

**IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
AGNICO-EAGLE MINES LIMITED**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

I. THE RESPONDENT

1. Agnico-Eagle is an intermediate sized Canadian gold producer with operations located in Northwestern Quebec and exploration and development activities in Eastern Canada and the Southwestern United States. Agnico-Eagle was formed under the laws of the Province of Ontario in June 1972 as a result of the amalgamation of Agnico-Eagle and Eagle Gold Mines Ltd. Shares of Agnico-Eagle trade on the TSX and the NYSE.

II. FACTS

A. The Rock Fall and its Impact on Gold Production

2. On or about January 31, 2003, normal production blasting triggered a rock fall in the La Ronde mine owned by Agnico-Eagle (the "Rock Fall"). The Rock Fall continued until about February 9, 2003.

3. On February 11, 2003, Agnico-Eagle was able to determine that 27,000 tons of ore had fallen. As a result, the decision was made to halt production in that area of the mine

to allow it to stabilize. Mining in other areas of the mine, including mining at that level, continued.

4. The Rock Fall appeared to Agnico-Eagle to have substantially stabilized by March 3, 2003 and, as a result, mining operations in that area were recommenced on that date. In late March 2003, approximately 13,000 additional tons of ore and rock fell in that area, bringing the total size of the Rock Fall to 40,000 tons. As a result, mining operations in that area were suspended again in early April.

5. At some time between March 10, 2003 and March 17, 2003, Agnico-Eagle determined that as a result of the Rock Fall and other operational difficulties, a shortfall in gold production for 2003 could not be avoided.

B. News Release of February 19, 2003

6. On February 19, 2003, while Agnico-Eagle was assessing the impact of the Rock Fall, Agnico-Eagle issued a news release (the "February Release") to announce its 2002 year end results. In the February Release it reported "significantly improved net earnings of \$4.0 million, or \$.06 per share in 2002, compared with a net loss of \$5.4 million, or \$0.9 per share in 2001." The February Release stated under the heading "LaRonde on Track for Increased Gold Production in 2003":

LaRonde is in a strong position to achieve its 2003 target of 375,000 ounces of gold at a total cash operating cost of \$125 per ounce.

Under the heading "Outlook for 2003" in the February Release, Agnico-Eagle said the following:

"Despite the expansion challenges encountered in 2002, Agnico-Eagle set a gold production record of 260,183 ounces at LaRonde in 2002. Agnico-Eagle expects to overcome the last of the development difficulties encountered in 2002. With the mine operating in excess of 7,000 tons per day for a full year, gold production is targeted to increase 44% to 375,000 ounces and cash operating costs are targeted to decrease by 31% to \$125 per ounce."

C. News Release of March 31, 2003

7. By news release dated March 31, 2003 (the "March Release"), Agnico-Eagle announced the Rock Fall had occurred in "two production stopes at its LaRonde gold mine in Quebec." The March Release also stated that the Rock Fall "occurred **this month** above level 215 at 2.150m (7050 feet) below surface." [emphasis added] As noted above, Agnico-Eagle also announced its preliminary estimate that total gold production would be reduced by up to 20% as a result of the Rock Fall.

D. News Release of July 30, 2003 (the "July Release")

8. In the July Release, Agnico-Eagle released its second quarter results. The July Release stated that gold production was lower than in the second quarter of 2002 due to the production problems caused by Rock Fall. However, the July Release also stated that production was "on track" to achieve the 300,000 ounces of gold for 2003, as previously forecast.

E. News Release of October 29, 2003 (the "October Release")

9. Agnico-Eagle released its 2003 third quarter results after the close of market on October 29, 2003. The October Release disclosed four significant negative items of information:

- (i) a net loss of \$0.14 per share in the third quarter of 2003;
- (ii) that gold production in the third quarter was 51,192 ounces, "well below expectations";
- (iii) that Agnico-Eagle would not meet its gold production target for 2003; and
- (iv) the reduction in LaRonde's long-term gold production target from 400,000 ounces per year to 300,000 ounces per year;

10. Agnico-Eagle's senior management had determined that Agnico-Eagle would not meet its gold production target for 2003 at a meeting on October 9, 2003.

III. CONDUCT CONTRARY TO THE PUBLIC INTEREST

11. Staff submit that contrary to the public interest:
 - (a) Between March 10, 2003 and March 17, 2003, Agnico-Eagle determined that a gold production shortfall could not be avoided as a result of the Rock Fall, which determination was a material change in the business of Agnico-Eagle. Agnico-Eagle failed to issue a press release forthwith disclosing the Rock Fall and the expected gold production shortfall and failed to file a timely Material Change Report with the Commission;
 - (b) Agnico-Eagle's March Release was inaccurate in that the Rock Fall did not occur in March only but rather initially occurred between January 31, 2003 and February 9, 2003 and then resumed in March; and
 - (c) On October 9, 2003, Agnico-Eagle determined that there would be a gold production shortfall, which was a material change in the business of Agnico-Eagle. Agnico-Eagle failed to issue a press release by October 13, 2003 disclosing the expected gold production shortfall and failed to file a Material Change Report with the Commission.

DATED at Toronto this 22 day of April, 2005.