34.07	1,348,386
June (through June 2)	34.94	31.88	1,997,700	38.38	35.34	754,243

DIVIDEND POLICY

The Company's policy is to pay annual dividends on its common shares and it has done so for 26 consecutive years. In 2005, the dividend was $0.03 per share, unchanged from 2004 and 2003. Although the Company expects to continue paying an annual cash dividend, future dividends will be at the discretion of the Company's Board of Directors and will be subject to such factors as the Company's earnings, financial condition and capital requirements. The Company's bank credit facility contains covenants which restrict the Company's ability to pay or declare dividends.

RISK FACTORS

An investment in the Common Shares involves certain risks. Before making an investment decision, prospective purchasers should carefully consider all of the information in this prospectus supplement and the Prospectus to which it relates and in the documents incorporated by reference herein and in the Prospectus and, in particular, should evaluate the following risk factors. However, the risks described below are not the only ones facing the Company. Additional risks not currently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations.

The Company is dependent upon its mining and milling operations at LaRonde and any adverse condition affecting those operations may have a material adverse effect on the Company's financial performance and results of operations

The Company's mining and milling operations at the LaRonde Mine account for all of the Company's gold production and will continue to account for all of its gold production in the future unless additional properties are acquired or brought into production. Any adverse condition affecting mining or milling at the LaRonde Mine could be expected to have a material adverse effect on the Company's financial performance and results of operations until such time as the condition is remedied. In addition, the Company's ongoing development of the LaRonde Mine involves the exploration and extraction of ore from new areas and may present new or different challenges for the Company. Based on current infrastructure, the LaRonde Mine has an estimated mine life of approximately seven years, however, gold production at the LaRonde Mine is expected to begin to decline commencing in 2008. Unless the Company can successfully bring into production the Goldex mine project, the Lapa mine project or the Kittila mine project or otherwise acquire gold producing assets by 2008, the Company's results of operations will be adversely affected. There can be no assurance that the Company's current exploration and development programs will result in any new economically viable mining operations or yield new mineral reserves to replace and expand current mineral reserves.

The Company's financial performance and results may fluctuate widely due to volatile and unpredictable commodity prices

The Company's earnings are directly related to commodity prices as its revenues are derived from precious metals (gold and silver), zinc and copper. The Company's policy and practice is not to sell forward its future gold production, however, under the Company's Price Risk Management Policy, approved by its Board of Directors, the Company may review this practice on a project by project basis. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, expectations of inflation, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions, and production costs in major gold producing regions. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels. In addition, the price of gold has on occasion been subject to very rapid short-term changes because of speculative activities. Fluctuations in gold prices may adversely affect the Company's financial performance or results of operations. If the market price of gold falls below the Company's total cash costs of production at that time and remains so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities. Also, the Company's decisions to proceed with its current mine development projects have been based on a market price of gold of $450 per ounce. If the market price of gold falls below this level, the mine development projects may be rendered uneconomic and development of the mine projects may be suspended or delayed. The prices received for the Company's byproducts (zinc, silver and copper) affect the Company's ability to meet its targets for total cash cost per ounce of gold produced. Byproduct prices fluctuate widely and are affected by numerous factors beyond the Company's control. The Company occasionally uses derivative instruments to mitigate the effects of fluctuating byproduct metal prices, however, these measures may not be successful.

The volatility of gold prices is illustrated in the following table which sets forth, for the periods indicated, the high and low afternoon fixing prices for gold on the London Bullion Market (the "London P.M. Fix") and the average gold prices received by the Company.

	2006 (to March 31)	2005	2004	2003	2002	2001
High price ($ per ounce)	584	537	454	417	350	293
Low price ($ per ounce)	525	411	375	323	278	256
Average price received ($ per ounce)	611	449	418	368	312	273

On June 2, 2006, the London P.M. Fix was $632.25 per ounce of gold.

Based on 2006 production estimates, the approximate sensitivities of the Company's after-tax income to a 10% change in metal prices from 2005 market average prices are as follows:

	Income per share
Gold	$ 0.06
Zinc	$ 0.04
Silver	$ 0.02
Copper	$ 0.02

Sensitivities of the Company's after-tax income to changes in metal prices will increase with increased production.

If the Company experiences mining accidents or adverse environmental conditions, the Company's mining operations may yield less gold under actual production conditions than indicated by its estimated gold production

The Company's gold production may fall below estimated levels as a result of mining accidents such as cave-ins, rock falls, rock bursts, fires or flooding. In addition, production may be unexpectedly reduced if, during the course of mining, unfavourable ground conditions or seismic activity are encountered, ore grades are lower than expected, or the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment. Accordingly, there can be no assurance that the Company will achieve current or future production estimates.

A rock fall that occurred in two production stopes during the first quarter of 2003 led to an initial 20% reduction in the Company's 2003 gold production estimate from 375,000 ounces to 300,000 ounces. Production drilling challenges and lower than planned recoveries in the mill in the third quarter of 2003 led to a further reduction in the production estimate by 21%. Final gold production in 2003 was 236,653 ounces. In 2004, higher than expected dilution in lower levels of the mine led to actual gold production for the year of 271,567 ounces, below the initial production estimate of 308,000 ounces. In the first quarter of 2005, increased stress levels in the sill pillar area below Level 194 required three production sublevels to be closed for rehabilitation for a period of six weeks. Production from these sublevels was delayed and replaced by ore extracted from the upper levels of the mine that have relatively lower gold content. The lower gold content of this ore, together with higher than budgeted dilution resulted in actual gold production in 2005 being 241,807 ounces, approximately 38,000 ounces less than the Company's original forecast of 2005 production of 280,000 ounces.

The Company may have difficulty financing its additional capital requirements for its planned mine construction, exploration and development

The exploration and development of the Company's properties, including continuing exploration and development projects in Quebec, the recently acquired Kittila mine project in Finland and Pinos Altos project in Mexico and the construction of mining facilities and commencement of mining operations at the Goldex mine project, the Kittila mine project and the Lapa mine project will require substantial capital expenditures. In addition, the Company will have further capital requirements to the extent it decides to expand its present operations and exploration activities or construct new mining and processing operations at any of its properties or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may arise. Also, the Company may incur major unanticipated expenses related to exploration, development or mine construction or maintenance on its properties. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties. Historically, the Company has financed its expenditures through a combination of offerings of equity and debt securities, bank borrowing and cash flow generated from operations at the LaRonde Mine, and the Company expects to use such sources of funds to finance its anticipated expenditures. However, additional financing may not be available when needed or, if available, the terms of such financing may not be favourable to the Company and, if raised by offering equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's mine construction projects are subject to risks associated with new mine development, which may result in delays in the start up of mining operations, delays in existing operations and unanticipated costs

The Company recently announced that it proposes to develop new mining operations at the LaRonde Mine (the LaRonde II project) and the Lapa mine project in Quebec, and the Kittila mine project in northern Finland. The Company also commenced construction of the Goldex mine project in Quebec in 2005.

The Company believes that the LaRonde II project will be one of the deepest operations in the Western Hemisphere with an expected depth ranging from 2,450 to 3,110 meters. These operations will rely on a series of new systems for the hauling of ore and materials to the surface, including a winze (or vertical shaft) and series of ramps linking mining deposits to the Penna Shaft servicing the LaRonde mine. The depth of the operations could pose significant challenges to the Company such as geomechanical risks and managing ventilation and air conditioning requirements, which may result in difficulties and delays in achieving gold production objectives.

The development of the LaRonde II project and the Goldex, Lapa and Kittila mine projects require the construction of significant new underground mining operations. The construction of these underground mining facilities is subject to a number of risks, including unforeseen geological formations, implementation of new mining processes, delays in obtaining required construction, environmental or operating permits, and engineering and mine design adjustments. These risks may result in delays in the planned start up dates and in additional costs being incurred by the Company beyond those budgeted. Moreover, the construction activities at LaRonde II will take place concurrently with the mining operations at LaRonde, which may result in conflicts with, or possible delays to, existing mining operations.

The exploration of mineral properties is highly speculative, involves substantial expenditures, and is frequently unproductive

The Company's profitability is significantly affected by the costs and results of its exploration and development programs. As mines have limited lives based on proven and probable mineral reserves, the Company actively seeks to replace and expand its reserves, through exploration and development and, from time to time, through strategic acquisitions. Exploration for minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. In addition, substantial expenditures are required to pursue such exploration and development activities. Assuming discovery of an economic ore body, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced, and during such time the economic feasibility of production may change. Accordingly, there can be no assurance that the Company's current exploration and development programs will result in any new economically viable mining operations or yield new reserves to replace and expand current reserves.

The Company's cash costs of gold production depend, in part, on external factors that are subject to fluctuation and, if such costs increase, some or all of the Company's activities may become unprofitable

The Company's total cash costs to produce an ounce of gold are dependent on a number of factors, including, primarily, the prices and production levels of byproduct silver, zinc and copper, the revenue from which is offset against the cost of gold production, the Canadian dollar/U.S. dollar exchange rate, smelting and refining charges and production royalties, which are affected by all these factors and the gold price. All these factors are beyond the Company's control. If the Company's total cash costs of producing an ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

Total cash cost per ounce is not a recognized measure under US GAAP, and this data may not be comparable to data presented by other gold producers. Management uses this generally accepted industry measure in evaluating operating performance and believes it to be a realistic indication of such performance and useful in allowing year over year comparisons. The data also indicates the Company's ability to generate cash flow and operating income at various gold prices. This additional information should be considered together with other data prepared in accordance with US GAAP and is not necessarily indicative of operating costs or cash flow measures prepared in accordance with US GAAP. See "Note to Investors Concerning Certain Measures of Performance" for reconciliation of total cash costs per ounce and minesite costs per tonne to their closest US GAAP measure.

The Company may experience problems in executing acquisitions or managing and integrating any completed acquisitions with its existing operations

The Company regularly evaluates opportunities to acquire shares or assets of other mining businesses. Such acquisitions may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial or geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms and integrate their operations successfully with those of the Company. Any acquisitions would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired businesses; the potential disruption of the Company's ongoing business; the inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired assets and businesses; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential unknown liabilities associated with acquired assets and businesses. In addition, the Company may need additional capital to finance an acquisition. Debt financing related to any acquisition may expose the Company to increased risk of leverage, while equity fina