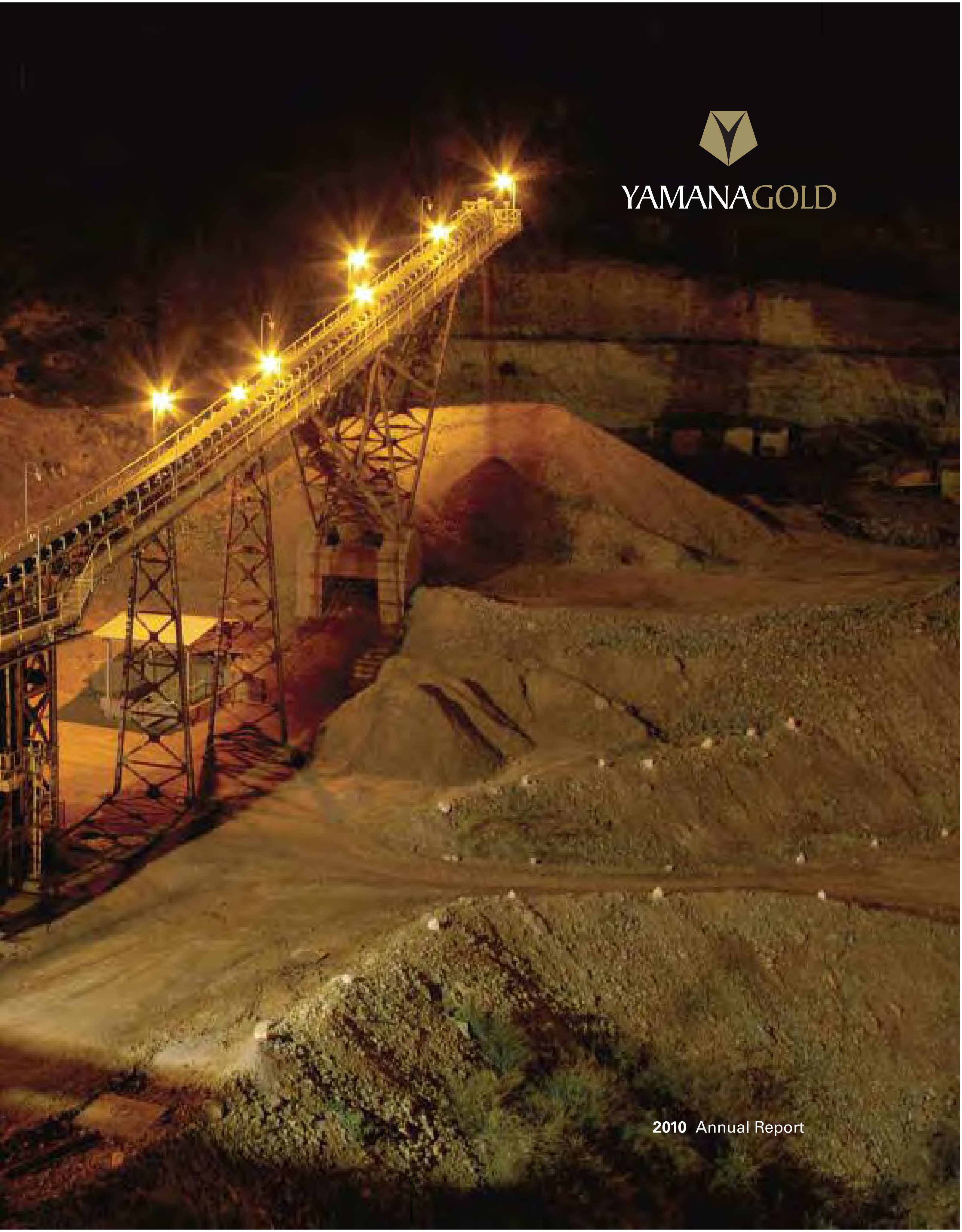


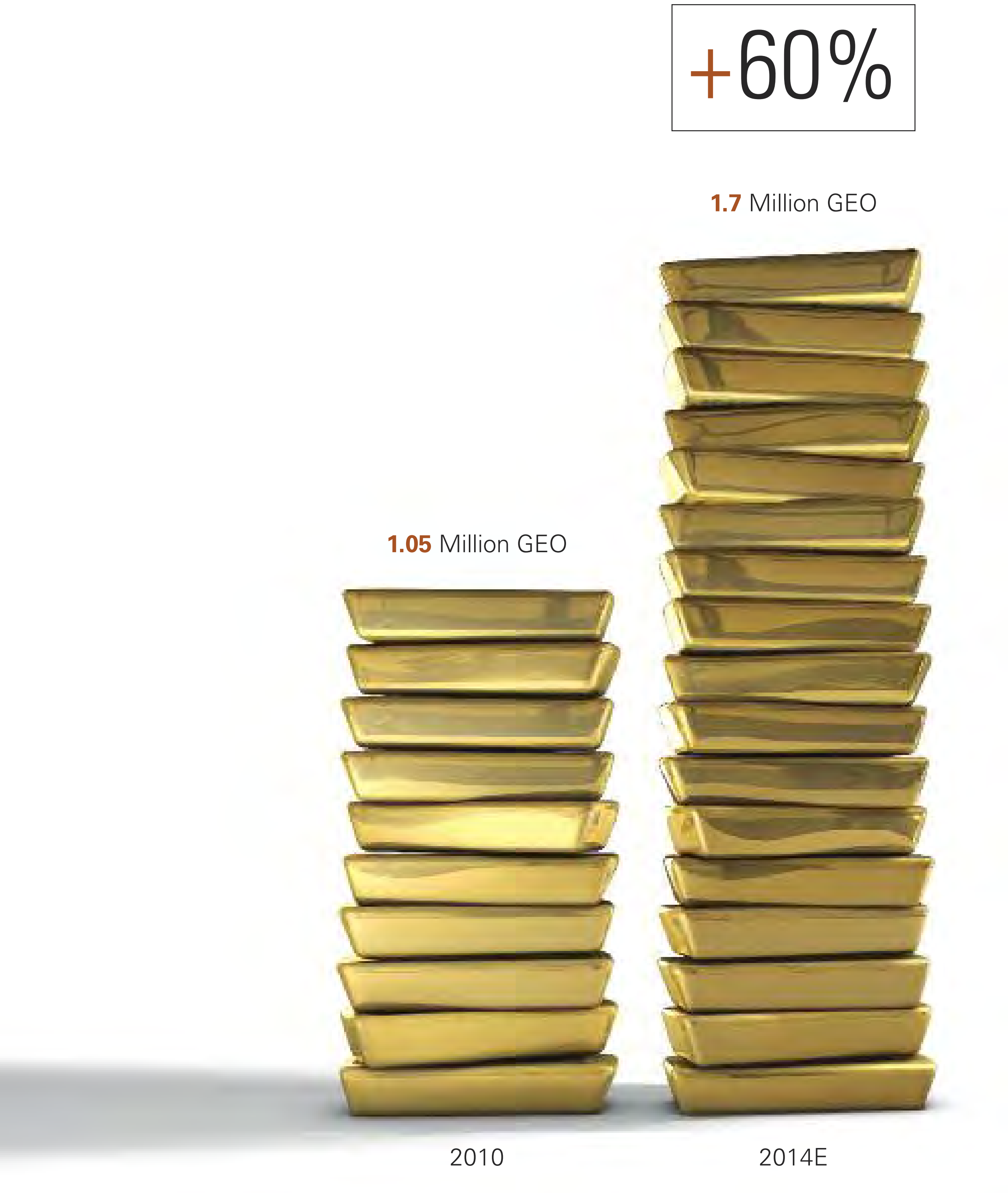
YAMANA GOLD

2010 Annual Report

In 2010, gold prices continued their upward climb rising to over $1,400 per ounce. The prevailing view is that this trend will continue.

Yamana Gold produced 1.05 million gold equivalent ounces (GEO) in 2010, at a cash cost of $50 per GEO on a by-product basis. With expansions at current operations and projects currently under development, production is expected to be at an annual rate of approximately 1.7 million GEO by 2014, with additional growth.

You do the math.


+60%
1.7 Million GEO
1.05 Million GEO
2010
2014E

Gold is considered a store of wealth. It is held by central banks and individuals as an investment and is considered a safe haven in turbulent economic times as well as a natural hedge against inflation and a declining dollar.

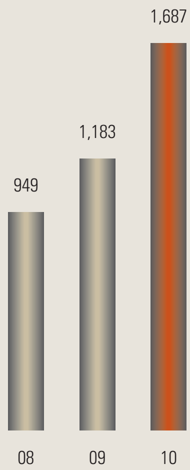
Yamana Gold has a diversified portfolio of assets providing sustainable gold production supported by a large resource base. We have industry-low cash costs and operations in some of the world's most stable mining jurisdictions. Every Yamana Gold share offers significant exposure and increasing leverage to gold through continued production and mineral resource growth.

It all adds up.

Financial Highlights

Revenue

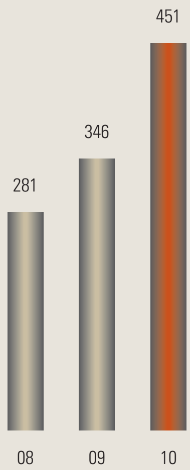
In millions of US Dollars



+43%
2009 / 2010

Adjusted earnings*

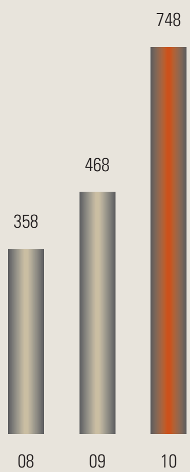
In millions of US Dollars



+30%
2009 / 2010

Mine Operating Earnings

In millions of US Dollars

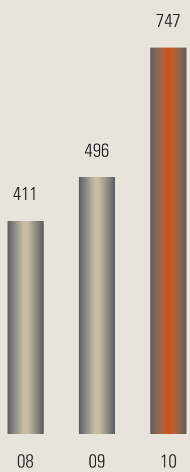


+60%
2009 / 2010

Operating Cash Flow*

(before changes in non-cash working capital items)

In millions of US Dollars



+51%
2009 / 2010

** Adjusted earnings and cash flow from operations before changes in non-cash working capital are non-GAAP measures. Reconciliations of non-GAAP measures are located in section 6 of the MD&A.*

In 2010, we delivered strong financial results. Our commitment to cost containment and margin expansion resulted in continued growth in revenue, adjusted earnings, mine operating earnings and operating cash flow.

Numbers don't lie.

Corporate Strategy

To continue to deliver shareholder value by:

1. Increasing production
2. Optimizing and expanding existing operations
3. Advancing development projects
4. Focusing on exploration
5. Increasing mineral reserves and mineral resources
6. Containing costs and growing cash margins
7. Managing capital expenditures effectively
8. Delivering strong financial results

Q&A

Following another strong year, I would like to share my thoughts on our 2010 performance and highlight our tremendous growth plans going forward. In this section, instead of our usual formal letter, I hope to address the questions that we are most commonly asked by our shareholders.

How did Yamana Gold perform in 2010?

In 2010, we delivered what we said we would, including growth in several ways. We completed the successful integration of our 2006 and 2007 acquisitions. We had record production, and our costs were amongst the lowest in the industry. We had record revenues, earnings and operating cash flow. We increased our free cash flow in excess of our funding needs and increased our dividend threefold during the year, making our dividend yield one of the most attractive in the industry. Our total proven and probable gold mineral reserves increased by 26 percent and our measured and indicated gold mineral resources were up by 12 percent over 2009 year end levels.

It gives me great satisfaction to report that 2010 was another milestone year for Yamana Gold. Our 2011 results are also expected to be strong, and we are on track to deliver over 60 percent production growth by 2014, with additional growth potential.

What is the company's financial position?

Our financial position remains solid. In 2010, our revenues were up 43 percent over 2009 levels to $1.7 billion and our adjusted earnings soared 30 percent to $451 million or $0.61 per share. Operating cash flow increased 51 percent to $747 million or $1.01 per share.

After capital expenditures of $531 million, spending $98 million on exploration, paying down $45 million in debt and paying out $48 million in dividend payments, we ended 2010 with $330 million in cash and cash equivalents and total cash and available credit of $858 million. Our current debt position is $486 million.

Yamana Gold owns and operates six mines in Brazil, Chile and Argentina. How did these mines perform in 2010?

In 2010, our trend of increasing production quarter-over-quarter continued, leading to record production of approximately 1.05 million gold equivalent ounces from our six wholly-owned mines and interest in Alumbrera. Highlights included impressive production at our largest producing mine, El Peñón, and increases in production at our Jacobina and Minera Florida mines of 11 percent and 15 percent, respectively, compared with 2009. Our Gualcamayo mine completed its first full year of commercial production producing over 135,000 ounces of gold. We are confident that as it matures, and as our approach of operational optimization takes hold, it will produce at higher levels.

By-product cash costs of $50 per gold equivalent ounce decreased 59 percent compared to last year reflecting our continued focus on cost containment across all operations.

You are forecasting production to be at an annual rate of approximately 1.7 million gold equivalent ounces by 2014, an increase of over 60 percent from 2010. Where will this growth come from?

At our existing operations, optimization and expansions are expected to increase annual production from these mines to almost 1.26 million gold equivalent ounces. In addition, we have four new mines in development that are expected to contribute an aggregate of 440,000 gold equivalent ounces annually. Mercedes in Mexico and Ernesto/Pau-a-Pique and C1 Santa Luz in Brazil are scheduled to begin production in 2012, while Pilar in Brazil will start up in 2013. These projects are advancing on schedule and are fully funded from our available cash and cash flow.

In 2014, which will be our first full year in operation with these new mines, and with our optimizations and expansions completed, our production is expected to be approximately 1.7 million gold equivalent ounces.

2010 Performance

- ☑ Record production of 1.05 million GEO in-line with expectations
- ☑ Cash costs of $50 per GEO on a by-product basis, down from $123 per GEO in 2009
- ☑ Increased revenue, adjusted earnings and cash flow year-over-year by a record 43 percent, 30 percent and 51 percent respectively
- ☑ Completed expansions at three existing operations: Chapada, El Peñón and Gualcamayo
- ☑ Construction decisions made on three projects: Ernesto/Pau-a-Pique, QDD Lower West at Gualcamayo and Pilar
- ☑ Advanced development of four projects: Mercedes, Ernesto/Pau-a-Pique, C1 Santa Luz and Pilar
- ☑ Increased proven and probable gold mineral reserves by 26 percent and measured and indicated gold mineral resources by 12 percent
- ☑ Dividend increased threefold
- ☑ With the certification of our newest mine, Gualcamayo, all of Yamana's operations have now achieved ISO 14001 certification for their Environmental Management Systems

2011 Objectives

- ☐ Produce 1.04–1.14 million GEO
- ☐ Increase production quarter-over-quarter
- ☐ Continue to focus on cost containment with by-product costs expected to be below $250 per GEO
- ☐ Continue to deliver strong financial results and significant free cash flow
- ☐ Advance four development projects expected to begin production over the next two years and contribute an additional 440,000 GEO of production annually
- ☐ Unlock further value within existing portfolio:
  - Agua Rica – announce and complete strategic transaction
  - Suyai – continue engagement with stakeholders to advance the project
  - Jeronimo – feasibility study by end of 2011
- ☐ Focus exploration on several new areas of mineralization discovered in 2009 and 2010
- ☐ Increase gold mineral reserves and gold mineral resources
- ☐ Uphold best practices and international standards in safety, health, environmental protection and community relations

How will you grow production beyond 1.7 million gold equivalent ounces?

Our exploration team has been very successful at replacing gold mineral reserves at our operations, adding gold mineral resources, making new discoveries and taking projects from grassroots to the development stage. In 2010, our proven and probable gold mineral reserves increased by 26 percent over 2009, to 22.1 million ounces. Measured and indicated gold mineral resources increased by 12 percent to 14.5 million ounces. We will continue to build on our successful 2010 exploration program and in 2011, we will focus exploration on several new areas of mineralization discovered in 2009 and 2010 as well as on increasing gold mineral reserves and gold mineral resources. This will allow us to continue to create value in our existing asset base through optimizations and expansions.

Additionally, we have tremendous value locked up in existing projects including Jeronimo in Chile and Suyai and Agua Rica in Argentina. These projects have the potential to provide us with further significant growth.

Where does corporate social responsibility fit into your activities?

Corporate social responsibility plays an essential role in how we operate and we continue to maintain a strong focus on meeting and exceeding our sustainability goals, safeguarding our community relationships and environment and ensuring that safety always comes first at every operation. Yamana has had a corporate integrated management system for safety, health, environment and community relations that has been in place since 2006. Based on best practices and international standards, this system involves risk assessment, identification of all legal and contractual requirements, definition of company objectives and targets, and procedures to ensure compliance with the Company's policies and programs. All of our operations have now received ISO 14001 certification for their environmental management systems, with our newest mine, Gualcamayo, achieving this in 2010.

What does 2011 hold for the company?

I see 2011 as a year in which Yamana will position itself to deliver significant production growth beginning in 2012. It is a positioning year for that production growth in which we will also continue to focus on strong operational and financial performance, mineral resource growth and new opportunities from exploration.

We are forecasting production of 1.04-1.14 million gold equivalent ounces, with by-product cash costs below $250 per gold equivalent ounce. Our copper production from the Chapada mine is expected to be in the range of 145-160 million pounds. We are building four new mines and expect to increase our gold mineral reserves and resources significantly in the course of the year. We are planning capital expenditures of $640 million, and have an exploration budget of $85 million. We expect our cash flow to continue to grow and to be in excess of our capital needs. After tripling our dividend in 2010, we have already announced our first quarterly dividend of $0.03 per share for 2011. I am confident this trend relating to dividends will continue.

We are a fully-funded growth company generating free cash flow.

None of our achievements would be possible without the hard work of Yamana's 8,500 plus employees. We appreciate the efforts that led to a successful 2010 and look forward to an even more successful 2011.

PETER MARRONE
Chairman and Chief Executive Officer

Operations

Producing Mines | Brazil

Chapada | Brazil *(100% Yamana-owned)*

The Chapada open pit gold-copper mine located northwest of Brasília in Goiás State began commercial production in 2007. Annual capacity of the flotation plant was increased to 22 million tonnes in 2010, a 10 percent increase over 2009 and 38 percent higher than the feasibility study throughput level. Early in 2011, the mine plan was updated to maintain the increased throughput level for the next 15 years with the integration of output from the Suruca gold deposit. Suruca is expected to start contributing to production in 2013. Suruca is located six kilometres northeast of Chapada and was discovered in 2009.

Jacobina | Brazil *(100% Yamana-owned)*

The Jacobina mine in Bahia State in northeastern Brazil consists of a complex of underground gold mines and a 6,500 tonnes per day carbon-in-pulp processing plant. Commercial production began in 2005. The higher grade Lagartixa zone was discovered in 2009 and in 2010 mineral resources were upgraded at the Morro do Vento and Canavieiras deposits. In 2010, the mine's mineral reserve grade increased by 16 percent and mineral resource grade increased by 10 percent over 2009 levels. These grade increases will facilitate higher future production levels.

Fazenda Brasileiro | Brazil *(100% Yamana-owned)*

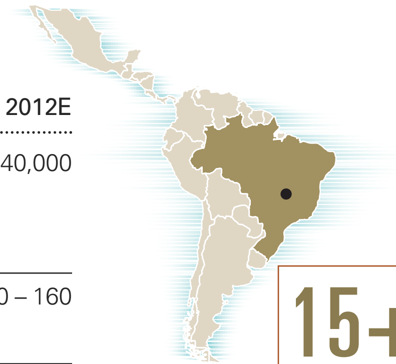
Located in Bahia State in northeast Brazil, the Fazenda Brasileiro underground gold mine has been in operation for over 20 years, and has consistently replaced its mineral reserves as they have been mined. Recent discoveries include the Lagoa do Gato and CLX_2 zones, the latter being easily and immediately accessible from existing mine workings, suggesting there is potential to continue this trend. These discoveries in 2010 will be evaluated for mineral resource increases and ultimately contribute to production in 2011. Ore is processed in a 3,500 tonnes per day carbon-in-pulp plant.

Production	2010	2011E	2012E
Gold (oz.)	135,613	130-140,000	125-140,000
Cash cost (per oz.)	$327		
By-product cash cost (per oz.)	$(2,073)		
Copper (million lb.)	149	145 – 160	140 – 160
Cash cost (per lb. of copper)	$1.17		

Mineral Reserves and Mineral Resources

Gold 3.1 million oz. proven & probable + 2.5 million oz. measured & indicated

Copper 2.1 billion lb. proven & probable + 1.4 billion lb. measured & indicated



15+

Strategic Mine Life (Years)

Production	2010	2011E	2012E
Gold (oz.)	122,160	120-135,000	130-145,000
Cash cost (per oz.)	$535		

Mineral Reserves and Mineral Resources

Gold 1.7 million oz. proven & probable + 1.7 million oz. measured & indicated

15+

Strategic Mine Life (Years)

Production	2010	2011E	2012E
Gold (oz.)	70,084	60-80,000	60-70,000
Cash cost (per oz.)	$628		

Mineral Reserves and Mineral Resources

Gold 176,000 oz. proven & probable + 472,000 oz. measured & indicated

4+

Strategic Mine Life (Years)

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 133-137 for complete information relating to mineral reserves and mineral resources indicating tonnage and grade for the various mines and projects.

Strategic mine life is based on proven and probable mineral reserves, an estimation of mineral resource conversion and new discoveries.

Producing Mines | Chile & Argentina

El Peñón | Chile *(100% Yamana-owned)*

The high grade underground gold-silver El Peñón mine is located in northern Chile, 160 kilometres southeast of Antofagasta. Commercial production began in 2000, and an expansion of the Merrill-Crowe processing plant to 4,500 tonnes per day was completed in 2010. Exploration continues to extend and upgrade known deposits and make new discoveries such as the Pampa Augusta Victoria and Elizabeth vein systems.

Minera Florida | Chile *(100% Yamana-owned)*

Located 73 kilometres south of Santiago in central Chile, Minera Florida is an underground gold-silver mine which has been in operation for over 20 years. The very high grade Victoria vein structure was discovered in 2010, adding to previous exploration successes and increasing grade and total mineral resources. Planning is underway to re-process tailings, which will increase annual production by up to 40,000 gold equivalent ounces beginning in 2012. Ore is treated in a 2,000 tonnes per day plant incorporating flotation and the Merrill-Crow process.

Gualcamayo | Argentina *(100% Yamana-owned)*

The Gualcamayo mine, an open pit, heap leach, gold operation with three substantial zones of gold mineralization, is located in the northern San Juan province of Argentina. Commercial production began in 2009, after 20 months of construction. In 2010 a decision was made to develop the underground QDD Lower West deposit, located below the main open pit, which will increase expected annual production to over 190,000 ounces beginning in 2013.

Production	2010	2011E	2012E
GEO	427,934	420-440,000	420-450,000
Cash cost (per GEO)	$428		

Mineral Reserves and Mineral Resources

Gold 2.0 million oz. proven & probable + 758,000 oz. measured & indicated

Silver 51.9 million oz. proven & probable + 20.3 million oz. measured & indicated

8+

Strategic Mine Life (Years)

Production	2010	2011E	2012E
GEO	105,604	115-130,000	140-155,000
Cash cost (per GEO)	$416		

Mineral Reserves and Mineral Resources

Gold 668,000 oz. proven & probable + 372,000 oz. measured & indicated

Silver 4.8 million oz. proven & probable + 1.6 million oz. measured & indicated

10

Strategic Mine Life (Years)

Production	2010	2011E	2012E
Gold (oz.)	135,140	150-170,000	165-180,000
Cash cost (per oz.)	$506		

Mineral Reserves and Mineral Resources

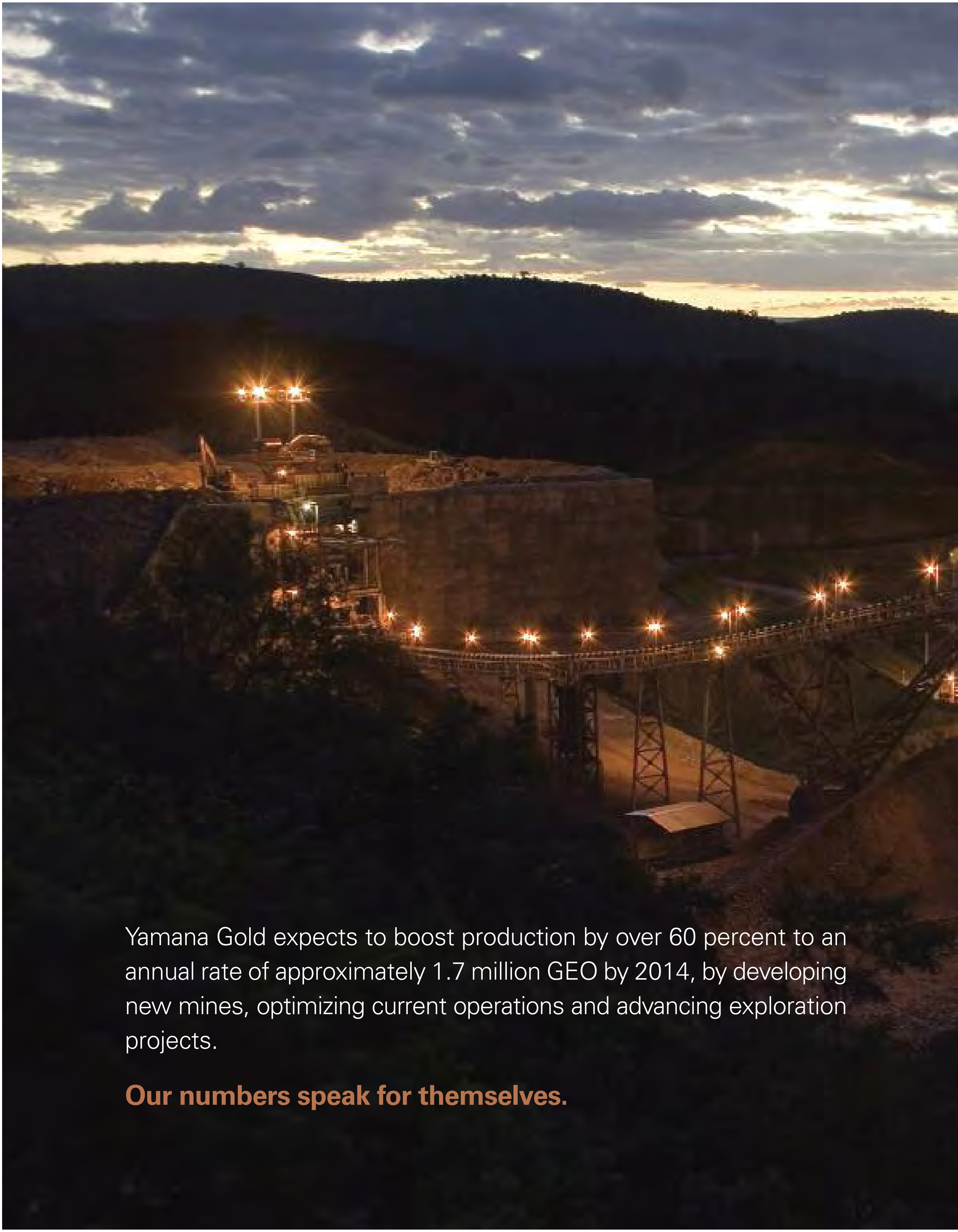
Gold 2.4 million oz. proven & probable + 931,000 oz. measured & indicated

9+

Strategic Mine Life (Years)

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 133-137 for complete information relating to mineral reserves and mineral resources indicating tonnage and grade for the various mines and projects.

Strategic mine life is based on proven and probable mineral reserves, an estimation of mineral resource conversion and new discoveries.



Yamana Gold expects to boost production by over 60 percent to an annual rate of approximately 1.7 million GEO by 2014, by developing new mines, optimizing current operations and advancing exploration projects.

Our numbers speak for themselves.

Development Projects | Mines Under Construction

Mercedes | Mexico *(100%-Yamana owned)*

Construction and mine development at the Mercedes gold-silver project in northern Sonora State are progressing on schedule and production is expected to begin by mid-2012. Gold will be extracted by agitated leaching with counter current decantation and Merrill-Crowe processing. Yamana anticipates continued exploration success will increase the mine life and annual production.

Ernesto/Pau-a-Pique | Brazil *(100% Yamana-owned)*

The Ernesto/Pau-a-Pique gold project in Mato Grosso State is located within Yamana's 450,000-hectare property on the prolific Guapore gold belt. The two deposits, which are 60 kilometres apart, will be mined by open pit (Ernesto) and underground (Ernesto and Pau-a-Pique) mining methods. Ore from both deposits will be processed in a common plant using gravity and carbon-in-leach treatment at a rate of one million tonnes per year. Production is expected to begin in 2012.

C1 Santa Luz | Brazil *(100%-Yamana owned)*

The C1 Santa Luz gold project in Bahia State is being prepared for production start-up in 2012. The 2.5 million tonnes per year open pit operation will treat ore by flotation and carbon-in-leach processing. The deposit is 60 kilometres north of the Fazenda Brasileiro mine and 160 kilometres east of the Jacobina mine, and lies within Yamana's 180,000-hectare property in the Rio Itapicuru greenstone belt.

Annual production (E)	120,000 GEO
Cash cost (E)	$300-360 per GEO
Gold mineral reserves	794,000 oz. proven & probable
Gold mineral resources	188,000 oz. measured & indicated
Silver mineral reserves	8.4 million oz. proven & probable
Silver mineral resources	2.4 million oz. measured & indicated

10+

Strategic Mine Life (Years)

Starting mid-2012

Annual production (E)	100,000 oz. gold (120,000 oz. in first two years)
Cash cost (E)	$435-485 per oz.
Gold mineral reserves	710,000 oz. proven & probable
Gold mineral resources	124,000 oz. measured & indicated

7+

Strategic Mine Life (Years)

Starting late 2012

Annual production (E)	100,000 oz. gold (130,000 oz. in first two years)
Cash cost (E)	$460-500 per oz.
Gold mineral reserves	1.2 million oz. proven & probable
Gold mineral resources	1.2 million oz. measured & indicated

10

Strategic Mine Life (Years)

Starting late 2012

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 133-137 for complete information relating to mineral reserves and mineral resources indicating tonnage and grade for the various mines and projects.

Strategic mine life is based on proven and probable mineral reserves, an estimation of mineral resource conversion and new discoveries.

Development Projects | Mines Under Construction

Pilar | Brazil *(100%-Yamana owned)*

Continued exploration at Pilar is expected to increase mineral resources significantly while the gold project in Goiás State is being readied for production start-up in 2013. The property covers 590 square kilometres in the Crixas greenstone belt and is 80 kilometres south of the Chapada mine. The one million tonnes per year operation will initially involve underground mining, and gravity and carbon-in-leach processing and is already being built at capacity levels that are 30 percent higher than those contemplated in the feasibility study.

Development Projects | Intermediate Stage

Jeronimo | Chile *(57% Yamana-owned)*

A feasibility study of the Jeronimo gold deposit is scheduled for completion in late 2011. The deposit is located 50 kilometres southeast of El Salvador in northern Chile and based on an initial reserve estimate, is estimated to contain, on a 100 percent basis, 1.6 million ounces of gold in probable mineral reserves and a further 165,000 ounces of gold in indicated mineral resources.

Suyai | Argentina *(100% Yamana-owned)*

The Suyai project covers 141,000 hectares in the Chubut province in southern Argentina. Indicated mineral resources are estimated to contain 2.3 million ounces of gold. A feasibility study was nearing completion in 2002 when the project was put on hold following a change in the provincial mining law. Yamana continues to monitor developments in Chubut with regard to mining and to assess the project's prospects.

Annual production (E)	120,000 oz. gold
Cash cost (E)	$430 - $460 per oz.
Gold mineral reserves	1.4 million oz. proven & probable
Gold mineral resources	116,000 oz. measured & indicated

Strategic Mine Life (Years)

Starting early 2013

Agua Rica | Argentina *(100% Yamana-owned)*

The large scale Agua Rica copper-gold-molybdenum-silver porphyry deposit is located in the Catamarca province in northwestern Argentina. In early 2011, Yamana signed an agreement with its joint venture partners at Minera Alumbrera, granting Alumbrera the option to acquire interests in Agua Rica held through various Yamana subsidiaries. The option exists for up to four years. The integration of Agua Rica with Alumbrera provides the greatest value potential for Yamana and the best opportunity for the development of Agua Rica.

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 133-137 for complete information relating to mineral reserves and mineral resources indicating tonnage and grade for the various mines and projects.

Strategic mine life is based on proven and probable mineral reserves, an estimation of mineral resource conversion and new discoveries.

Exploration Program

Chapada-Suruca | Brazil *(100% Yamana-owned)*

In 2010, exploratory drilling at the Suruca deposit in Goiás State doubled the strike length of gold mineralization. A pre-feasibility study was also completed which identified more than one million ounces of gold in mineral reserves. Suruca is six kilometres northeast of Yamana's Chapada gold-copper mine and was discovered in 2009. The deposit is expected to add substantial gold-only production growth to the Chapada operation beginning in 2013. Exploration of the deposit will continue in 2011.

Jacobina | Brazil *(100% Yamana-owned)*

The 2010 exploration program at the Jacobina gold mine in Bahia State concentrated on upgrading resources at the Morro do Vento and Canavieiras deposits with the goal of increasing overall mineral reserve grade. Mineral resources are expected to increase significantly at the Canavieiras deposit as drilling advances, while the district and regional exploration potential continues to be investigated.

Fazenda Brasileiro | Brazil *(100% Yamana-owned)*

Exploration efforts at the Fazenda Brasileiro gold mine in Bahia State focused on the Lagoa do Gato and CLX_2 deposits, identified in late 2009. Continued exploration is expected to further develop these zones to determine their size and continuity. Additional increases in mineral resources have the potential to extend the mine's life, currently estimated to be approximately four years.

Pilar | Brazil *(100% Yamana-owned)*

In 2010, successful exploration resulted in the first mineral reserve estimate for the Pilar gold project in Goiás State, followed by a construction decision mid-year. The 2010 exploration program focused on the Jordino zone within the project area and a step out hole confirmed mineralization two kilometres from the known mineral resource. Drilling will continue in 2011 to connect the Jordino deposit with the Ogo and Tres Buracos zones to the north and extend mineralization down dip. Production is expected to begin in 2013.

Minera Florida | Chile *(100% Yamana-owned)*

At the Minera Florida gold mine in central Chile, the Fantasma and Victoria zones were discovered in 2010. Drilling upgraded mineral resources to mineral reserves on the Polvorin and Centenario systems and on the Maquis Sur, Veta Central and Rafael zones discovered in 2009. The exploration program also included underground drilling at the north end of the mine and district exploration. In 2011 exploration will focus on the Victoria, Tribuna Norte and El Choclo areas to define new mineral resources and mineral reserves.

El Peñón | Chile *(100% Yamana-owned)*

Exploration around the El Peñón gold-silver mine in northern Chile continues to be productive. The Pampa Augusta Victoria vein system was discovered 30 kilometres north of the mine in 2009, and subsequent exploration identified the Elizabeth vein system. Pampa Augusta Victoria is a grassroots discovery by Yamana geologists and is similar to other high grade veins discovered previously at El Peñón. Additional emphasis on grassroots exploration is planned for 2011.

Gualcamayo | Argentina *(100% Yamana-owned)*

At the Gualcamayo gold mine in the San Juan province, recent exploration has resulted in the discovery of the Rodado and Salamanca zones. Underground development is being completed at Rodado to allow for exploration drilling of the QDD Lower West deposit, which underlies the main open pit mine and remains open to the west. The Rodado tunnel will allow for drilling of the extension of QDD Lower West for approximately one kilometre of additional strike length.

Mercedes | Mexico *(100% Yamana-owned)*

As the Mercedes gold-silver project is prepared for production start-up in 2012, exploration continues to confirm the high geological potential of the project. Drilling in 2010 increased and upgraded mineral resources and mineral reserves, and two new zones were discovered. Additional exploration of the Lupita vein and the central part of the Barrancas vein resulted in the discoveries of the Diluvio and Lagunas Norte zones. Both of these new discoveries remain open along strike and will be further explored in 2011.

PHILOSOPHY

Yamana's exploration program is based on four core philosophies:

1. Year-over-year, we renew our commitment to exploration at existing operations, aiming to replace mineral reserves and mineral resources.

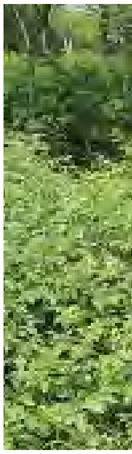
2. We strive to advance projects from the exploration phase to the development phase as quickly and efficiently as possible, coordinating internally to ensure optimized timelines for every project.

3. We explore the best of the best. Our exploration program is extensive, and we pursue the opportunities which have the highest potential.

4. We hire and retain the best exploration talent out there. Our exploration program is supported by a talented international team, dedicated to advancing Yamana's already impressive exploration successes.

At Yamana, sustainability is a key consideration in every business decision we make. We believe that sustainable business practices can improve lives, protect the environment and promote socio-economic development within the communities in which we operate.

Because it isn't all about the numbers.



2010 Corporate Social Responsibility Highlights

Health and Safety – The Chapada and El Peñón mines achieved OHSAS 18001 certification for their Occupational Health and Safety Management Systems. • Four out of the five Yamana operations which use cyanide during processing were recommended by third party audits for full compliance with the International Cyanide Management Code. Gualcamayo is expected to achieve compliance in 2011. • In Brazil, H1N1, hepatitis A and tetanus vaccinations were offered to the local community. • The Safety Alert campaign was undertaken at each operation, enforcing the importance of safety in the workplace. • The Lost Time Injury Frequency Rate decreased for the fourth consecutive year.

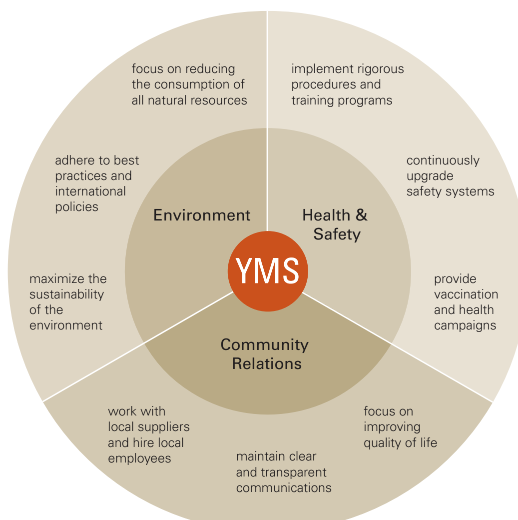
Environment – With the certification of our newest mine, Gualcamayo, all operating mines have now achieved ISO 14001 certification for their Environmental Management Systems. • Environmental licences were granted at the Mercedes, Ernesto/Pau-a-Pique, Pilar and C1 Santa Luz development projects. • Diesel and water consumption were reduced by three percent and 13 percent respectively, compared to 2009. • Construction of the Environmental Education Centre began at the Chapada mine.

Community Relations – The Partnership Seminar Program, which provides up to 70 percent of the resources required to launch projects benefiting local communities, supported 79 community projects in Brazil, Chile and Argentina. • Our operating mines hosted 95 site visits attended by 1,728 community members. • The Integration Program, which facilitates access to services focused on improving the quality of life for residents of communities surrounding our operations, supported 54 initiatives in the areas of healthcare, environmental education and awareness.

Full details of Yamana's 2010 Corporate Social Responsibility program will be contained in the 2010 Sustainability report, to be published in mid-2011.

The Yamana Management System (YMS)

Yamana has a responsibility to all its stakeholders to build and adhere to a strong sustainability program. In 2006 we developed an integrated management system that governs our activities in safety, health, environment and community relations. The system involves risk assessment, identification of all legal and contractual requirements, definition of company objectives and targets and includes procedures to ensure that we operate in compliance with our policies and management programs. Our system was developed based on best practices and international standards: the ISO 14001 Environmental Management System; OHSAS 18001 Occupational Health and Safety Management System; SA 8000 Social Accountability Standard; and the International Cyanide Management Code. Our system also helps to define corporate goals related to the reduction of natural resource consumption, zero accident targets and certifications. In order to verify compliance with the Yamana Management System, corporate audits are conducted at each mine site and development project. In 2010, adherence with the Yamana Management System increased to 91 percent, compared to 72 percent in 2009.



2010 Financial Review

Yamana Gold concluded the year with a robust balance sheet with $330 million in cash and cash equivalents and $858 million in total cash and available credit while realizing significant growth in revenue, adjusted earnings and operating cash flow.

Strength in numbers.

Management's Discussion & Analysis of Operations & Financial Condition

(United States Dollars unless otherwise specified, in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"))

A cautionary note regarding forward-looking statements follows this Management's Discussion and Analysis of Operations and Financial Condition.

1. CORE BUSINESS

Yamana Gold Inc. (the "Company" or "Yamana") is a Canadian based gold producer engaged in gold mining and related activities including exploration, extraction, processing and reclamation. The Company has significant properties involved in gold and other precious metal production, development, exploration and land positions throughout the Americas including Brazil, Argentina, Chile and Mexico.

The Company plans to continue to build on its current production base through existing operating mine expansions and throughput increases, the development of new mines, the advancement of its exploration properties and by targeting other gold consolidation opportunities in the Americas.

The Company is listed on the Toronto Stock Exchange (Symbol: YRI), The New York Stock Exchange (Symbol: AUY) and The London Stock Exchange (Symbol: YAU).

2. HIGHLIGHTS

Financial

Twelve months ended December 31, 2010

- Record revenues of $1.7 billion, an increase of 43% over 2009.
- Record net earnings of $451.4 million, representing basic and diluted earnings per share of $0.61, an increase of 130% over 2009.
- Record Adjusted Earnings of $451.2 million, representing basic and diluted Adjusted Earnings per share of $0.61, an increase of 30% over 2009.
- Record mine operating earnings of $747.9 million, a 60% increase from 2009.
- Record cash flows from continuing operations after changes in non-cash working capital of $613.1 million and cash flows from continuing operations before changes in non-cash working capital (non-GAAP measure – see Section 6) of $746.7 million, representing increases of 16% and 51%, respectively, compared with 2009.
- Cash and cash equivalents at December 31, 2010 were $330.5 million, a 94% increase from 2009.

Three months ended December 31, 2010

- Record revenues of $535.1 million, representing an increase of 34% over the same quarter of 2009.
- Net earnings of $160.4 million or $0.22 per share basic, more than 340% higher than the same quarter of 2009.
- Record Adjusted Earnings of $173.3 million or $0.23 per share, an increase of more than 70% from the same quarter of 2009.
- Record cash flows from continuing operations after changes in non-cash working capital of $236.9 million and cash flows from continuing operations before changes in non-cash working capital of $265.5 million, representing increases of 12% and 71%, respectively, from the fourth quarter of 2009.
- Record mine operating earnings of $271.3 million representing a 47% increase from the fourth quarter of 2009.

Operational

Twelve months ended December 31, 2010

- Record production from continuing operations of 1,047,191 gold equivalent ounces ("GEO").
- Production from continuing operations was 2% higher than production from continuing operations including commissioning production from Gualcamayo in 2009. Commercial production from continuing operations of wholly-owned mines is as follows:

For the year ended December 31, (in GEO)	**2010**	2009
Chapada	135,613	156,251
El Peñón	427,934	394,400
Jacobina	122,160	110,515
Gualcamayo	135,140	98,641
Minera Florida	105,604	91,877
Fazenda Brasileiro	70,084	76,413

- Record commercial gold production from continuing operations of 864,768 ounces and silver production of 10.0 million ounces. Silver is treated as a gold equivalent for which the Company applies an average historical gold to silver ratio of 55:1 in the calculation of GEO and uses this solely for period-over-period comparative purposes.
- Year-over-year increase in commercial production from continuing operations of wholly-owned mines was 7%, highlighted by record production at El Peñón and increases at Jacobina and Minera Florida of 11% and 15% respectively, compared with 2009; production at El Peñón also represents a record.
- Production of 135,140 ounces of gold at Gualcamayo during its first full year of operation.
- By-product cash costs of $50 per GEO from continuing operations, a decrease of 59% compared to 2009.
- Co-product cash costs from continuing operations of $442.
- Co-product cash costs per pound of copper at Chapada of $1.17 per pound on production of 149.4 million pounds of copper contained in concentrate.

Three months ended December 31, 2010

- Production from continuing operations of 286,682 GEO.
- Commercial gold production from continuing operations of 243,407 ounces and silver production of 2.4 million ounces.
- Production contributions from continuing operations of wholly-owned mines are as follows:

For the three months ended December 31, (in GEO)	**2010**	2009
Chapada	36,965	42,216
El Peñón	113,800	109,979
Jacobina	33,718	24,866
Gualcamayo	36,239	59,118
Minera Florida	32,048	24,198
Fazenda Brasileiro	19,852	17,535

- Record production at El Peñón in the fourth quarter. Quarterly production increases at Jacobina, Minera Florida and Fazenda Brasileiro of 36%, 32%, and 13% respectively, compared with the fourth quarter of 2009.
- Continued improvement and grade reconciliation at Jacobina with production increasing to 33,718 GEO, the fifth consecutive quarterly increase.
- By-product cash costs of *negative* $34 per GEO from continuing operations, compared with positive $38 per GEO in the same quarter of 2009.
- Co-product cash costs from continuing operations of $465 per GEO.
- Co-product cash costs per pound of copper at Chapada of $1.20 on production of 39.9 million pounds of copper contained in concentrate.

Development and Exploration

- A construction decision was formalized for the development of the Pilar project, which is expected to contribute average annual production of approximately 120,000 ounces of gold during an initial mine life of nine years.
- Continued advancement of the Agua Rica project on three fronts to optimize the project value: project advancement, active pursuit of strategic options, and strengthening the Company's relationship with the local government.
- New gold mineralized zones with favourable results discovered in near-mine exploration:
  - Chapada – completed pre-feasibility study of Suruca with results supporting additional reserves of 1.05 million ounces of gold.
  - Fazenda Brasileiro – discovery of CLX_2 representing the best and most immediate opportunity for increase in grades, increase in mineral resources and extension of mine life of Fazenda Brasileiro.
  - Jacobina – infill and step-out drilling results indicating high-grade mineralized zones at Morro do Vento and Canavieiras as significant near-mine targets likely to increase the grade of mineral reserves and resources.
  - Gualcamayo – discovery of the Rodado mineralized zone during tunnel development to reach QDD Lower West; continued exploration effort to extend Salamanca with update of inferred resources expected in early 2011.
  - El Peñón – discovery of Elizabeth, a new sub-parallel vein system intersecting a new mineralized structure 200 metres east of the Victoria Este vein system.
  - Minera Florida – discovery of Victoria, a high-grade deposit, representing new ounces to replace mined-out resources and reserves.
- Extensive exploration undertaken at Mercedes on mineralized target areas: Barrancas Vein-Laguna Zone, Barrancas Vein-Centro Zone and Lupita Vein-Diluvio Zone, advancing concurrently with mine construction.
- At Pilar, the main Jordino mineralization extended down dip with results indicating exploration upside and mineral resource growth.
- Proven and probable reserves of 17.4 million contained GEO, excluding Agua Rica, representing an increase of 34% from 2009.

3. OUTLOOK AND STRATEGY

The Company is focused on its objective to realize value by continuing to build sustainable and reliable gold production through optimizing existing operations, expanding current, near-term and in-development production plans, developing new operations and advancing its exploration properties. Over the course of the last three years since the transformation of the Company through the acquisition of Meridian in 2007, the Company has been following a steady path through organic growth with a disciplined approach in containing costs and ensuring effective management of capital expenditures with the objective of delivering shareholder value.

Production from continuing operations is expected to be in the range of approximately 1.04 million to 1.14 million gold equivalent ounces ("GEO") in 2011 and 1.2 million GEO to 1.32 million GEO in 2012, representing an overall increase of up to 27% in production from continuing operations by the year 2012. Production growth is expected to continue in 2013 to approximately 1.46 million GEO to 1.68 million GEO as four development stage projects, C1 Santa Luz, Mercedes, Minera Florida tailings and Ernesto/Pau-a-Pique where construction decisions have already been made, are expected to start contributing to production levels. By 2014, production is targeted to be more than 1.7 million GEO, which represents production growth over four years of approximately 65% compared to 2010 production levels. This production includes production from the existing mines and development projects for which construction decisions have been made, and it does not include any additional production from new projects, expansions and optimizations under current evaluation. Copper production is expected to be in the range of 145 million to 160 million pounds in 2011 and 140 million to 160 million pounds in 2012. Annual silver production is expected at approximately 9 million ounces in 2011 and 2012. The realization of these goals will partially depend on the successful start-up and ramp-up of the Company's current growth projects: Mercedes, Ernesto/Pau-a-Pique, CI Santa Luz and Pilar.

Additional production growth is expected from development projects currently under evaluation such as QDD Lower West and Caiamar, which would bring the Company to a target production level of 1.7 million GEO. The expansion at Chapada and Jacobina, exploration discoveries and robust value enhancing projects such as Agua Rica would contribute to longer term production growth.

The Company continues to increase the value of Agua Rica through simultaneous efforts in advancing the technical merit of the project, developing and working on strategic options including intense discussion with potential strategic partners, and continuing to progress its discussion with the local government with respect to advancing the project from the social licence and permitting standpoints. The Company continues to look for ways of realizing value from Agua Rica.

The Company remains focused on exploration through identifying and acquiring the best exploration properties in the Americas, developing a pool of talented geoscientists and replacing ounces at current operations.

A summary of the Company's development stage projects is provided below:

	Expected Average Annual Contribution	Expected Start-date
C1 Santa Luz *(i)*	100,000 gold ounces	Late-2012
Mercedes	120,000 GEO	Mid-2012
Ernesto/Pau-a-Pique *(i)*	100,000 gold ounces	Late-2012
Pilar	120,000 gold ounces	Early-2013

(i) In the first two full years of production at C1 Santa Luz, average annual production is expected to exceed 130,000 ounces and at Ernesto/Pau-a-Pique average annual production is expected to be approximately 120,000 ounces which would accelerate pay-back.

Estimated production on a mine-by-mine basis for 2011 and 2012 is as follows:

Estimated Production	**2011**	2012
Chapada	130,000 – 140,000	125,000 – 140,000
El Peñón *(i)*	420,000 – 440,000	420,000 – 450,000
Gualcamayo	150,000 – 170,000	165,000 – 180,000
Jacobina	120,000 – 135,000	130,000 – 145,000
Minera Florida *(i)*	115,000 – 130,000	140,000 – 155,000
Fazenda Brasileiro	60,000 – 80,000	60,000 – 70,000
Alumbrera (12.5% interest)	40,000 – 50,000	40,000 – 50,000
Development Projects		115,000 – 135,000
Total GEO	1,035,000 – 1,145,000	1,195,000 – 1,325,000
Total copper from Chapada (million pounds)	145 – 160	140 – 160

(i) Silver production is expected to be close to 9 million ounces in each of 2011 and 2012. Silver production is reported as GEO at a ratio of 50:1.

Cash costs for 2011 through 2013 are forecasted to be below $250 per GEO. Cash costs are calculated after base metal by-product credits. The Company believes that by-product cash costs are a better representation of the Company's cost structure as any erosion in costs due to mining inflation and the appreciation of the Chilean peso will be off-set by additional cash flow from increases in the copper price. Cash costs are reported annually and are expected to vary from quarter to quarter. Cash costs are also impacted by inflation year-over-year.

Cash costs (a non-GAAP measure – see Section 6) were estimated using the following copper price and exchange rates:

	2011	2012
Copper (US$/lb.)	3.40	3.40
Brazil – Reais/US$	1.80	1.80
Argentina – Pesos/US$	4.00	4.50
Chile – Pesos/US$	500.00	500.00

Cash costs are reported on a gold equivalent ounce and on a by-product basis (a non-GAAP measure – see Section 6) applying zinc and copper net revenue as a credit to the cost of gold production and as such the by-product gold equivalent ounce cash costs are impacted by realized zinc and copper prices. A gold equivalent ounce is determined by converting silver production to its gold equivalent using relative gold/silver metal prices of 50:1 and adding the converted silver production expressed in gold ounces to the ounces of gold production. The Company updated its gold/silver metal price ratio for 2011 to 50:1 (from a historical 55:1) given the current market price environment and trend for gold and silver.

Capital expenditures for 2011 are expected to be approximately $640 million, excluding capitalized exploration, of which $200 million is for sustaining capital. The 2011 sustaining capital includes approximately $50 million of spending on new initiatives relating to improvements in safety and environment, along with optimizations that will contribute to further efficiencies at all of the Company's operations. Development capital for 2011 includes the development of Pilar and the Gualcamayo expansion, for which construction decisions were made in mid 2010 and thereby supplements previously provided guidance. Development capital also includes construction for the first phase of development of Suruca, a project for which a pre-feasibility study was only recently completed, which will contribute to Chapada's gold production. These projects account for approximately $170 million in capital spending in 2011. Total development capital for each development project remains within expectations as noted in previous feasibility studies and guidance.

The Company expects to spend approximately $85 million on exploration, a continuation of the successful 2010 program. Yamana's 2011 exploration program will continue to focus on increasing mineral reserves and mineral resources with its near-mine and regional exploration programs, as well as continuing to explore greenfield targets.

With approximately $800 million of available cash and undrawn credit available at the end of 2010, in addition to expected robust cash flows from operations, the Company is fully funded for its expected growth.

To provide additional funding and the flexibility to execute the next growth phase and reduce overall debt exposure, in January 2011 the Company arranged to increase its revolving credit facility capacity to $750 million from $680 million.

4. OVERVIEW OF FINANCIAL RESULTS

Annual Financial Review

- Earnings from continuing operations of $440.1 million or $0.59 basic and diluted earnings per share, increase of 108% over 2009. Net earnings of $451.4 million or $0.61 basic and diluted earnings per share, an increase of 134% over 2009.
- Adjusted Earnings (non-GAAP measure – see Section 6) of $451.2 million or $0.61 per share, an increase of 30% over 2009.
- Revenues of $1.7 billion, an increase of 43% over 2009.
- Mine operating earnings of $747.9 million, an increase of approximately 60% over 2009.
- Cash flows from continuing operation after changes in non-cash working capital of $613.1 million, and cash flows from continuing operations before changes in non-cash working capital (a non-GAAP measure) of $746.7 million for the year, representing increases of 16% and 51%, respectively, over 2009.
- Cash and cash equivalents at the end of the year of $330.5 million (2009: $170.1 million).
- Total capital expenditures of $531.1 million.

The following table presents a summarized Statement of Operations for the Company's most recently completed fiscal years *(i)*:

(in thousands of United States Dollars)	**2010**	2009	2008
Revenues	$1,686,811	$1,183,314	$ 949,362
Cost of sales excluding depletion, depreciation and amortization	(631,063)	(479,847)	(413,635)
Depletion, depreciation and amortization	(300,711)	(233,687)	(175,907)
Accretion of asset retirement obligations	(7,163)	(2,282)	(1,834)
Mine operating earnings	747,874	467,498	357,986
Expenses			
General and administrative	(109,103)	(90,676)	(58,443)
Exploration	(39,184)	(25,433)	(22,409)
Other	(28,483)	(9,536)	(14,131)
Operating earnings	571,104	341,853	263,003
Other business expenses	(48,150)	(12,342)	(71,771)
Foreign exchange gain	32,115	74,515	131,921
Realized (loss) gain on derivatives	(5,476)	18,659	(10,048)
Unrealized gain (loss) on derivatives	1,948	(105,428)	166,216
Earnings from continuing operations before income taxes, equity earnings and non-controlling interest	551,541	317,257	479,321
Income tax expense	(160,690)	(136,559)	(25,727)
Equity earnings from Minera Alumbrera	49,264	31,073	25,763
Earnings from continuing operations	440,115	211,771	479,357
Earnings (loss) from discontinued operations *(i)*	11,329	(19,140)	(44,585)
Net earnings	$ 451,444	$ 192,631	$ 434,772
Earnings adjustments *(iii)*:			
Non-cash unrealized foreign exchange (gains)/losses	(32,614)	(36,672)	(133,353)
Non-cash unrealized losses/(gains) on derivatives	(1,948)	112,519	(175,408)
Non-recurring future income tax adjustments *(ii)*	3,173	35,826	-
Write-off of mineral interests and other assets	10,017	8,301	114,861
Stock-based and other compensation	19,571	23,275	2,648
Future income tax expense/(recovery) on transaction of intercompany debt	3,680	51,578	(37,243)
Mark-to-market on prior period sales and price and quantity settlements *(iv)*	-	-	116,631
Proceeds on sale of commodity derivatives	-	-	(47,000)
Adjusted Earnings before income tax effects	453,323	387,458	275,908
Income tax effect of adjustments	(2,132)	(41,327)	5,312
Adjusted Earnings *(iii)*	451,191	346,131	281,220
Basic earnings per share from continuing operations	$ 0.59	$ 0.29	$ 0.69
Basic earnings per share	$ 0.61	$ 0.26	$ 0.63
Adjusted Earnings per share *(iii)*	$ 0.61	$ 0.47	$ 0.41

(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations with restatement of prior period comparatives.

(ii) Non-recurring and non-cash tax adjustments on the revaluation of future income tax liabilities related to the excess purchase price of the Meridian Gold Inc. acquisition in respect to the mineral interests in Chile and a write-off of future income tax assets relating to discontinued operations.

(iii) A cautionary note regarding non-GAAP measures is included in Section 6 providing a discussion on Adjusted Earnings and its definition. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) stock-based compensation, (b) foreign exchange (gains) losses, (c) unrealized (gains) losses on commodity derivative, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments reflect both continuing and discontinued operations.

(iv) The non-recurring adjustment reflects the unprecedented volatility of copper prices in the fourth quarter of 2008.

Following the upward momentum of precious metal prices in the fourth quarter of 2009, precious metal prices continued to climb during 2010 in light of a weakened United States Dollar. The average realized prices for gold and silver in 2010 were up by 26% and 39%, respectively, compared with 2009. The Company's commercial gold ounces sold in 2010 were 12% higher than in 2009. Robust demand for copper from Asia also drove up copper prices. Year-to-year increase of average realized prices for copper was more than 38% accompanied by a 5% increase in copper pounds sold by the Company. An increase in metal prices combined with increased production contributed to increased earnings in 2010.

Net earnings for the year were $451.4 million compared with net earnings of $192.6 million in 2009 (2008 – $434.8 million). Basic earnings from continuing operations per share were $0.59 and basic net earnings per share were $0.61, compared with $0.29 per share and $0.26 per share, respectively, for 2009 (2008 – $0.69 per share and $0.63 per share, respectively).

Adjusted Earnings were $451.2 million or $0.61 per share for the year compared with Adjusted Earnings of $346.1 million or 0.47 per share for 2009 (2008 – $281.2 million or 0.41 per share). Higher Adjusted Earnings for 2010 were mainly due to increased revenues as a result of more favourable realized gold, copper and silver prices, increased production from continuing operations and higher equity earnings from the Company's 12.5% interest investment in Alumbrera, partly offset by lower realized gains on derivatives, higher exploration and other business expenses. Earnings from continuing operations for the year were $440.1 million compared with $211.8 million in 2009 (2008 – $479.4 million) mainly as a result of the same contributing factors as those for Adjusted Earnings in addition to lower non-cash foreign exchange gains and higher income taxes excluding effects on transactions of intercompany debt.

Higher mine operating earnings of $747.9 million for the year, compared with $467.5 million in 2009, represented a 60% increase from 2009. Year-over-year, revenues increased by 43% while cost of sales excluding depletion, depreciation and amortization only increased by 32%.

Gross revenues for the year were derived from the sale of 813,113 ounces of gold, 10.1 million ounces of silver and 143.8 million pounds of copper from continuing operations, excluding attributable gold ounces and copper pounds from Alumbrera. This compares with gross revenues for 2009 from sale of 769,636 ounces of gold (2008 – 657,478 ounces), 10.5 million ounces of silver (2008 – 9.8 million ounces) and 137.4 million pounds of copper (2008 – 131.9 million pounds) from continuing operations. Higher volumes were due to the gold ounces contribution from Chapada, El Peñón, Gualcamayo, Jacobina and Minera Florida, partly offset by decreased production at Fazenda Brasileiro.

The gross margin for the year as a percentage of revenues was 63% compared with 59% of 2009. The improvement in gross margin is attributable to increases in metal prices and cost containment efforts by the Company despite an environment of rising mining industry inflationary pressures and strengthening of local currencies in the countries where the Company's mines are located.

The average prices of gold, copper and silver for the year of 2010 and 2009 are summarized below:

	Realized Prices *(i)*		Market Prices	
For the twelve months ended December 31,	**2010**	2009	**2010**	2009
Gold (per oz.)	$ 1,237	$ 980	$ 1,225	$ 974
Silver (per oz.)	$ 20.70	$ 14.89	$ 20.24	$ 14.70
Copper (per lb.)	$ 3.37	$ 2.44	$ 3.42	$ 2.34

(i) Realized prices based on gross sales compared to market prices for metals may vary due to infrequent shipments and depending on timing of the sales. Realized prices reflect continuing operations.

Revenues for the year are comprised of the following:

For the year ended December 31, 2010	Quantity Sold	Realized Price	Revenues (in 000's)
Gold *(i)*	813,113 oz.	$ 1,237	$1,005,956
Silver	10,135,169 oz.	$ 20.70	209,766
Total Precious Metals	997,389 GEO		1,215,722
Copper *(i)*	143,761,489 lb.	$ 3.37	482,016
Gross Revenues			$1,697,738
Add (deduct):			
- Treatment and refining charges of gold and copper concentrate			$ (31,707)
- Sales taxes			(24,334)
- Metal price adjustments related to concentrate revenues			41,206
- Other adjustments			3,908
Revenues			$1,686,811

(i) Includes payable copper and gold contained in concentrate.

Cost of sales excluding depletion, depreciation and amortization for the year was $631.1 million compared to $479.8 million in 2009. The following table provides a reconciliation of the co-product cash costs to the cost of sales from continuing operations of the year:

For the year ended December 31, 2010	Gold Ounces or Pounds of Copper Produced	Co-product Cash Cost per unit	Total (in 000's)
Chapada – Gold	135,613 oz.	$ 327	$ 44,356
Chapada – Copper	149,380,557 lb.	1.17	175,194
El Peñón (GEO) *(i)*	427,934 oz.	428	183,201
Jacobina	122,160 oz.	535	65,367
Gualcamayo	135,140 oz.	506	68,368
Minera Florida (GEO) *(i)*	105,604 oz.	416	43,950
Fazenda Brasileiro	70,084 oz.	628	44,042
Co-product cash cost of sales (non GAAP measure)			$ 624,478
Add (deduct):			
- Inventory and other non-cash adjustments			11,781
- Chapada concentrate treatment and refining charges			(31,707)
- Other commercial costs			12,204
- Overseas freight for Chapada concentrate			14,307
Cost of sales excluding depletion, depreciation and amortization			**$ 631,063**

(i) Gold ounces reported are gold equivalent ounces for El Peñón and Minera Florida.

Depletion, depreciation and amortization ("DDA") expense of continuing operations for the year was $300.7 million compared with $233.7 million in 2009. Increase in DDA was mainly due to increased sales volume from continuing operations, and related to Gualcamayo beginning commercial production and the completion of various expansionary projects.

General and administrative expenses were $109.1 million for the year, comparable to $90.7 million in 2009 (2008 – $58.4 million) mainly due to general and administrative expenses at Gualcamayo that were previously capitalized during the construction phase and to an increase in employee related compensation including non-cash stock-based compensation.

Exploration expenses were $39.2 million for the year compared with $25.4 million in 2009 (2008 – $22.4 million), representing an increase in greenfield/grassroots exploration.

Other business expenses of $48.2 million compared with expenses of $12.3 million in 2009 (2008 – $71.8 million) were mainly due to the increase in borrowing and financing costs in 2010 and a reduction in interest being capitalized as the result of the completion of the Gualcamayo mine in mid-2009.

Foreign exchange gains of $32.1 million compared to gains of $74.5 million in 2009 (2008 – $131.9 million). Unrealized gains on derivatives were $1.9 million for the year versus unrealized derivative losses of $105.4 million in 2009 (2008 – $166.2 million gains), which was attributable to copper forward contracts driven by the volatility of copper prices in 2009.

The Company recorded equity earnings from its 12.5% interest in Alumbrera of $49.3 million for the year, compared with $31.1 million attributable to the Company in 2009 (2008 – $25.8 million). During the year, the Company received a total of $61.5 million in cash distributions from Alumbrera compared to $51.5 million received in 2009.

Cash and cash equivalents as at December 31, 2010 were $330.5 million compared to $170.1 million as at December 31, 2009. The cash inflows from operating activities of continuing operations after changes in non-cash working capital were $613.1 million for the current year and cash flows from operating activities of continuing operations before changes in non-cash working capital were $746.7 million.

In 2010, the Company declared cash dividends totaling $0.085 per share as the result of three announced increases of dividends within the year. In November 2010, the Company announced an increase to its annualized dividend to $0.12 per share, or $0.03 per share per quarter.

The table below represents selected financial data for the Company's three most recently completed fiscal years as presented in the audited consolidated financial statements *(i)*:

(in thousands of United States Dollars)	**2010**	2009	2008
Financial results			
Revenues *(ii)*	$1,686,811	$1,183,314	$ 949,362
Mine operating earnings	$ 747,874	$ 467,498	$ 357,986
Earnings from continuing operations	$ 440,115	$ 211,771	$ 479,357
Net earnings for the year	$ 451,444	$ 192,631	$ 434,772
Adjusted Earnings *(iv)*	$ 451,191	$ 346,131	$ 281,220
Cash flows from operating activities of continuing operations	$ 613,056	$ 528,026	$ 237,414
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) *(iv)*	$ 746,717	$ 495,619	$ 411,200
Cash flows to investing activities of continuing operations	$ (443,206)	$ (469,916)	$ (469,578)
Cash flows (to) from financing activities of continuing operations	$ (18,029)	$ (64,957)	$ 131,579
Per share financial results			
Earnings per share from continuing operations			
Basic	$ 0.59	$ 0.29	$ 0.69
Diluted	$ 0.59	$ 0.29	$ 0.68
Net Earnings per share			
Basic	$ 0.61	$ 0.26	$ 0.63
Diluted	$ 0.61	$ 0.26	$ 0.62
Adjusted Earnings per share			
Basic	$ 0.61	$ 0.47	$ 0.41
Diluted	$ 0.61	$ 0.47	$ 0.40
Financial position			
Cash and cash equivalents	$ 330,498	$ 170,070	$ 167,765
Total assets	$10,299,241	$9,707,260	$9,337,355
Total long-term liabilities	$2,609,653	$2,589,460	$2,419,640
Production			
Commercial GEO – continuing operations *(v)*	1,047,191	980,847	859,202
Commissioning GEO produced – continuing operations *(iii)*	-	44,830	-
GEO – discontinued operations *(i)*	43,287	175,338	123,695
Total GEO produced	1,090,478	1,201,015	982,897
Commercial GEO – continuing operations excluding 12.5% equity interest in Alumbrera *(v)*	996,535	928,097	796,152
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv) (v)*	$ 50	$ 123	$ 68
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv) (v)*	$ 442	$ 357	$ 352
Chapada concentrate production (tonnes)	264,195	248,940	244,301
Chapada copper contained in concentrate production (millions of lb.)	149.4	144.0	139.3
Chapada co-product cash costs per lb. of copper	$ 1.17	$ 0.99	$ 1.02
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lb.)	38.7	39.4	43.2
Alumbrera co-product cash costs per lb. of copper *(iii)*	$ 1.29	$ 1.49	$ 1.69
Alumbrera (12.5% interest) concentrate production (tonnes)	68,351	68,868	68,281
Gold Equivalent Ounces Breakdown – Continuing Operations			
Total gold ounces produced	864,768	835,265	668,876
Commercial gold ounces produced	864,768	790,435	668,876
Silver ounces produced (millions of ounces)	10.0	10.5	10.2
Sales			
Commercial gold sales – continuing operations (ounces)	862,053	769,636	657,478
Commissioning gold sales – continuing operations (ounces)	-	41,298	-
Gold sales – discontinued operations (ounces)	47,932	164,651	123,542
Total gold sales (ounces)	909,985	975,585	781,020
Commercial gold sales – continuing operations excluding Alumbrera (ounces)	813,113	717,018	596,159
Chapada payable copper contained in concentrate sales (millions of lb.)	143.8	137.4	131.9
Chapada concentrate sales (tonnes)	264,825	261,841	241,341
Silver sales (millions of ounces)	10.1	10.5	9.8
Average realized gold price per ounce *(ii)*	$ 1,237	$ 980	$ 871
Average realized copper price per pound (excluding derivative contracts) *(ii)*	$ 3.37	$ 2.44	$ 3.17
Average realized silver price per ounce *(ii)*	$ 20.70	$ 14.89	$ 15.18

(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with GAAP) with restatement of prior period comparatives.

(ii) Revenues consist of sales net of sales taxes. Revenue per ounce data is calculated based on gross sales. Realized prices reflect continuing operations.

(iii) Including commissioning gold ounces from Gualcamayo produced or sold.

(iv) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis of Operations and Financial Condition.

(v) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio (55:1) which is a historical average of prices and is used and presented solely for period-over-period comparative purposes only.

Quarterly Financial Review

- Net earnings and earnings from continuing operations of $160.4 million or $0.22 basic and diluted earnings per share, an increase of 200% over 2009.
- Adjusted Earnings of $173.3 million or $0.23 basic and diluted earnings per share, an increase of 72% over the same quarter of 2009.
- Revenues of $535.1 million, up 34% from the fourth quarter of 2009.
- Mine operating earnings of $271.3 million, an increase of 47% from the fourth quarter of 2009.
- Cash flows from continuing operations after changes in non-cash working capital of $236.9 million compared with $211.2 million in the fourth quarter in 2009. Cash flow from continuing operations before changes in non-cash working capital of $265.5 million.
- Capital expenditures of $168.4 million for the quarter.

The following table presents a summarized Statement of Operations for the Company's most recently completed and comparative quarter *(i)*:

Three Months Ended December 31, (in thousands of United States Dollars)	**2010**	2009
Revenues	$ 535,130	$ 399,825
Cost of sales excluding depletion, depreciation and amortization	(178,341)	(141,695)
Depletion, depreciation and amortization	(83,291)	(73,108)
Accretion of asset retirement obligations	(2,206)	(681)
Mine operating earnings	271,292	184,341
Expenses		
General and administrative	(29,966)	(29,791)
Exploration	(9,485)	(11,474)
Other	(13,786)	(8,728)
Operating earnings (loss)	218,055	134,348
Other business expenses	(8,964)	(19,710)
Foreign exchange loss	(3,974)	(13,305)
Realized loss on derivatives	-	(9,190)
Unrealized loss on derivatives	(506)	(8,478)
Earnings from continuing operations before income taxes, equity earnings and non-controlling interest	204,611	83,665
Income tax expense	(63,302)	(42,415)
Equity earnings from Minera Alumbrera	19,124	12,208
Earnings from continuing operations	160,433	53,458
Loss from discontinued operations *(i)*	-	(17,283)
Net earnings	$ 160,433	$ 36,175
Earnings Adjustments *(ii)*:		
Non-cash unrealized foreign exchange losses	3,974	20,314
Non-cash unrealized losses on derivatives	506	9,666
Non-recurring future income tax adjustment	-	15,234
Write-off of mineral interests and other assets	4,272	8,301
Stock-based and other compensation	3,339	15,380
Future income tax expense on translation of intercompany debt	1,751	1,613
Adjusted Earnings before income tax effects	174,275	106,683
Income tax effect of adjustments	(975)	(5,820)
Adjusted Earnings *(ii)*	$ 173,300	$ 100,863
Basic earnings per share	$ 0.22	$ 0.05
Diluted earnings per share	$ 0.22	$ 0.05
Adjusted Earnings per share *(ii)*	$ 0.23	$ 0.14

(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with GAAP) with restatement of prior period comparatives.

(ii) A cautionary note regarding non-GAAP measures is included in Section 6 providing a discussion on Adjusted Earnings and its definition. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) stock-based compensation, (b) foreign exchange (gains) losses, (c) unrealized (gains) losses on commodity derivatives, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments reflect both continuing and discontinued operations.

Gold prices were robust throughout the year and remained strong during the quarter due to increased demand for gold by investors as a hedge against the weakened United States Dollar and concerns about the debt problems experienced by certain European countries. Prices for silver increased by 60% quarter-over-quarter and prices for copper increased 20% over the same quarter of 2009.

Net earnings for the quarter were $160.4 million compared with net earnings of $36.2 million for the fourth quarter of 2009, which included losses from discontinued operations of $17.3 million. Earnings per share were $0.22 on a basic and diluted basis for the fourth quarter of 2010, compared with basic and diluted earnings per share of $0.05 for the same quarter in 2009.

Adjusted Earnings were $173.3 million or $0.23 per share in the fourth quarter of 2010 compared with $100.9 million or $0.14 per share in the same quarter of 2009. Higher Adjusted Earnings in the fourth quarter of 2010 were mainly due to an increase in adjusted revenues and equity earnings, lower realized loss on derivatives and absence of losses from discontinued operations compared with the same quarter of 2009.

Earnings from continuing operations for the fourth quarter were $160.4 million compared with earnings from continuing operations of $53.5 million in the same quarter in 2009. Higher earnings from continuing operations were mainly due to higher mine operating earnings and equity earnings from the Company's 12.5% interest in Alumbrera, lower foreign exchanges losses and lower losses on derivatives in the fourth quarter of 2010.

Revenues of $535.1 million in the fourth quarter compared with $399.8 million in the same quarter of 2009 were mainly due to higher prices for gold, copper and silver. Higher revenues also contributed to higher mine operating earnings of $271.3 million in the quarter, compared with $184.3 million in the fourth quarter of 2009.

The average prices of gold, copper and silver for the fourth quarter of 2010 and 2009 are summarized below:

	Realized Prices *(i)*		Market Prices	
For the three months ended December 31,	**2010**	2009	**2010**	2009
Gold (per oz.)	$ 1,374	$ 1,095	$ 1,367	$ 1,101
Silver (per oz.)	$ 28.20	$ 17.47	$ 26.50	$ 17.58
Copper (per lb.)	$ 3.81	$ 3.18	$ 3.92	$ 3.02

(i) Realized prices based on gross sales compared to market prices for metals may vary due to infrequent shipments and depending on timing of the sales. Realized prices reflect continuing operations.

Revenues for the quarter are comprised of the following:

For the quarter ended December 31, 2010	Quantity Sold	Realized Price	Revenues (in 000's)
Gold *(i)*	221,757 oz.	$ 1,374	$ 304,713
Silver	2,397,581 oz.	$ 28.20	67,603
Total Precious Metals	265,349 GEO		372,316
Copper *(i)*	39,592,894 lb.	$ 3.81	150,964
Gross Revenues			$ 523,280
Add (deduct):			
- Treatment and refining charges of gold and copper concentrate			$ (9,495)
- Sales taxes			(7,196)
- Metal price adjustments related to concentrate revenues			27,033
- Other adjustments			1,508
Revenues			**$ 535,130**

(i) Includes payable copper and gold contained in concentrate.

Cost of sales excluding depletion, depreciation and amortization for the quarter was $178.3 million compared with $141.7 million in the fourth quarter of 2009. The following table provides a reconciliation of the co-product cash costs to the cost of sales from continuing operations of the quarter:

For the quarter ended December 31, 2010	Gold Ounces or Pounds of Copper Produced	Co-product Cash Cost per unit	Total (in 000's)
Chapada – Gold	36,965 oz.	$ 323	$ 11,922
Chapada – Copper	39,929,866 lb.	1.20	47,793
El Peñón (GEO) *(i)*	113,800 oz.	421	47,959
Jacobina	33,718 oz.	495	16,693
Gualcamayo	36,239 oz.	662	23,982
Minera Florida (GEO) *(i)*	32,048 oz.	479	15,355
Fazenda Brasileiro	19,852 oz.	705	14,003
Co-product cash cost of sales (non GAAP measure)			$ 177,707
Add (deduct):			
- Inventory and other non-cash adjustments			2,659
- Chapada concentrate treatment and refining charges			(9,495)
- Other commercial costs			3,413
- Overseas freight for Chapada concentrate			4,057
Cost of sales excluding depletion, depreciation and amortization			**$ 178,341**

(i) Gold ounces reported are gold equivalent ounces for El Peñón and Minera Florida.

Depletion, depreciation and amortization ("DDA") expense for the quarter was $83.3 million, a 14% increase from $73.1 million in the fourth quarter of 2009. Increase in DDA was mainly due to an increase in sales volume from continuing operations and the completion of various expansionary projects.

General and administrative expenses of $30.0 million for the quarter remained flat versus the last quarter of 2009. Interest and financing expenses net of investment income or other business expense for the quarter was $9.0 million compared with expense of $19.7 million in the fourth quarter of 2009, which included $8.3 million of expenses on the extinguishment of debt. The Company has also capitalized higher interest expense in the fourth quarter of the current year compared with the same quarter of 2009.

The Company recorded equity earnings from its 12.5% interest in Alumbrera of $19.1 million for the quarter, compared with earnings of $12.2 million attributable to the Company in the quarter ended December 31, 2009. During the quarter, the Company received a total of $24.1 million of cash dividends from Alumbrera compared to $19.1 million in the fourth quarter of 2009.

Cash flow from continuing operations after changes in non-cash working capital was a $236.9 million inflow for the fourth quarter compared with a $211.2 million inflow for the quarter ended December 31, 2009, and cash flow from operations before changes in working capital of $265.5 million compared with $155.2 million for the last quarter of 2009. The difference between operating cash flow before and after changes in working capital is primarily accounted for by the movement in trade accounts receivable as metal prices were higher at the end of 2010 versus 2009 and by higher metal quantities reflected in trade accounts receivable due to the timing of sales. The increase in cash flows from continuing operations and production was primarily due to an increase in gold and copper prices generating higher sales revenues and positive pricing adjustments for copper in concentrate.

The table below presents selected quarterly financial and operating data *(i)*:

(in thousands of United States Dollars)	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Financial results				
Revenues *(ii)*	$ 535,130	$ 453,965	$ 351,374	$ 346,341
Mine operating earnings	$ 271,292	$ 201,215	$ 145,454	$ 129,911
Earnings from continuing operations	$ 160,433	$ 123,181	$ 84,314	$ 72,187
Net earnings for the period	$ 160,433	$ 120,685	$ 90,788	$ 79,539
Adjusted Earnings *(iv)*	$ 173,300	$ 118,866	$ 85,818	$ 73,206
Cash flows from operating activities of continuing operations	$ 236,893	$ 153,320	$ 97,172	$ 125,671
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) *(iv)*	$ 265,516	$ 208,815	$ 134,556	$ 137,830
Cash flows to investing activities of continuing operations	$ (146,256)	$ (133,181)	$ (46,878)	$ (116,891)
Cash flows (to) from financing activities of continuing operations	$ (37,778)	$ (10,572)	$ (11,144)	$ 41,465
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.22	$ 0.17	$ 0.11	$ 0.10
Diluted	$ 0.22	$ 0.17	$ 0.11	$ 0.10
Earnings per share				
Basic	$ 0.22	$ 0.17	$ 0.12	$ 0.11
Diluted	$ 0.22	$ 0.17	$ 0.12	$ 0.11
Adjusted Earnings per share				
Basic	$ 0.23	$ 0.16	$ 0.12	$ 0.10
Diluted	$ 0.23	$ 0.16	$ 0.12	$ 0.10
Financial Position				
Cash and cash equivalents	$ 330,498	$ 279,691	$ 262,223	$ 221,983
Total assets	$10,299,241	$10,047,376	$ 9,828,490	$ 9,761,649
Total long-term liabilities	$ 2,609,653	$ 2,601,621	$ 2,810,831	$ 2,823,719
Production				
Commercial GEO – continuing operations *(v)*	286,682	267,409	253,264	239,836
GEO – discontinued operations *(i)*	-	-	10,052	33,236
Total GEO produced	286,682	267,409	263,316	273,072
Commercial GEO – continuing operations excluding 12.5% equity interest in Alumbrera *(v)*	272,621	256,039	241,794	226,081
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ (34)	$ 58	$ 104	$ 86
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 465	$ 439	$ 434	$ 423
Chapada concentrate production (tonnes)	69,869	76,808	65,859	51,659
Chapada copper contained in concentrate production (millions of lb.)	39.9	42.8	37.0	29.7
Chapada co-product cash costs per pound of copper	$ 1.20	$ 1.14	$ 1.13	$ 1.24
Alumbrera (12.5% interest) concentrate production (tonnes)	16,422	15,487	16,480	19,961
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lb.)	9.3	8.3	9.3	11.8
Alumbrera co-product cash costs per lb. of copper *(iv)*	1.37	1.53	1.52	0.89
Gold Equivalent Ounces Breakdown – Continuing Operations				
Total gold ounces produced	243,407	222,299	208,399	190,663
Silver ounces produced (millions of ounces)	2.4	2.5	2.5	2.7
Sales				
Commercial gold sales – continuing operations (ounces)	234,708	227,189	202,559	197,597
Gold sales – discontinued operations (ounces)	-	-	11,268	36,664
Total gold sales (ounces)	234,708	227,189	213,827	234,261
Commercial gold sales – continuing operations excluding Alumbrera (ounces)	221,757	217,094	186,921	187,341
Chapada concentrate sales (tonnes)	74,009	81,127	57,895	51,795
Chapada payable copper contained in concentrate sales (millions of lb.)	39.6	43.5	31.6	29.1
Silver sales (millions of ounces)	2.4	2.5	2.6	2.7
Average realized gold price per ounce *(ii)*	$ 1,374	$ 1,235	$ 1,201	$ 1.114
Average realized copper price per pound (excluding derivative contracts) *(ii)*	$ 3.81	$ 3.27	$ 3.07	$ 3.25
Average realized silver price per ounce *(ii)*	$ 28.20	$ 19.73	$ 18.45	$ 17.07

(in thousands of United States Dollars)	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Financial results				
Revenues *(ii)*	$ 399,825	$ 333,179	$ 236,710	$ 213,600
Mine operating earnings	$ 184,341	$ 136,419	$ 81,558	$ 65,180
Earnings from continuing operations	$ 53,458	$ 54,446	$ 21,400	$ 82,466
Net earnings for the period	$ 36,175	$ 60,823	$ 9,641	$ 85,993
Adjusted Earnings *(iv)*	$ 100,863	$ 88,340	$ 95,814	$ 64,257
Cash flows from operating activities of continuing operations	$ 211,206	$ 144,249	$ 112,967	$ 59,604
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) *(iv)*	$ 155,225	$ 167,741	$ 101,778	$ 70,876
Cash flows to investing activities of continuing operations	$ (90,532)	$ (152,160)	$ (120,143)	$ (107,081)
Cash flows (to) from financing activities of continuing operations	$ (10,578)	$ (28,212)	$ 2,559	$ (28,726)
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.07	$ 0.07	$ 0.03	$ 0.11
Diluted	$ 0.07	$ 0.07	$ 0.03	$ 0.11
Earnings per share				
Basic	$ 0.05	$ 0.08	$ 0.01	$ 0.12
Diluted	$ 0.05	$ 0.08	$ 0.01	$ 0.12
Adjusted Earnings per share				
Basic	$ 0.14	$ 0.12	$ 0.13	$ 0.09
Diluted	$ 0.14	$ 0.12	$ 0.13	$ 0.09
Financial Position				
Cash and cash equivalents	$ 170,070	$ 97,498	$ 93,102	$ 91,816
Total assets	$9,707,260	$9,550,270	$9,421,659	$9,323,552
Total long-term liabilities	$2,589,460	$2,445,613	$2,609,653	$2,347,353
Production				
Commercial GEO – continuing operations *(v)*	289,456	269,191	217,162	205,038
GEO – discontinued operations *(i)*	35,796	45,516	48,065	45,961
Commissioning GEO produced *(ii)*	-	-	24,347	20,483
Total GEO produced	325,252	314,707	289,574	271,482
Commercial GEO – continuing operations excluding 12.5% equity interest in Alumbrera *(v)*	277,912	259,359	201,533	189,293
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 38	$ 47	$ 111	$ 357
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 366	$ 350	$ 362	$ 347
Chapada copper contained in concentrate production (millions of lb.)	37.0	36.3	35.6	35.0
Chapada co-product cash costs per pound of copper	$ 1.05	$ 1.07	$ 0.91	$ 0.93
Gold Equivalent Ounces Breakdown – Continuing Operations				
Total gold ounces produced	238,438	216,273	196,096	184,458
Silver ounces produced (millions of ounces)	2.8	2.9	2.5	2.3
Sales				
Commercial gold sales – continuing operations (ounces)	232,923	215,138	161,388	160,187
Commissioning gold sales (ounces)	-	-	24,698	16,600
Gold sales – discontinued operations (ounces)	35,941	40,601	44,187	43,922
Total gold sales (ounces)	268,864	255,739	230,273	220,709
Commercial gold sales – continuing operations excluding Alumbrera (ounces)	222,008	203,947	145,695	145,368
Chapada payable copper contained in concentrate sales (millions of lb.)	34.6	36.2	34.2	32.4
Silver sales (millions of ounces)	2.9	2.8	2.4	2.4
Average realized gold price per ounce *(ii)*	$ 1,095	$ 962	$ 922	$ 906
Average realized copper price per pound (excluding derivative contracts) *(ii)*	$ 3.18	$ 2.74	$ 2.06	$ 1.53
Average realized silver price per ounce *(ii)*	$ 17.47	$ 14.97	$ 14.03	$ 12.59

(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations with restatement of prior period comparatives.

(ii) Revenues consist of sales net of sales taxes. Revenue per ounce data is calculated based on gross sales. Realized prices reflect continuing operations.

(iii) Including commissioning gold ounces from Gualcamayo produced or sold.

(iv) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis of Operations and Financial Condition.

(v) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio (55:1).

5. MINES AND DEVELOPMENT PROJECTS

Overview of Annual Operating Results

In 2010, production of gold equivalent ounces ("GEO") from continuing operations totaled 1,047,191 GEO compared with 980,847 GEO in 2009, representing a year-to-year increase of 7%. Compared with production from continuing operations including the commissioning GEO from Gualcamayo in 2009, the year-to-year increase was 2%.

Copper production of 149.4 million pounds from the Chapada mine for the year increased by 4% over production of 144.0 million pounds in 2009. Tonnage of copper concentrate production at Chapada also increased by 6% over the prior year. Additionally, 38.7 million pounds of copper produced from Alumbrera were attributable to the Company in 2010, compared to 39.4 million pounds in 2009.

By-product cash costs of continuing operations including Alumbrera were $50 per GEO and excluding Alumbrera were $124 per GEO compared with $123 per GEO and $170 per GEO, respectively, in 2009. The concept of by-product cash costs takes into account the natural hedge of by-product metal prices for the Company's production cost structure. By-product credits inherently offset unusually high mining inflation during periods of high metal prices. The Company believes that by-product cash costs are a better representation of its cost structure. Lower by-product cash costs compared to last year reflect strong cost constraint and the strengthening of copper prices which mitigated cost pressures due to mining industry inflation and the appreciation of currencies in the countries where the Company's mines are located.

Average co-product cash costs of continuing operations for the year were $442 per GEO including Alumbrera and $451 per GEO excluding Alumbrera. This compares to co-product cash costs of continuing operations of $357 per GEO and $356 per GEO, respectively, for the year ended December 31, 2009 (2008: $352 per GEO and $346 per GEO). The increase in average co-product costs was mainly due to the strengthened exchange rates for the Brazilian Reais and Chilean Pesos.

Co-product cash costs per pound of copper were $1.17 for the year from Chapada, compared with $0.99 for the year ended December 31, 2009. Co-product cash costs for the year, including the Company's interest in the Alumbrera mine, were $1.20 per pound, compared with $1.10 for 2009.

Total production of GEO in 2010 is summarized below with comparatives:

For the twelve months ended December 31, (in GEO)	**2010**	2009	2008
Production from:			
Commercial – continuing operations excluding Alumbrera	996,535	928,097	796,152
Discontinued operations	43,287	175,338	123,695
Alumbrera (12.5% interest)	50,656	52,750	63,050
Commissioning of Gualcamayo	-	44,830	-
Total production	1,090,478	1,201,015	982,897

The following table summarizes GEO commercial production from continuing operations by mine with comparatives:

For the twelve months ended December 31,	**2010**		2009		2008	
	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO ($) *(i)*	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO ($) *(i)*	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO ($) *(i)*
BRAZIL						
Chapada	135,613	(2,073)	156,251	(848)	150,037	(984)
Jacobina	122,160	535	110,515	476	73,240	411
Fazenda Brasileiro	70,084	628	76,413	453	96,092	423
CHILE						
El Peñón *(ii)*	427,934	428	394,400	353	407,944	308
Minera Florida *(ii)*	105,604	416	91,877	373	64,617	398
ARGENTINA						
Gualcamayo	135,140	506	98,641	301	n/a	n/a
OTHER						
Rossi (40% interest)	-	-	-	-	4,222	661
Total commercial production from continuing operations, excluding Alumbrera	996,535	124	928,097	170	796,152	97
Alumbrera (12.5% interest)	50,656	(1,404)	52,750	(703)	63,050	(304)
Total commercial production from continuing operations	1,047,191	50	980,847	123	859,202	68

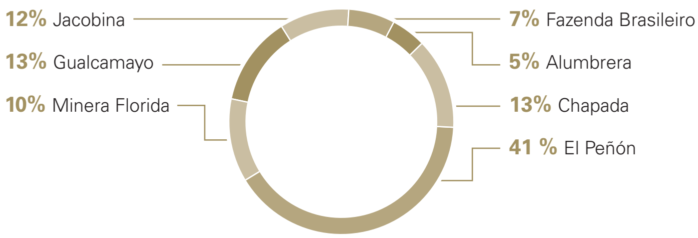
(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

(ii) 2010 gold production: El Peñón – 256,530 ounces; Minera Florida – 94,585 ounces; and silver production: El Peñón – 9.4 million ounces; Mineral Florida – 0.6 million ounces.

Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average historical gold to silver ratio (55:1) which is used and presented solely for period-over-period comparative purposes only.

The Company's proven and probable GEO reserves of 25.1 million GEO (contained gold – 22.1 million; contained silver 167.3 million) increased 23% from 2009. Excluding Agua Rica, proven and probable reserves were 16.6 million GEO. Most of the Company's mines showed an increase in reserves after depletion of mined GEO with most notable increases at Chapada, Jacobina, Gualcamayo, Pilar and Jeronimo. Measured and Indicated resources increased by 9% to 15.3 million GEO from 2009. Measured and Indicated resources excluding Agua Rica were 14.1 million GEO, representing a 19% increase from 2009. Total mineral resources as at the end of December 31, 2009 were 26.1 million GEO. Refer to Section 19 – "Mineral Reserve and Resource Estimates" for a detailed discussion on the Company's mineral reserve and resources estimates and metal price assumptions. Complete information relating to mineral reserves and resources is also contained in a mineral resource and mineral reserve table accompanying the 2010 annual report.

2010 Production from Continuing Operations Gold Equivalent Ounces by Mine



Overview of Quarterly Operating Results

Production from continuing operations was 286,682 GEO for the quarter, including the Company's proportionate interest in production from the Alumbrera mine of 14,061 gold ounces, compared with production from continuing operations of 289,456 GEO, including production of 11,544 gold ounces from Alumbrera, for the comparative quarter ended December 31, 2009.

By-product cash costs from continuing operations including Alumbrera averaged *negative* $34 per GEO and excluding Alumbrera were positive $45 per GEO compared with positive $38 per GEO and positive $111 per GEO, respectively, in the fourth quarter of 2009. Co-product cash costs (a non-GAAP measure, see Section 6) from continuing operations including Alumbrera were $465 per GEO and excluding Alumbrera were $477 per GEO for the quarter compared with $366 per GEO and $369 per GEO, respectively, for the fourth quarter of 2009.

Copper production for the quarter ended December 31, 2010 was 39.9 million pounds from the Chapada mine, compared with 37.0 million pounds for the fourth quarter 2009. Additionally, 9.3 million pounds of copper were produced from Alumbrera attributable to the Company, compared with 10.8 million pounds for the quarter ended December 31, 2009. Total copper production for the fourth quarter was 49.2 million pounds.

Co-product cash costs per pound of copper were $1.20 for the quarter from the Chapada mine versus $1.05 per pound for the fourth quarter in 2009. Co-product cash costs per pound of copper for the quarter including the Company's interest in the Alumbrera mine were $1.23 per pound, representing no change from the quarter ended December 31, 2009.

Total production of GEO for the four quarters of 2010 is summarized below:

For the three months ended (in GEO)	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Production from:				
Commercial – continuing operations excluding Alumbrera	272,621	256,039	241,794	226,081
Discontinued operations	-	-	10,052	33,236
Alumbrera (12.5% interest)	14,061	11,370	11,469	13,756
Total production	286,682	267,409	263,315	273,073

The following table summarizes the production from continuing operations by mine for the four quarters of 2010:

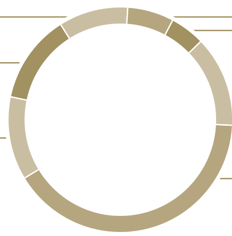
For the three months ended	December 31, 2010		September 30, 2010		June 30, 2010		March 31, 2010	
	GEO	By-product Cash Costs per GEO ($) *(i)*	GEO	By-product Cash Costs per GEO ($) *(i)*	GEO	By-product Cash Costs per GEO ($) *(i)*	GEO	By-product Cash Costs per GEO ($) *(i)*
BRAZIL								
Chapada	36,965	(2,863)	40,405	(1,856)	30,450	(1,583)	27,793	(1,876)
Jacobina	33,718	495	33,637	463	29,785	534	25,022	687
Fazenda Brasileiro	19,852	705	17,161	620	18,333	559	14,738	622
CHILE								
El Peñón *(ii)*	113,800	421	105,212	461	100,485	449	108,437	384
Minera Florida *(ii)*	32,048	479	27,652	425	25,274	370	20,630	363
ARGENTINA								
Gualcamayo	36,239	662	31,972	480	37,467	429	29,462	443
Total commercial production from continuing operations, excluding Alumbrera	272,621	45	256,039	105	241,794	200	226,082	161
Alumbrera (12.5% interest)	14,061	(1,556)	11,370	(993)	11,469	(1,938)	13,755	(1,142)
Total commercial production from continuing operations	286,682	(34)	267,409	58	253,263	104	239,837	86

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

(ii) 2010 fourth quarter gold production: El Peñón – 74,785 ounces; Minera Florida – 27,787 ounces; and silver production: El Peñón – 2.1 million ounces; Mineral Florida – 0.2 million ounces.

Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average historical gold to silver ratio (55:1) which is used and presented solely for quarter-over-quarter comparative purposes only.

Production from Continuing Operations in the Fourth Quarter 2010 Gold Equivalent Ounces by Mine



CHAPADA MINE

Operating Statistics	Three months ended December 31, 2010	Three months ended December 31, 2009	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
Production					
Concentrate (tonnes)	69,869	63,990	264,195	248,940	244,301
Gold contained in concentrate production (ounces)	36,965	42,216	135,613	156,251	150,037
Copper contained in concentrate (millions of pounds)	39.9	37.0	149.4	144.0	139.3
Co-product cash costs per oz. of gold produced *(i)*	$ 323	$ 230	$ 327	$ 258	$ 337
Co-product cash costs per lb. of copper produced *(i)*	$ 1.20	$ 1.05	$ 1.17	$ 0.99	$ 1.02
By-product cash costs per oz. of gold produced *(i)*	$ (2,863)	$ (1,468)	$ (2,073)	$ (848)	$ (984)
Ore mined (tonnes)	5,228,059	4,457,232	21,482,527	16,998,887	14,521,140
Ore processed (tonnes)	4,757,679	4,609,853	19,195,578	17,307,429	14,942,848
Gold ore grade (g/t)	0.37	0.42	0.35	0.41	0.44
Copper ore grade (%)	0.44	0.42	0.41	0.43	0.47
Concentrate grade – gold (g/t)	16.46	20.49	15.97	19.63	19.32
Concentrate grade – copper (%)	25.9	26.27	25.6	26.24	25.86
Gold recovery rate (%)	64.9	67.1	62.3	69.0	71.0
Copper recovery rate (%)	86.2	87.6	86.5	88.0	89.6
Sales					
Concentrate (tonnes)	74,009	63,646	264,825	261,841	241,341
Payable gold contained in concentrate (ounces)	31,421	39,933	127,450	143,939	149,549
Payable copper contained in concentrate (millions of pounds)	39.6	34.6	143.8	137.4	131.9
Depletion, depreciation and amortization per gold ounce sold	$ 75	$ 56	$ 67	$ 54	$ 47
Depletion, depreciation and amortization per copper pound sold	$ 0.18	$ 0.15	$ 0.18	$ 0.13	$ 0.15

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

(ii) Quantities sold include quantity adjustment on provisional and final invoice settlements.

Chapada produced a total of 36,965 ounces of gold contained in concentrate in the fourth quarter compared with 42,216 ounces of gold in concentrate in the fourth quarter of 2009. Production of copper from Chapada was 39.9 million pounds in the fourth quarter compared with 37.0 million pounds of copper contained in concentrate during the comparable period in 2009.

Planned lower gold production in the quarter, compared with the fourth quarter of 2009, was mainly due to lower ore grades despite higher tonnage of ore mined and processed. The average recovery rate for gold was also marginally lower in the fourth quarter compared with the same quarter of 2009. Tonnage of ore mined increased by 17% over the fourth quarter of 2009. Increase in production is expected to continue as a result of current plant optimization initiatives undertaken by the Company.

Production of copper increased in the quarter compared with the same quarter of 2009, mainly as the result of higher grades and higher tonnage of ore mined and processed. By-product cash costs for the quarter were *negative* $2,863 per GEO, compared with *negative* $1,468 per GEO for the same quarter of 2009. Higher by-product cash costs credits reflect the strength of copper prices and increased copper production at Chapada.

Co-product cash costs for the quarter were $323 per gold ounce and $1.20 per pound of copper which compared with $230 per gold ounce and $1.05 per pound of copper for the same quarter of 2009. The Company has hedged approximately 40% of the currency exposure related to operating expenses at Chapada.

Over the past year, copper contained in concentrate has remained within the range of 35-40 million pounds per quarter. An appreciating Brazilian Real continues to put pressure on product cash costs. Also, associated overseas transportation costs, which are a function of sales volume and distance from the customers, were approximately $4.1 million for fourth quarter of 2010 compared to $1.2 million in the comparative period of 2009.

Total production at Chapada for 2011 is expected to be between 130,000 to 140,000 ounces of gold and 145 million to 160 million pounds of copper.

Total revenue for the quarter net of sales taxes and treatment and refining costs was $209.3 million. Revenue includes positive mark-to-market adjustments and final and provisional pricing-quantity settlements in the quarter of positive $18.8 million, representing an increase in revenue from increasing copper prices during the quarter compared to the third quarter of 2010.

The Company recently completed a pre-feasibility study on its wholly-owned Suruca gold deposit, which is located approximately six kilometres northeast of Chapada. The pre-feasibility study was prepared on the basis of reviewing the merits of the Suruca project's development incorporating three distinct phases or components to the project. These are: (1) the processing of Suruca oxides via conventional heap leach processing; (2) the production of additional gold from the Chapada processing plant; and (3) the processing of Suruca sulphides through new processing facilities to be added to the Chapada plant. A detailed discussion on these phases of development is included in Section 20 "Exploration and Development".

The positive pre-feasibility study on Suruca supports the addition of mineral reserves for Chapada of approximately 1.05 million ounces of gold, 268,000 ounces from the oxides and 784,000 from sulphides.

EL PEÑÓN

Operating Statistics	Three months ended December 31, 2010	December 31, 2009	Years ended December 31, 2010	December 31, 2009	December 31, 2008
Production					
Gold equivalent (ounces)	113,800	109,979	427,934	394,400	407,944
Gold production (ounces)	74,785	62,199	256,530	215,846	224,990
Silver production (ounces)	2,145,809	2,627,893	9,427,208	9,820,475	9,864,275
Cash costs per gold equivalent ounce produced *(i)*	$ 421	$ 382	$ 428	$ 353	$ 308
Ore mined (tonnes)	333,243	349,735	1,301,877	1,314,759	1,084,953
Ore processed (tonnes)	366,424	330,631	1,522,366	1,271,594	1,124,566
Gold ore grade (g/t)	6.94	6.43	5.74	5.78	6.73
Silver ore grade (g/t)	229.21	288.30	228.47	276.32	307.97
Gold recovery rate (%)	91.3	90.4	91.2	91.2	92.0
Silver recovery rate (%)	79.5	85.0	84.1	86.9	87.6
Sales					
Gold sales (ounces)	75,219	62,950	258,301	219,764	216,810
Silver sales (ounces)	2,155,113	2,704,618	9,535,012	10,034,160	9,315,443
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 334	$ 279	$ 318	$ 277	$ 281

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

El Peñón had record production of 113,800 GEO during the fourth quarter and 427,934 GEO during the year 2010. Production for the quarter consisted of 74,785 ounces of gold and 2.1 million ounces of silver, compared with 109,979 GEO, which consisted of 62,199 ounces of gold and 2.6 million ounces of silver produced in the fourth quarter of 2009. This represents a 3.5% quarter-over-quarter increase in 2010 versus 2009 production on a GEO basis.

Higher gold production was mainly due to an increase in tonnage of ore processed, positive variation in gold grade, and higher recovery rates compared with the same quarter of 2009. Since conversion to owner-mining, operational dilution has decreased and feed grade has improved. This combined with increased capacity and the mining of higher grade veins including North Block area and Bonanza has led to increased production. The decrease in silver production was primarily the result of planned lower grade and recovery rates at the mine.

Cash costs were $421 per GEO in the quarter ended December 31, 2010, compared with $382 per GEO in the fourth quarter in 2009. The appreciation of the Chilean Peso was the main contributing factor to the increased cash costs. The average currency exchange rate of the Chilean Peso versus the United States Dollar went up by 9% from the fourth quarter of 2009.

Production in 2011 is expected to be in the range of 420,000 to 440,000 GEO and cash costs in the range of $410 to $440 per GEO.

El Peñón has a long track record of replacement of ounces of mineral resource expansion. The focus of the 2010 exploration program at El Peñón was on the North Block and existing vein structures near the mine in order to replace mined ounces and increase mineral resources. The emphasis of the regional exploration effort was to identify new mineralization within hauling distance of the existing operation.

A new sub-parallel vein system, Elizabeth, was discovered in September 2010, adding new resource potential to the known reserves and resources. Additional drilling is underway to better define the horizontal and vertical dimensions of this new discovery. Continuous exploration effort on the Pampa Augusta Victoria vein, which was discovered in 2009, is also expected to add significant upside reserve and resource potential to El Peñón. With only approximately 40% of the surrounding area explored to date, the Company expects new discoveries of this nature consistent with previous high-grade vein discoveries.

GUALCAMAYO

Operating Statistics	Three months ended December 31, 2010	Three months ended December 31, 2009	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
Production					
Total gold production (ounces)	36,239	59,118	135,140	143,471	-
Commercial gold production (ounces)	36,239	59,118	135,140	98,641	-
Commissioning gold production (ounces)	-	-	-	44,830	-
Cash costs per ounce produced *(i)*	$ 662	$ 290	$ 506	$ 301	$ -
Ore mined (tonnes)	2,283,577	1,813,661	8,845,992	3,294,175	-
Ore processed (tonnes)	1,818,571	1,838,012	7,528,690	3,370,057	-
Gold grade (g/t)	0.89	1.14	0.82	1.19	-
Gold recovery rate (%)	69.5	87.6	67.8	76.6	-
Sales					
Gold sales (ounces)	36,649	56,708	141,734	88,555	-
Depletion, depreciation and amortization per gold ounce sold	$ 314	$ 204	$ 277	$ 228	$ -

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

Gualcamayo produced 36,239 ounces of gold in the fourth quarter compared with 59,118 ounces produced in the fourth quarter of 2009.

During the third quarter, the mine commenced an upgrade of the current plant's capacity by increasing throughput to 1,500 tonnes per hour. The expansion was completed in December, although the necessary stoppage of conveyer belts and plant for the upgrade continued to delay ore processing during the quarter. Ore was transported by truck while the conveyor belts were down resulting in cash costs of $662 per gold ounce for the quarter compared with $290 per ounce in the fourth quarter of 2009. The expansion was accelerated in order to improve production beginning in 2011 and to accommodate the further expansion relating to QDD Lower West in 2012. For the two month period including December 2010 and January 2011, cumulative production from Gualcamayo was 26,073 gold ounces. As the expansion was completed during the month of December, December does not reflect the full benefit of the throughput expansion. Production is expected to increase as commissioning of the plant capacity expansion is finalized.

Fourth quarter grade and recovery rate began to show improvement compared to the grade of 0.87 g/t and recovery rate of 57.8% of the third quarter. Cost improvement started to be experienced in January 2011 with gold ounces being produced at average cash costs of $427 per ounce. As new lifts are put on the heap leach pads, inherently it takes longer to recover gold and as such recovery rates will vary on a quarter by quarter basis. However, the cumulative recovery rate is expected to be in line with the feasibility study. In late 2011, the Company expects construction of new heap leach pads to further improve recoveries.

Total production at Gualcamayo for 2011 is expected to be between 150,000 to 170,000 ounces with cash costs in the range of $460 to $500 per ounce.

Gold production for the year totaled 135,140 ounces compared with 98,641 commercial gold ounces in 2009. Gualcamayo also produced 44,830 ounces of gold during the commissioning period in the first half of 2009.

In 2011, the Company will focus on a number of operational initiatives, including efforts to ensure the 1,500 tonne/hour feed through the mills reaches a sustainable level and a fleet expansion, underground development of QDD Lower West and an expansion of the heap leach pad at Valle Norte. In addition, the Company will work on reducing reliance on contractors for increased cost predictability.

In July 2010, a new zone was discovered during the development of the Rodado tunnel, which is intended to reach and facilitate drilling of QDD Lower West. The Company will continue its exploration drilling effort to outline the potential and the dimension of this zone in 2011. Currently, the Rodado discovery is not in the Company's resource model.

Exploration efforts continued in the Salamanca area located approximately ten kilometres north of the Gualcamayo mine area. The Company recently completed an additional 15 holes to test the northern extension of Salamanca. The deposit remains open along strike.

JACOBINA

Operating Statistics	Three months ended December 31, 2010	Three months ended December 31, 2009	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
Production					
Gold production (ounces)	33,718	24,866	122,160	110,515	73,240
Cash costs per ounce produced *(i)*	$ 495	$ 597	$ 535	$ 476	$ 411
Ore mined (tonnes)	542,055	521,335	2,158,097	2,004,936	1,509,679
Ore processed (tonnes)	542,055	521,335	2,158,096	1,996,989	1,388,086
Gold grade (g/t)	2.06	1.63	1.89	1.88	1.82
Gold recovery rate (%)	94.1	90.9	93.2	91.7	90.0
Sales					
Gold sales (ounces)	33,530	26,168	121,405	111,906	69,792
Depletion, depreciation and amortization per gold ounce sold	$ 343	$ 364	$ 338	$ 316	$ 248

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

Production at Jacobina was 33,718 ounces of gold in the fourth quarter, an increase of 36% from production of 24,866 ounces of gold in the fourth quarter of 2009. Continuous improvement in mine planning and optimization of the processing plant and milling capacity, increased development work, and an increased number of working stopes were the contributing factors to the improved performance. Additional infill drilling increased the reliability of the mining plan.

The recovery rate at Jacobina for the fourth quarter was 94.1% compared to 90.9% for the fourth quarter of 2009. This is the result of the Company's effort to modify the leaching cycle in order to improve recoveries which have trended upwards since the start-up of higher throughput levels. Grade improvement also contributed to higher production in the quarter.

Cash costs averaged $495 per ounce of gold for the fourth quarter compared with $597 per ounce of gold in the fourth quarter of 2009, representing a quarter-over-quarter improvement of 17%.

Total production at Jacobina for 2011 is expected to be between 120,000 and 135,000 ounces with cash costs in the range of $520 to $570 per ounce.

The 2010 exploration program at Jacobina was focused primarily on extending and upgrading current mineral resources and identifying and delineating higher grade mineral resources primarily in the Morro do Vento and Canavieiras areas in order to increase the average feed grade to the mill.

In 2011, the Company expects to accelerate the development of the Canavieiras deposit and the Main Reef zone in the Morro do Vento deposit, which represent the highest grade mineralized zones discovered to date in the mining complex and the most significant near-mine targets that will likely increase the grade of the mineral resources and mineral reserves.

MINERA FLORIDA

Operating Statistics	Three months ended December 31, 2010	Three months ended December 31, 2009	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
Production					
Gold equivalent (ounces)	32,048	24,198	105,604	91,877	64,617
Gold production (ounces)	27,787	20,960	94,585	80,019	57,325
Silver production (ounces)	234,339	178,075	606,071	652,192	392,211
Cash costs per gold equivalent ounce produced *(i)*	$ 479	$ 365	$ 416	$ 373	$ 398
Ore mined (tonnes)	200,106	184,849	761,386	718,603	471,798
Ore processed (tonnes)	214,859	188,248	779,836	723,061	468,012
Gold grade (g/t)	4.68	4.35	4.41	4.21	4.53
Silver ore grade (g/t)	45.14	42.51	33.37	40.91	36.68
Gold recovery rate (%)	84.7	81.6	83.7	82.3	84.2
Silver recovery rate (%)	70.6	69.5	67.8	68.9	70.0
Sales					
Gold sales (ounces)	26,116	19,308	91,907	75,396	58,715
Silver sales (ounces)	242,468	174,440	600,156	461,567	471,150
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 332	$ 442	$ 365	$ 344	$ 134

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

Minera Florida produced a total of 32,048 GEO in the current quarter compared with 24,198 GEO in the fourth quarter of 2009. The 32% quarter-over-quarter increase was mainly the result of the expansion project, implementation of a change in the mining method to accommodate the completed expansion and more effectively mining in narrower veins. The throughput expansion project was completed in the first quarter of 2009. Production for the year of 2010 was 105,604 GEO compared to 91,877 GEO for 2009, an increase of 15% despite the interruption by the massive earthquake which occurred on February 27, 2010. Cash costs for the fourth quarter were $479 per GEO compared with $365 per GEO in the same quarter in 2009.

In addition, the mine produced 1,519 tonnes of zinc in the quarter and 6,289 tonnes of zinc in the 12-month period ended December 31, 2010. In the fourth quarter and 12 months of 2009, zinc production was 1,277 tonnes and 5,042 tonnes, respectively. Zinc is accounted for as a by-product credit to cash costs.

Total production at Minera Florida for 2011 is expected to be between 115,000 and 130,000 GEO with cash costs in the range of $420 to $450 per GEO, reflecting continuous improvement following the expansion completed in early 2009.

The Company's expansion project at Minera Florida, which involves the processing of historic tailings, has advanced according to plan. An additional ramp-up will take approximately 20 months. Tailings reprocessing is expected to contribute an additional 40,000 GEO per year for five years to current production at Minera Florida beginning in early 2012.

During 2010, significant effort was spent on converting resources to reserves at Polvorin, Centenario, Marquis Sur, Veta Central and Rafael, as well as underground exploration drilling at the north end of the mine and district exploration drilling at Mila.

The Company's exploration efforts at and around the mine resulted in the discovery of Victoria, a high-grade deposit, in October 2010. Victoria and Tribuna Norte will be the focus of the Company's exploration at Minera Florida in 2011. Exploration will continue in the areas surrounding the mine with the objective of identifying new ounces to replace resources and reserves. In 2011, the Company will optimize mining haulage and logistics by ore pass construction, while a higher capacity power line being built by the Energy Agency will reduce blackouts at the mine and help to improve the efficiency of mine operations.

OTHER MINES

The following table presents key operating data for the other continuing mining operations:

Operating Statistics	Three months ended December 31, 2010	Three months ended December 31, 2009	Years ended December 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
FAZENDA BRASILEIRO					
Production					
Gold production (ounces)	19,852	17,535	70,084	76,413	96,092
Cash costs per ounce produced *(i)*	$ 705	$ 577	$ 628	$ 453	$ 423
Ore mined (tonnes)	259,832	281,796	1,105,340	1,155,247	1,107,710
Ore processed (tonnes)	275,184	296,630	1,110,204	1,179,595	1,121,025
Gold grade (g/t)	2.53	2.05	2.22	2.21	2.85
Gold recovery rate (%)	89.4	89.6	88.6	91.0	93.4
Sales					
Gold sales (ounces)	18,822	16,941	72,316	77,458	95,461
Depletion, depreciation and amortization per gold ounce sold	$ 145	$ 200	$ 167	$ 155	$ 104
ALUMBRERA (12.5% interest)					
Production					
Concentrate (tonnes)	16,422	18,711	68,351	68,868	68,281
Gold production (ounces)	1,312	1,172	5,617	6,954	7,560
Gold production in concentrate (ounces)	12,749	10,372	45,039	45,796	55,490
Total gold produced	14,061	11,544	50,656	52,750	63,050
Copper contained in concentrate (millions of pounds)	9.3	10.8	38.7	39.4	43.2
Co-product cash costs per ounce of gold produced *(i)*	$ 244	$ 274	$ 257	$ 372	$ 431
Co-product cash costs per pound of copper produced *(i)*	$ 1.37	$ 1.23	$ 1.29	$ 1.49	$ 1.69
By-product cash costs per ounce produced *(i)*	$ (1,556)	$ (1,731)	$ (1,404)	$ (703)	$ (304)
Ore mined (tonnes)	646,736	1,185,788	3,127,873	3,662,997	3,521,353
Ore processed (tonnes)	1,160,601	1,185,486	4,509,332	4,691,705	4,687,756
Gold ore grade (g/t)	0.50	0.43	0.46	0.49	0.55
Copper ore grade (%)	0.40	0.47	0.50	0.46	0.50
Gold recovery rate (%)	76.0	66.7	73.0	70.4	75.1
Copper recovery rate (%)	81.0	86.5	82.0	82.7	82.2
Sales					
Concentrate (tonnes)	16,971	9,260	68,056	59,949	77,046
Gold sales (ounces)	11,805	9,940	43,314	45,363	53,874
Gold doré sales (ounces)	1,146	975	5,626	7,255	7,445
Total gold sales (ounces)	12,951	10,915	48,940	52,618	61,319
Payable copper contained in concentrate (millions of pounds)	9.0	10.4	37.0	38.2	41.7

(i) A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis.

FAZENDA BRASILEIRO

The Fazenda Brasileiro mine produced 19,852 ounces of gold in the quarter and 70,084 ounces of gold in the year ended December 31, 2010. This compares to 17,535 ounces of gold and 76,413 ounces of gold during the respective periods in 2009. Cash costs for the fourth quarter and for the year were $705 per ounce and $628, respectively, compared with $577 per ounce and $453 per ounce for the same periods in 2009.

The Company expects to produce approximately 60,000 to 80,000 ounces with cash costs in the range of $620 to $650 per ounces in 2011.

The Fazenda Brasileiro mine was acquired in 2003 with 2.5 years of mine life remaining based on known mineral reserves. The Company has since been mining at Fazenda Brasileiro for seven years with production generally in the range of 70,000 to 90,000 ounces per year. The mine continues to outline exploration potential.

The two new mineralization zones CLX_2 and Lagoa do Gato, both discovered in 2009, are identified as having significant potential for high-grade sources of ore for the mill. During the first half of 2010, the focus of exploration was on converting inferred mineral resources to indicated resources. Both infill and extension drilling confirm the continuity of mineralization in both areas. In 2011, the Company will continue to develop the high-grade reserves at CLX_2, and improve mine fleet costs using road trucks and focus on continuing to extend Fazenda Brasileiro's mine life.

ALUMBRERA

The Company's interest in the Alumbrera mine is accounted for as an equity investment. The Company recorded earnings from its 12.5% interest in Alumbrera of $19.1 million and $49.3 million for the three and 12 months ended December 31, 2010, respectively. The Company received $24.1 million and $61.5 million in cash distribution during the three months and 12 months ended December 31, 2010, respectively.

Attributable production from Alumbrera was 14,061 ounces of gold and 9.3 million pounds of copper for the quarter and 50,656 ounces of gold and 38.7 million pounds of copper for the year. This compared with attributable production of 11,544 ounces of gold and 10.8 million pounds of copper for the fourth quarter and 52,750 ounces of gold and 39.4 million pounds of copper for the year 2009.

NON-CORE MINE DISPOSITIONS

On July 17, 2009, the Company entered into an agreement to sell three of its non-core operating mines for total consideration expected to exceed $265 million in a combination of cash, shares, secured promissory notes and deferred payments.

The transaction was structured in two parts to accommodate jurisdiction-related regulatory requirements. The first disposition relating to the sale of San Andrés in Honduras closed on August 25, 2009. The Company did not record a material gain or loss on closing of this transaction. The second disposition which related to the sale of São Francisco and São Vicente was closed on April 30, 2010.

Readers are encouraged to read Note 10 to the consolidated financial statements for the year ended December 31, 2010 for selected financial information relating to the disposition.

6. NON-GAAP MEASURES

The Company has included certain non-GAAP measures including *"Co-product cash costs per gold equivalent ounce"*, *"Co-product cash costs per pound of copper"*, *"By-product cash costs per gold equivalent ounce"*, *"Adjusted Earnings or Loss and Adjusted Earnings or Loss per share"*, *"Cash flows from operations before changes in non-cash working capital"* or *"Cash flows from operating activities before changes in non-cash working capital"* and *"Gross margin"* to supplement its financial statements, which are presented in accordance with Canadian GAAP.

The Company believes that these measures, together with measures determined in accordance with Canadian GAAP, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

Co-product and By-product Cash Costs

The Company has included cash costs per GEO and cash costs per pound of copper information because it understands that certain investors use this information to determine the Company's ability to generate earnings and cash flows for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with Canadian GAAP do not fully illustrate the ability of its operating mines to generate cash flows. The measures are not necessarily indicative of operating profit or cash flows from operations as determined under Canadian GAAP. Cash costs per GEO are determined in accordance with the Gold Institute's Production Cost Standard and are calculated on a co-product and by-product basis. Cash costs on a co-product basis are computed by allocating operating cash costs separately to metals (gold and copper) based on an estimated or assumed ratio. Cash costs on a by-product basis are computed by deducting copper by-product revenues from the calculation of cash costs of production per GEO. Cash costs per GEO and per pound of copper are calculated on a weighted average basis.

Per Gold Equivalent Ounce ("GEO")

The following tables provide a reconciliation of cost of sales per the financial statements to (i) Co-product Cash Costs per GEO, (ii) Co-product Cash Costs per lb. of Copper and (iii) By-product Cash Costs per GEO:

Reconciliation of cost of sales per the financial statements to Co-product Cash Costs per GEO

GEO	In thousands of United States Dollars			United States Dollars per gold equivalent ounce		
For the year ended December 31,	**2010**	2009	2008	**2010**	2009	2008
Cost of sales *(i) (iii)*	$ 631,063	$ 479,847	$ 413,635	$ 633	$ 517	$ 519
Adjustments:						
Copper contained in concentrate related cash costs (excluding related TCRC's) *(ii)*	(149,070)	(118,322)	(119,156)	(150)	(127)	(149)
Treatment and refining costs (TCRC) related to Chapada gold	5,583	5,862	5,762	6	6	7
Inventory movements and adjustments	(11,781)	(18,277)	2,552	(11)	(20)	3
Commercial selling costs	(26,511)	(18,816)	(27,304)	(27)	(20)	(34)
Total GEO co-product cash costs (excluding Alumbrera)	$ 449,284	$ 330,294	$ 275,489	$ 451	$ 356	$ 346
Minera Alumbrera (12.5% interest) GEO cash costs	13,043	19,667	26,616	257	372	422
Total GEO co-product cash costs *(iii)*	$ 462,327	$ 349,961	$ 302,105	$ 442	$ 357	$ 352
Commercial GEO produced excluding Alumbrera	996,535	928,097	796,152			
Commercial GEO produced including Alumbrera	1,047,191	980,847	859,202			

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
For the three months ended December 31,	**2010**	2009	**2010**	2009
Cost of sales *(i) (iii)*	$ 178,341	$ 141,696	$ 654	$ 510
Adjustments:				
Copper contained in concentrate related cash costs (excluding related TCRC's) *(ii)*	(39,979)	(33,025)	(147)	(120)
Treatment and refining costs (TCRC) related to Chapada gold	1,681	1,261	6	5
Inventory movements and adjustments	(2,659)	(9,404)	(10)	(34)
Commercial selling costs	(7,470)	2,217	(27)	8
Total GEO co-product cash costs (excluding Alumbrera)	$ 129,914	$ 102,745	$ 476	$ 369
Minera Alumbrera (12.5% interest) GEO cash costs	3,431	3,163	244	274
Total GEO co-product cash costs *(iii)*	$ 133,345	$ 105,908	$ 465	$ 366
Commercial GEO produced excluding Alumbrera	272,621	277,912		
Commercial GEO produced including Alumbrera	286,683	289,456		

(i) Cost of sales includes non-cash items including the impact of the movement in inventory.

(ii) Costs directly attributed to a specific metal are allocated to that metal. Costs not directly attributed to a specific metal are allocated based on relative value. As a rule of thumb, the relative value has been 70-75% copper and 30-25% gold. TCRC's are defined as treatment and refining charges.

(iii) Depletion, Depreciation and Amortization is excluded from both total cash costs and cost of sales from continuing operations.

Reconciliation of cost of sales per the financial statements to co-product cash costs per pound of copper

Copper	In thousands of United States Dollars			United States Dollars per pound of copper		
For the year ended December 31,	**2010**	2009	2008	**2010**	2009	2008
Cost of sales *(i) (iii)*	$ 631,063	$ 479,847	$ 413,635	$ 4.22	$ 3.33	$ 2.97
Adjustments:						
GEO related cash costs (excluding related TCRC's) *(ii)*	(443,702)	(324,433)	(269,727)	(2.97)	(2.25)	(1.94)
Treatment and refining costs (TCRC) related to Chapada copper	26,124	24,555	23,273	0.17	0.17	0.17
Inventory movements and adjustments	(11,781)	(18,277)	2,552	(0.08)	(0.13)	0.02
Commercial selling costs	(26,511)	(18,816)	(27,304)	(0.18)	(0.13)	(0.20)
Total copper co-product cash costs (excluding Alumbrera)	$ 175,193	$ 142,876	$ 142,429	$ 1.16	$ 0.99	$ 1.02
Minera Alumbrera (12.5% interest) copper cash costs	50,017	59,308	72,682	1.29	1.50	1.68
Total copper co-product cash costs *(iii)*	$ 225,210	$ 202,184	$ 215,111	$ 1.20	$ 1.10	$ 1.17
Copper produced excluding Alumbrera (millions of lb.)	149.4	144.0	139.3			
Copper produced including Alumbrera (millions of lb.)	188.1	183.4	182.5			

Copper	In thousands of United States Dollars		United States Dollars per pound of copper	
For the three months ended December 31,	**2010**	2009	**2010**	2009
Cost of sales *(i) (iii)*	$ 178,341	$ 141,696	$ 4.47	$ 3.83
Adjustments:				
GEO related cash costs (excluding related TCRC's) *(ii)*	(128,232)	(101,484)	(3.21)	(2.75)
Treatment and refining costs (TCRC) related to Chapada copper	7,814	5,862	0.20	0.16
Inventory movements and adjustments	(2,659)	(9,404)	(0.07)	(0.25)
Commercial selling costs	(7,470)	2,217	(0.19)	0.06
Total copper co-product cash costs (excluding Alumbrera)	$ 47,794	$ 38,887	$ 1.20	$ 1.05
Minera Alumbrera (12.5% interest) copper cash costs	12,654	13,246	1.37	1.23
Total copper co-product cash costs *(iii)*	$ 60,448	$ 52,133	$ 1.23	$ 1.09
Copper produced excluding Alumbrera (millions of lb.)	39.9	37.0		
Copper produced including Alumbrera (millions of lb.)	49.2	47.8		

(i) Cost of sales includes non-cash items including the impact of the movement in inventory.

(ii) Costs directly attributed to a specific metal are allocated to that metal. Costs not directly attributed to a specific metal are allocated based on relative value. As a rule of thumb, the relative value has been 70-75% copper and 30-25% gold. TCRC's are defined as treatment and refining charges.

(iii) Depletion, Depreciation and Amortization is excluded from both total cash costs and cost of sales from continuing operations.

Reconciliation of cost of sales per the financial statements to by-product cash costs per GEO

GEO	In thousands of United States Dollars			United States Dollars per gold equivalent ounce		
For the year ended December 31,	**2010**	2009	2008	**2010**	2009	2008
Cost of sales *(i)*	$ 631,063	$ 479,847	$ 413,635	$ 633	$ 517	$ 520
Adjustments:						
Chapada treatment and refining costs related to gold and copper	31,707	30,417	29,035	32	33	36
Inventory movements and adjustments	(11,781)	(18,277)	2,649	(12)	(20)	3
Commercial selling costs	(26,511)	(18,816)	(27,304)	(27)	(20)	(34)
Chapada copper revenue including copper pricing adjustment	(500,728)	(315,324)	(340,636)	(502)	(340)	(428)
Total GEO by-product cash costs (excluding Alumbrera)	$ 123,750	$ 157,847	$ 77,379	$ 124	$ 170	$ 97
Minera Alumbrera (12.5% interest) by-product cash costs	(71,105)	(37,070)	(19,168)	(1,404)	(703)	(304)
Total GEO by-product cash costs *(i)*	$ 52,645	$ 120,777	$ 58,211	$ 50	$ 123	$ 68
Commercial GEO produced excluding Alumbrera	996,535	928,097	796,152			
Commercial GEO produced including Alumbrera	1,047,191	980,847	859,202			

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
For the three months ended December 31,	**2010**	2009	**2010**	2009
Cost of sales *(i)*	$ 178,341	$ 141,696	$ 654	$ 509
Adjustments:				
Chapada treatment and refining costs related to gold and copper	9,495	7,123	35	26
Inventory movements and adjustments	(2,659)	(9,404)	(10)	(34)
Commercial selling costs	(7,470)	2,217	(27)	8
Chapada copper revenue including copper pricing adjustment	(165,556)	(110,617)	(607)	(398)
Total GEO by-product cash costs (excluding Alumbrera)	$ 12,151	$ 31,015	$ 45	$ 111
Minera Alumbrera (12.5% interest) by-product cash costs	(21,881)	(19,983)	(1,556)	(1,731)
Total GEO by-product cash costs *(i)*	$ (9,730)	$ 11,032	$ (34)	$ 38
Commercial GEO produced excluding Alumbrera	272,621	277,912		
Commercial GEO produced including Alumbrera	286,683	289,456		

(i) Depletion, Depreciation and Amortization is excluded from both total cash costs and cost of sales from continuing operations.

Adjusted Earnings or Loss and Adjusted Earnings or Loss per share

The Company uses the financial measures "Adjusted Earnings or Loss" and "Adjusted Earnings or Loss per share" to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with GAAP, the Company and certain investors and analysts use this information to evaluate the Company's performance. The presentation of adjusted measures are not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) stock-based compensation, (b) foreign exchange (gains) losses, (c) unrealized (gains) losses on commodity derivatives, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances, such as the unprecedented volatility of copper prices in the fourth quarter of 2008, are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments reflect both continuing and discontinued operations.

The terms "Adjusted Earnings (Loss)" and "Adjusted Earnings (Loss) per share" do not have a standardized meaning prescribed by Canadian GAAP, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share provide useful information to investors because they exclude non-cash and other charges and are a better indication of the Company's profitability from operations. The items excluded from the computation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share, which are otherwise included in the determination of net earnings or loss and net earnings or loss per share prepared in accordance with Canadian GAAP, are items that the Company does not consider to be meaningful in evaluating the Company's past financial performance or the future prospects and may hinder a comparison of its period-to-period profitability. A reconciliation of Adjusted Earnings to net earnings as well as a discussion of the adjusting items is provided in Section 4 "Overview of Financial Results" for both the yearly and quarterly reconciliations.

Cash Flows From Operations Before Changes in Non-Cash Working Capital

The Company uses the financial measure "cash flows from operations before changes in non-cash working capital" or "cash flows from operating activities before changes in non-cash working capital" to supplement its consolidated financial statements. The presentation of cash flows from operations before changes in non-cash working capital is not meant to be a substitute for cash flows from operations or cash flows from operating activities presented in accordance with Canadian GAAP, but rather should be evaluated in conjunction with such Canadian GAAP measures. Cash flows from operations before changes in non-cash working capital excludes the non-cash movement from period-to-period in working capital items including accounts receivable, advances and deposits, inventory, accounts payable and accrued liabilities.

The terms "cash flows from operations before changes in non-cash working capital" or "cash flows from operating activities before changes in non-cash working capital" do not have a standardized meaning prescribed by Canadian GAAP, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that the presentation of cash flows from operations before changes in non-cash working capital provides useful information to investors because it excludes the non-cash movement in working capital items and is a better indication of the Company's cash flows from operations and considered to be meaningful in evaluating the Company's past financial performance or the future prospects. The Company believes that conventional measure of performance prepared in accordance with Canadian GAAP does not fully illustrate the ability of its operating mines to generate cash flows.

The following table provides a reconciliation of cash flows from operating activities of continuing operations before changes in non-cash working capital:

	Year ended			Three months ended	
	December 31 2010	December 31 2009	December 31 2008	December 31 2010	December 31 2009
Cash flows from operating activities of continuing operations	$ 613,056	$ 528,026	$ 237,414	$ 236,893	$ 211,206
Adjustments:					
Net change in non-cash working capital	133,661	(32,407)	173,786	28,623	(55,981)
Cash flows from operating activities of continuing operations before changes in non-cash working capital	$ 746,717	$ 495,619	$ 411,200	$ 265,516	$ 155,225

Gross Margin

The Company uses the financial measure "gross margin" to supplement its consolidated financial statements. The presentation of gross margin is not meant to be a substitute for net earnings presented in accordance with Canadian GAAP, but rather should be evaluated in conjunction with such Canadian GAAP measures. Gross margin represent the amount of revenues in excess of cost of sales. It may be expressed in terms of percentage of revenues, both in total amount or on a per GEO basis.

The terms "gross margin" does not have a standardized meaning prescribed by Canadian GAAP, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that the presentation of gross margin provides useful information to investors because it excludes the non-cash operating cost items such as depreciation, depletion and amortization and accretion for asset retirement obligations and considers this non-GAAP measure meaningful in evaluating the Company's past financial performance or the future prospects. The Company believes that conventional measure of performance prepared in accordance with Canadian GAAP does not fully illustrate the ability of its operating mines to generate cash flows.

The following table provides a reconciliation of gross margin:

	Year ended			Three months ended	
	December 31 2010	December 31 2009	December 31 2008	December 31 2010	December 31 2009
Revenues	$1,686,811	$1,183,314	$ 949,362	$ 535,130	$ 399,825
Cost of sales excluding depletion, depreciation and amortization	(631,063)	(479,847)	(413,635)	(178,341)	(141,695)
Gross margin	$1,055,748	$ 703,467	$ 535,727	$ 356,789	$ 258,130
Gross margin as % of Revenues from continuing operations	63%	59%	56%	67%	65%
GEO sold (excluding Alumbrera)	997,389	907,851	777,944	265,350	274,356
Gross margin per GEO sold	$ 1,059	$ 775	$ 689	$ 1,345	$ 941

7. LIQUIDITY AND CAPITAL RESOURCES

Recent global events have impacted many companies in a variety of industries as a result of tightening in the credit markets. In the face of these challenges, the Company's liquidity position continues to be stable and reliable as evidenced by increased availability of funds through its recent refinancing of long-term debt described below. In the near-term, the Company expects its liquidity to be positively impacted by higher forecast production levels, higher metal prices, and stable demand for precious metals. The Company anticipates being able to meet all its obligations and is committed to fund its growth through sustaining and expansionary projects.

The following is a summary of liquidity and capital resource balances from continuing operations:

As at December 31, (in thousands of United States Dollars)	**2010**	2009	2008
Cash	$ 330,498	$ 170,070	$ 167,765
Working capital	$ 529,373	$ 260,337	$ 147,444

December 31 (in thousands of United States Dollars)	**2010**	2009	2008
Cash flows (for the year ended)			
Cash flows from operating activities of continuing operations	$ 613,056	$ 528,026	$ 237,414
Cash flows from operating activities of continuing operations before changes in non-cash working capital items	$ 746,717	$ 495,619	$ 411,200
Cash flows (to) from financing activities of continuing operations	$ (18,029)	$ (64,957)	$ 131,579
Cash flows to investing activities of continuing operations	$ (443,206)	$ (469,916)	$ (469,578)

Cash and cash equivalents as at December 31, 2010 were $330.5 million compared to $170.1 million as at December 31, 2009. Factors that could impact on the Company's liquidity are monitored regularly as part of the Company's overall capital management strategy. Factors that are monitored include but are not limited to the market price of gold, copper and silver, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates, exploration and discretionary expenditures.

Working capital was $529.4 million as at December 31, 2010, compared to $260.3 million as at December 31, 2009. The 103% increase in working capital is a result of higher prices for metals and increased operating activities of continuing operations primarily from the Gualcamayo mine which was commissioned in 2009. Working capital is defined as the excess of current assets over current liabilities.

Receivables at the end of the year were $212.9 million compared with $102.1 million as at December 31, 2009. Approximately $161.7 million of year-end receivables represented receivables in respect to concentrate sales of which $1.0 million has been collected subsequent to the year end. Copper concentrate sales are made in accordance with certain smelter off-take agreements whereby provisional payments of approximately 90% are received within one to four weeks after shipping. Final assays and payment related to these sales are received approximately two to three months thereafter.

Gold sales are made at spot prices and receivables are settled within less than a month.

Operating Cash Flows of Continuing Operations

Cash inflows from continuing operations after taking into effect changes in working capital items for the year were $613.1 million, compared to inflows of $528.0 million for the year ended 2009.

Cash flows generated from continuing operations before changes in non-cash working capital items for the year were $746.7 million compared to $495.6 million for the years ended December 31, 2009, respectively. The increase is mainly attributed to increases in revenues. Changes in non-cash working capital items for the year were cash outflows of $133.7 million (2009 – inflows of $32.4 million; 2008 – outflows of $173.8 million) mainly from higher accounts receivables during the year in comparison to 2009.

In the fourth quarter of 2010, cash flows to operating activities before changes in non-cash working capital were $246.5 million and cash flows from operating activities after changes in non-cash working capital item were $232.8 million, compared with $155.2 million and $211.2 million, respectively, in the same quarter of 2009. Cash flows from operating activities were higher due to higher gold prices.

Financing Activities of Continuing Operations

Cash outflows from financing activities of continuing operations for the year ended December 31, 2010 were $18.0 million compared to cash outflows of $65.0 million in 2009 due to the following factors:

- increase of dividends paid by $18.9 million;
- increase of net long-term debt repayment of $16.7 million;
- net increase of $74.1 million received from the exercise of options and warrants; and
- net decrease of $8.4 million paid for financing and other charges

In January 2011, the Company refinanced its revolving facility increasing its credit limit to $750.0 million from $680.0 million. The facility has a new maturity date of June 16, 2014. As at December 31, 2010, the Company had met all of the externally imposed debt covenants relating to the credit facilities.

Investing Activities of Continuing Operations

Cash outflows to investing activities of continuing operations were $443.2 million (2009 – $469.9 million) for the year of which approximately $115.6 million relates to expenditures on property, plant and equipment, $286.7 million to mineral properties and $79.7 million to assets under construction. These outflows are comparable to prior year's expenditures outlining management's intent to develop and expand existing assets and create new mines.

The following is a summary of capital expenditures by mine:

	Three months ended	*Years ended*		
(in thousands of United States Dollars)	December 31, 2010	December 31, 2010	December 31, 2009	December 31, 2008
ARGENTINA				
Gualcamayo	$ 8,412	$ 40,787	$ 121,996	$ 187,190
Agua Rica	3,175	8,047	3,932	7,821
BRAZIL				
Chapada	20,970	64,549	112,501	34,492
Jacobina	15,813	53,298	51,661	87,779
Fazenda Brasileiro	5,733	22,536	15,463	11,640
Ernesto/Pau-au-Pique *(ii)*	3,296	10,715	437	-
C1 Santa Luz *(ii)*	10,443	15,920	1,303	-
Pilar *(ii)*	3,459	27,059	25,454	11,125
CHILE				
El Peñón	30,063	145,176	105,942	74,898
Minera Florida	33,023	67,512	40,442	50,778
MEXICO AND OTHER				
Mercedes *(ii)*	29,014	65,835	16,333	19,202
Other	4,993	9,647	3,293	11,858
Total capital expenditures on continuing operations *(i)*	$ 168,394	$ 531,081	$ 498,757	$ 496,783

(i) Includes construction, fixed assets, exploration, feasibility and capitalized interest costs.

(ii) Net of movement in accounts payable.

8. CAPITALIZATION

Shareholders' equity as at December 31, 2010 was $7.2 billion compared to $6.8 billion as at December 31, 2009.

The following table sets out the common shares, warrants and options outstanding as at December 31, 2010:

(in thousands)	Actual outstanding as at December 31, 2010	Weighted average year-to-date *(i)*	Weighted average Q4 *(i)*
Common shares	741,362	739,938	741,207
Warrants	4,886	-	-
Options	5,490	940	1,251
Total	751,738	740,878	742,458

(i) The weighted average number of shares excludes anti-dilutive options and warrants.

Share Capital

As at December 31, 2010, the Company had 741.4 million (December 31, 2009 – 733.4 million; December 31, 2008 – 732.8 million) common shares outstanding. The basic weighted average number of common shares outstanding was 739.9 million shares for the year and 741.2 million shares for the quarter ended December 31, 2010.

The Company issued approximately 8.0 million common shares during the year in connection with the exercise of stock options, share appreciation rights and warrants.

As of January 31, 2011, the total number of shares outstanding were 741.5 million.

Warrants

As at December 31, 2010, the Company had a total of 4.9 million (December 31, 2009 – 14.5 million; December 31, 2008 – 14.5 million) share purchase warrants outstanding. Expiry dates on share purchase warrants are all within 2011 and exercise prices are Cdn$19.08. All outstanding warrants were exercisable at an average weighted exercise price of Cdn$19.08 per share (December 31, 2009 – Cdn$13.74 per share; December 31, 2008- Cdn$13.73 per share). The weighted average remaining life of warrants outstanding was 0.34 years (December 31, 2009- 0.5 years; December 31, 2008 – 1.5 years).

During 2010, the Company did not issue any additional warrants.

Stock-based Incentive Plans

A significant contributing factor to the Company's future success is its ability to attract and maintain qualified and competent people. To accomplish this, the Company has adopted Stock-Based Incentive Plans designed to advance the interests of the Company by encouraging employees, officers and directors, and consultants to have equity participation in the Company through the acquisition of common shares.

The following table summarizes the stock-based compensation and other stock-based payments for 2010:

	Stock Option Plan		Deferred Share Units ("DSU")	Restricted Share Units ("RSU")
	Number of Stock Options (000's)	Weighted average Exercise Price (Cdn$)	Number of DSU (000's)	Number of RSU (000's)
Outstanding, beginning of period	5,876	$ 9.32	605	1,349
Granted	-	-	296	415
Exercised	(381)	7.83	-	-
Vested and converted to common shares	-	-	-	(556)
Expired	(5)	9.65	-	(16)
Outstanding, end of year	5,490	$ 9.42	901	1,192
Exercisable, end of year	4,988	$ 9.35		

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $109.1 million for the year ended December 31, 2010 compared with $90.7 million in 2009 (2008 – $58.4 million). General and administrative expenses for the fourth quarter were $30.0 million (2009 – $29.8 million). General and administrative expenses in part increased with the start-up of operations at the new Gualcamayo mine.

10. FOREIGN EXCHANGE

The Company's revenues are denominated in United States Dollars (USD). However, the Company's operating expenses are incurred predominantly in Brazilian Reais (BRL), Chilean Pesos (CLP), Argentine Pesos (ARG) and to a lesser extent in Canadian Dollars (CAD), United States Dollars and Mexican Pesos. Accordingly, fluctuations in the exchange rates can significantly impact the results of operations.

In 2010, the Company recognized foreign exchange gains of $32.1 million. This compares to a foreign exchange gain of $74.5 million for 2009 and a gain of $131.9 million in 2008. The gains arose mainly as a result of the foreign exchange effect on future income tax liabilities recognized on previous business acquisitions. A strong United States Dollar versus the currencies of the countries in which the Company operates contributed to the gains.

The Company has hedge contracts outstanding where the value of the Real has been fixed against the United States Dollar. These hedges are further described in Section 14, Derivatives.

The following table summarizes the movement in key currencies vis-à-vis the United States Dollar:

Three months ended December 31,	**2010**	2009	Variance
Average Exchange Rate			
USD-CAD	1.0136	1.0579	-4.2%
USD-BRL	1.7021	1.7476	-2.6%
USD-ARG	3.9715	3.8261	3.8%
USD-CLP	485.8691	529.1082	-8.2%

Twelve months ended December 31,	**2010**	2009	Variance	2008	Variance
Average Exchange Rate					
USD-CAD	1.0308	1.1417	-9.7%	1.0667	-3.4%
USD-BRL	1.7675	2.0085	-12.0%	1.8402	-4.0%
USD-ARG	3.9205	3.7385	4.9%	3.1709	23.6%
USD-CLP	519.3067	569.8881	-8.9%	523.9220	-0.9%
Period-end Exchange Rate					
USD-CAD	0.9999	1.0491	-4.7%	1.2228	-18.2%
USD-BRL	1.6660	1.7343	-3.9%	2.3560	-29.3%
USD-ARG	3.9713	3.8142	4.1%	3.4571	14.9%
USD-CLP	461.9820	499.7680	-7.6%	647.9950	-28.7%

11. INVESTMENTS AND INVESTMENT INCOME

Investments

As at December 31, 2010, the Company had total investments of $103.0 million compared with $56.4 million in the prior year. The increase was mainly a result of an increase of $56.7 million in available-for-sale securities compared to $46.2 million in the prior year, due to the shares received as consideration on the sale of São Francisco and São Vicente. Investments of $10.1 million in Master Asset Vehicle II notes and Auction Rate Securities were disposed of in current year for a gain of $3.0 million. The Company no longer holds any Master Asset Vehicle II notes or Auction Rate Securities.

Investment and Other Business income

Investment and other business income was $5.9 million for the year compared to $22.2 million for 2009 (2008 – loss of $27.3 million). The decrease in income is largely the result of the Company's recognition of investment write-offs on its available-for-sale and auction rate securities in the prior year. Investment and other business income was $2.9 million for the fourth quarter compared to an income of $0.1 million for the comparative period in 2009.

12. INCOME TAXES

The Company recorded an income tax expense of $160.7 million for the year. This compares to a tax expense of $136.6 million for 2009 and a tax expense of $25.7 million for 2008. The current year income tax provision mainly reflects a current income tax expense of $138.0 million for 2010 and a future income tax expense of $22.7 million. The expense reflects the current taxes incurred in the Company's Brazilian and Chilean mines and withholding tax on the repayment of intercompany interest.

The consolidated balance sheet reflects recoverable tax installments in the amount of $39.1 million and an income tax liability of $81.8 million. Additionally, the balance sheet reflects a future income tax asset of $147.7 million and a future income tax liability of $1.8 billion.

During the year the Chilean government enacted a temporary increase to the income tax rate in Chile to help pay for the reconstruction from the earthquake. The first category income tax rates will increase from 17% to 20% in 2011, 18.5% in 2012 and then return to 17% in 2013. The future taxes in Chile were increased by $3.2 million to take into account the new rate at which the temporary differences will reverse; however, the full effect of the rate change will be seen in the 2011 current tax expense.

In December 2009, the Brazilian government introduced rules that prevented a company from deducting interest expense on foreign loans with related parties where the debt-to-equity ratio was less than 2:1 (the "Thin Cap Rules"). The law was enacted in 2010. During the year, we took steps to increase our debt-to-equity ratio so that the Thin Cap Rules ceased to apply.

The Company has approximately $209.1 million of tax losses available for carry forward in Brazil. Approximately 44.5% of these losses have been recognized as a tax asset. The Company expects to use these losses against future income from operating mines in Brazil.

The majority of the future tax liability arises on the allocation of the purchase price of acquisitions to the underlying assets as the tax basis of these assets did not increase. Future tax liabilities relating to the operating mines will reverse as the assets are depreciated or depleted. The future tax liabilities relating to exploration potential will not reverse until the property becomes a mine, is written off, or is sold. The largest components of the future tax liabilities relate to:

(in thousands of Dollars)	
Gualcamayo	$ 209,270
Agua Rica	$ 329,422
El Peñón	$ 195,328
Exploration potential	$ 717,525

The income tax rate will vary from period to period based on the mix of taxable income earned in each jurisdiction where we operate. The income tax expense will also vary depending on the foreign currency exchange rate in effect in the period. However, the income tax on inter-company debt is payable only if and when the debt is repaid and therefore, if the debt is not repaid, the income tax payable will not have to be paid. Likewise, the actual amount of taxes payable will depend on the foreign exchange rate in effect at the time that the inter-corporate debt is repaid.

The Company's combined Canadian federal and provincial statutory tax rate was 31.0% (2009 – 33.0%; 2008 – 33.5%). There are a number of factors that affect the Company's effective tax rate including the rate differential and proportion of income earned in each jurisdiction, tax benefits that are not recognized, foreign currency gains and losses and changes in tax rates. As a result, the Company's effective tax rate may fluctuate from period to period. A reconciliation of the Company's statutory rate to the effective tax rate is provided in Note 21 to the consolidated financial statements.

13. CLOSURE AND RECLAMATION COSTS

The asset retirement obligations relate to reclamation and closure costs relating to the Company's mine operations and projects under development. As at December 31, 2010, the obligation increased to $153.5 million (excluding the current portion) compared with $133.2 million in 2009 mainly from the completion of the Gualcamayo mine as well as additional obligations recognized for the other existing mines. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items.

The Company accrues reclamation and closure costs at their fair value. Fair value is determined as the discounted future cash expenditures. Significant management judgments and estimates are made when estimating reclamation and closure costs. Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory requirements and are amortized over the life of each mine on a unit-of-production basis.

Accretion charged to 2010 earnings was $7.2 million compared to $2.3 million in 2009 (2008 – $1.8 million).

Asset retirement obligations settled during the year were $4.3 million compared to $4.1 million in 2009 (2008 – $5.6 million).

14. DERIVATIVES

The Company recorded realized losses on the settlement of commodity derivatives of $5.5 million in 2010 compared with $18.7 million of realized loss in 2009 (2008 – loss of $10.0 million).

Additionally, the Company recorded unrealized gains on commodity derivative contracts of $1.9 million for the year ended December 31, 2010. This compares to an unrealized loss of $105.4 million in 2009 (2008 – $166.2 million gain). Included in cost of sales are currency derivative contracts realized gains in the amount $26.8 million, compared to gains of $10.1 million in 2009 (2008 – $14.4 million gain) and included in interest and financing expenses are realized losses in the amount of $8.3 million, compared to losses of $16.2 million in 2009 (2008 – $5.1 million loss) in respect to the interest rate swaps.

CURRENCY HEDGING

As at December 31, 2010, the Company held forward contracts to hedge against the risk of an increase in the value of the Real versus the United States Dollar with respect to a portion of the expected Real expenditures.

These contracts fix the rate of exchange for the sale of approximately 631.5 million Reais at an average rate of 2.1442 Real to the United States Dollar and have been designated against forecast Reais denominated expenditures as a hedge against the variability of the United States Dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to December 2013. Of this, 281.8 million Reais is hedged for 2011, 273.6 million Reais for 2012 and approximately 76.0 million Reais for 2013. The effective portion of changes in the fair value of the currency contracts has been recorded in Other Comprehensive Income ("OCI") until the forecast expenditure impacts earnings. The ineffective portion of changes in the fair value of the currency contracts has been recorded in current earnings

The currency hedge has been accounted for as a cash flow hedge with the effective portion of $33.7 million for 2010 credited to other comprehensive income and the ineffective portion of $4.3 million taken to income in 2010.

The following table summarizes the details of the currency hedging program as at December 31, 2010:

(quantities in thousands)	Jacobina		Fazenda Brasileiro		Chapada		Total		
Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at Dec. 31, 2010
2011	87,050	2.0880	47,562	2.0635	147,169	2.0626	281,781	2.0705	1.6660
2012	77,651	2.2128	47,964	2.2282	148,028	2.2350	273,643	2.2275	1.6660
2013	76,032	2.1387	-	-	-	-	76,032	2.1387	1.6660
	240,733	2.1430	95,526	2.1431	295,197	2.1456	631,456	2.1442	1.6660

COMMODITY HEDGING

The Company enters into commodity forward contracts to mitigate commodity price risk and enable business planning with greater certainty. From time to time, the Company may enter into long call options to ensure its participation in commodity price increases.

The Company has a copper hedging program that was designed to mitigate risks to earnings and cash flows from its Chapada mine. Hedging copper also provides further leverage to gold prices and increases the impact of gold on the Company's unhedged revenues.

The copper derivatives provide an effective economic hedge against downward movements in the copper price allowing the Company to manage metal price risk and enable business planning with certainty. As Chapada produces a concentrate of copper and gold which is sold in concentrate form, under accounting rules, hedge accounting is not permitted. However, the Company has concluded that the above mentioned financial instruments provide an effective means for the Company to manage metal price risk and enable business planning with greater certainty. In accordance with derivative accounting rules, the fair value of the financial instruments are reflected in current earnings from period to period. This accounting results in fluctuations in net earnings from period to period until such time as the contracts are closed. The unrealized mark-to-market gain (loss) represents the value on notional cancellation of these contracts based on market values as at December 31, 2010 and does not represent an economic obligation for the Company nor does it represent an estimate of future gains or losses.

INTEREST RATE HEDGING

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2010, the Company had a total of $147.4 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in Other Comprehensive Income until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

The interest rate hedge has been accounted for as cash flow hedge with the effective portion of the hedge of $4.3 million gain for the year ended December 31, 2010 recorded in other comprehensive income.

At December 31, 2010, the Company's long-term debt was at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

15. CONTRACTUAL COMMITMENTS

Day-to-day mining and administrative operations give rise to contracts requiring agreed upon future minimum payments. Management is of the view that such commitments will be sufficiently funded by current working capital, available credit facilities which provide access to additional funds and future operating cash flows.

As at December 31, 2010, the Company was contractually committed to the following:

(in thousands of United States Dollars)	2011	2012	2013	2014	2015	Thereafter	Total
Mine operating/construction and service contracts and other	$ 218,621	$ 136,282	$ 99,802	$ 61,612	$ 7,671	$ 5,836	$ 529,824
Long-term debt principal repayments *(i)*	-	-	-	237,632	-	255,000	492,632
Asset retirement obligations (undiscounted)	8,718	15,429	7,412	4,378	9,715	184,636	230,288
	$ 227,339	$ 151,711	$ 107,214	$ 303,622	$ 17,386	$ 445,472	$1,252,744

(i) Excludes interest expense.

16. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of $177.0 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitled him to a pre-emption right to participate in acquisitions by Northern Orion in Argentina and claimed damages in connection with the acquisition by Northern Orion of its 12.5% equity interest in the Alumbrera project. On August 22, 2008, the National Commercial Court No. 8 of the City of Buenos Aires issued a first-instance judgment rejecting the claim. The plaintiff appealed this judgment and a decision of the appellate court is pending. While the Company continues to consider that the plaintiff's allegations are unfounded and has been advised by its Argentine counsel that the appeal is unlikely to be successful; the outcome is not certain. There is no assurance that the Company will be wholly successful in confirming the first-instance judgment at appellate courts. There have not been any significant developments on this matter during the current year.

17. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements.

18. GOLD AND COPPER MARKETS

For the quarter ended December 31, 2010, spot gold prices averaged $1,367 per ounce, or 24% higher, compared with $1,101 per ounce from the comparative period of 2009. During 2010, spot gold prices averaged $1,225 per ounce, up 26%, compared with $974 per ounce during 2009.

The Company's revenue and profitability are highly dependent on spot gold prices as its principal product is sold at spot prices in world markets. Gold prices continue to be driven by positive market fundamentals. Constrained long-term mine supply and steady investment demand from exchange traded funds ("ETFs") are supporting gold prices. Furthermore, during 2010, rebounding jewellery demand and purchases by central banks, which had previously been net sellers of gold, are also underpinning higher prices. Due to these factors, the Company expects gold prices to remain well supported in the near to mid-term, although with a high degree of market volatility.

For the quarter ended December 31, 2010, spot copper prices averaged $3.92 per pound, representing an increase of 30% compared with $3.02 per pound from the same period in 2009. During 2010, spot copper prices averaged $3.42 per pound, or 46% higher, compared with $2.34 per pound during 2009.

Copper prices reached record highs in Q4 2010 and have continued that trend during early 2011. Strong copper prices are primarily being driven by positive supply demand fundamentals as flat supply growth is unbalanced with demand from emerging markets, mainly China, and a positive outlook for global growth that is correlated with copper demand. Based on these factors, the Company expects copper prices to remain above historical levels in the near to mid-term.

19. MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. This includes a requirement that a "qualified person" (as defined under the NI 43-101) supervise the preparation of the mineral reserves and mineral resources reports. The Company's reserve reports are reviewed by Evandro Cintra, Senior Vice President Technical Services, who is a qualified person.

Complete information relating to mineral reserves and mineral resources indicating tonnage, grade and the date of each NI 43-101 Report for the various mines and projects is contained in a complete mineral resource and mineral reserve table accompanying the 2010 annual report.

Year-over-year, the Company's proven and probable GEO mineral reserves increased to 25.1 million ounces (contained gold – 22.1 million ounces; contained silver – 167.3 million ounces), representing a 23% increase from 2009. Excluding Agua Rica, proven and probable GEO mineral reserves were 28% higher than 2009 at 16.6 million GEO. Most of the Company's mines showed an increase in reserves after depletion of mined GEO with most notable increases at Chapada, Jacobina, Gualcamayo, Pilar and Jeronimo.

Measured and Indicated GEO mineral resources increased to 15.3 million ounces (contained gold – 14.5 million ounces; contained silver – 46.0 million ounces), representing an increase of 9% over 2009. Measured and Indicated mineral resources as at December 31, 2010 excluding Agua Rica were 14.1 million GEO, representing a 19% increase from 2009.

Mineral reserves as at December 31, 2010 for the wholly-owned mines and projects were estimated using the following price assumptions:

Mine/Project	2010	2009	2008
Gold price per ounce			
Chapada	$ 900	$ 825	$ 700
El Peñón	$ 900	$ 825	$ 700
Jacobina	$ 900	$ 825	$ 700
Gualcamayo	$ 900	$ 825	$ 700
Minera Florida	$ 900	$ 825	$ 700
Fazenda Brasileiro	$ 1,000	$ 776	$ 700
Mercedes	$ 900	$ 825	$ 700
Ernesto/Pau-a-Pique	$ 825	$ 825	$ 700
C1 Santa Luz	$ 750	$ 750	$ 700
Pilar	$ 900	N/A	N/A
Jeronimo	$ 900	N/A	N/A
Copper price per pound			
Chapada	$ 2.50	$ 2.25	$ 1.85

In January 2011, the Company announced a revised Chapada production life-of-mine plan that incorporated new resources at Suruca, a satellite deposit located six kilometres from Chapada. These resources were part of the overall increase in mineral reserves of 45% to 3.1 million contained gold ounces. Mineral resources increased by 108% to 2.9 million contained gold ounces. Contained copper proven and probable reserves were 2.2 billion pounds as at December 31, 2010 which compares to 2.2 billion pounds as at December 31, 2009.

At Jacobina, total proven and probable reserve ounces were 1.7 million contained gold ounces at the end of the year, representing an increase of 8% over the estimate at December 31, 2009. Mineral resources include 1.7 million measured and indicated for a total of 1.3 million contained gold ounces of inferred resources at the end of the year. This represents an increase of 10% in mineral resources over 2009. Of even greater significance, is the increase of 11% in reserve grade, to 2.48 grams per tonne ("g/t") and the 10% increase in measured and indicated resource grade. These grade increases will facilitate higher future production levels.

In August 2010, the Company delivered an updated production plan for its Gualcamayo mine which included the additional mineral reserves and mineral resources discovered at its QDD Lower West deposit. This initial resource contributed to the 4% increase in reserves to 2.4 million contained gold ounces and a 16% increase in Measured and Indicated mineral resources, to 0.9 million contained gold ounces. Further development of the QDD Lower West zone is expected as part of the 2011 exploration program. Continued success at this deposit will make additional positive contributions to reserves and resources in 2011.

Total mineral resources at Fazenda Brasileiro almost doubled to 674,000 contained gold ounces, while mineral reserves declined modestly. This increase in resources was attributable to an entirely new area of mineralization, CLX_2, within the mining complex that was only recently discovered. Given the positive impact of this new discovery, the Company will be spending $5 million in exploration at Fazenda Brasileiro in 2011, to further develop and define this resource.

Total proven and probable mineral reserves at El Peñón increased by 4% to 2.0 million ounces, due to the conversion of resources. Silver reserves and gold equivalent reserves declined slightly. However, gold reserve grade increased to 7.29 g/t from 7.05 g/t in 2009. The 2011 program will renew efforts on resource growth with a significant portion of $15 million to be spent in areas expected to increase resources.

In early 2010, the Company elected to switch to the long hole stoping mining method at Minera Florida. This change in mining method allows for more certainty of mining, and consistency between mine and plant grades, as well as less dilution. It also required a mine plan redesign and a lower cut-off grade used in the estimation of mineral reserves. As a result, Minera Florida mineral reserves were marginally increased and now total 668,000 ounces in proven and probable mineral reserves. The tonnage increased by 36% and the grade decreased to 4.18 g/t. This grade is expected to improve as new areas are discovered and developed.

Total proven and probable mineral reserves at Pilar increased to 1.4 million contained gold ounces, which includes the initial resource that was originally announced on August 4, 2010, and 400,000 ounces of gold resources that are at substantially higher grade, at 6.5 g/t, than the current reserve grade, at 4.03 g/t. The total resources at Pilar do not include the resources from Caiamar, a deposit located 38 kilometres from Pilar which is being evaluated under various scenarios. The Pilar project, which is currently in development and expected to be in production in 2013, is already being built at capacity levels that are 30% higher than those contemplated in the feasibility study. This extra capacity demonstrates the confidence in the Company's ability to continue to develop this high quality resource base.

At the Company's Jeronimo deposit, the first probable mineral reserve was estimated at 1.6 million contained gold ounces, based on the pre-feasibility study recently completed, on a fully consolidated basis. Based on the Company's current ownership interest (57.3%), attributable mineral reserves are 9.3 million contained gold ounces. Approximately one third of the mineral reserves declared are a direct result of conversion from resources via infill drilling.

The pre-feasibility contemplates:

- Approximately $310 million in pre-production capital
- 145,000 oz. – approximate average annual production
- 10 years of initial mine life
- Cash costs of approximately $550/oz.
- 4,200 tonnes per day throughput
- Recovery of approximately 85% based on pressure oxidation

The Company is evaluating other processes, which are expected to further optimize the project economics. The Company will also be incorporating the impact of credits from the sale of manganese which was not included in the pre-feasibility, as well as the positive impact of other off-take products.

Results of the evaluation of these different processing options and further optimizations will be part of the feasibility study which is expected to be delivered at the end of 2011. The decision to proceed, after that time, will be based on continued positive results from a full feasibility and further consolidation of the ownership of Jeronimo, both of which are expected to occur.

It should be noted that mineral reserves and mineral resources are estimates only. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Fluctuations in gold and copper prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of mineral reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Depreciation and amortization using the units-of-production would be impacted by a change in mineral reserves and/or mineral resources.

20. EXPLORATION AND DEVELOPMENT

The Company continues to actively explore its exploration targets around existing mines and look for new opportunities and on-the-ground purchases elsewhere in the Americas. The Company is largely focused on developing its future based on its exploration successes and organic growth.

The following is a summary of exploration and development expenditures:

Year ended December 31, *(in millions of United States Dollars)*	**2010**	2009	2008
Exploration capitalized	$ 58.6	$ 45.2	$ 62.1
Exploration expensed	39.2	20.4	19.4
Total Exploration	$ 97.8	$ 65.6	$ 81.5

The following summary highlights key updates from the Company's exploration and development program since the third quarter.

BRAZIL

Suruca – Chapada

The Company recently completed a pre-feasibility study on its 100%-owned Suruca gold deposit. Suruca is located six kilometres northeast of the Chapada mine in Goias State, Brazil. The Suruca pre-feasibility study was prepared on the basis of reviewing the merits of the Suruca project's development incorporating three distinct phases or components to the project. These are i) the processing of Suruca oxides via conventional heap leach processing (the "Oxides Phase"); ii) the production of additional gold from the Chapada ore following modifications to the Chapada processing plant ("Phase I Sulphides"); and iii) the processing of Suruca sulphides through new processing facilities to be added to the Chapada plant ("Phase II Sulphides").

This positive pre-feasibility supports the addition to mineral reserves for Chapada of approximately 1.05 million ounces of gold, 268,000 ounces from oxides and 784,000 ounces from sulphides.

Total mineral resources and mineral reserves for Suruca are broken down as follows:

		Indicated Mineral Resources *(1)*			Inferred Resources		
Ore	Cutoff	Au (g/t)	kt (x1000)	koz. (x1000)	Au (g/t)	kt (x1000)	koz. (x1000)
Oxide	0.2	0.48	19,247	298	0.39	3,755	47
Sulphide	0.3	0.50	132,114	2,127	0.39	5,423	68
Total		0.50	151,361	2,425	0.39	9,178	115

(1) Mineral resources are inclusive of mineral reserves

Mineral reserves for Suruca are classified in accordance with the 2005 CIM Definition Standards and are based on a gold price of $900 per ounce.

The Oxides Phase and the Phase I Sulphides component of the project have combined capital expenditures of approximately $100 million. These two phases of the project would provide total additional gold production to Chapada of approximately 446,000 ounces at combined cash costs approximating $420 per ounce from this incremental production. This additional production would begin in 2013 and would result in pro-forma gold production levels from Chapada averaging approximately 146,000 ounces per year over the next six years. Chapada's pro-forma mine life with the addition of this new project would extend to 2028.

The oxides would be produced using conventional heap leaching technology and would deliver in the order of 228,000 ounces of gold production. Approximately 16.3 million tonnes of ore would be processed over five years achieving average annual gold production of approximately 46,000 gold ounces. The Phase I Sulphide component of the project would deliver total gold production of approximately 218,000 ounces over the Chapada mine life. This additional production would be the result of installing a CIL and gravity concentrator at the existing Chapada plant, which is expected to increase gold recovery by approximately 10%.

The Phase II Sulphides component of the project involves the addition of new processing facilities at the Chapada plant including the installation of a third mill and additional flotation cells. Further analysis and optimization of this phase of the project is underway as the Company would not be required to implement this part of the project until at least 2014 or 2015. The Company believes that there is significant potential to further add to the current level of mineral reserves prior to finalizing the project design.

Fazenda Brasileiro

The Fazenda Brasileiro mine is one of Yamana's underground mines. It is located in northeast Brazil and currently produces approximately 70,000 – 80,000 ounces of gold a year. The mine has been in operation for over 20 years and is known to have produced historically at rates of up to 150,000 ounces of gold per year. In 2009, the Company undertook a comprehensive exploration program to find new areas of mineralization at Fazenda Brasileiro and two significant mineralized zones have been discovered: Lagoa do Gato and more recently, CLX_2. Lagoa do Gato and CLX_2 represent potential higher grade sources of ore for the mill.

The discovery of CLX_2 is significant for the following reasons:

(a) CLX_2 is at the footwall contact of the principal area being mined at Fazenda Brasileiro and is therefore easily and immediately accessible from existing mine workings and capital requirements for development are expected to be very modest.

(b) The strike length is currently 500 metres and it is completely open with only 15% of the area having been drill tested.

(c) Widths and grades are better than areas currently being mined and are comparable to historical widths and grades of previous ore bodies that produced well in excess of 100,000 ounces per year and as much as 150,000 ounces per year.

(d) CLX_2 represents the best and most immediate opportunity for an increase in grades, increase in mineral resources, extension of mine life and possibly production increases at Fazenda Brasileiro.

The Lagoa do Gato deposit was also discovered in 2009 and to date, just one quarter of the mineralized trend has been drilled. During the first half of 2010 the focus of exploration was on converting inferred mineral resources to indicated mineral resources and only a few extension holes have been completed. Both infill and extension drilling of 8,000 metres to date, confirms the continuity of mineralization. Lagoa do Gato is characterized by mineralized ore shoots within a ten kilometre long by 400 metre wide shear zone at the northwestern extension of the Weber Belt.

The Weber Belt containing the CLX_2 zone has been identified as having significant additional potential. There remains ten kilometres of prospective stratigraphy and structure to be drilled.

Jacobina

Jacobina is located in northeast Brazil and currently produces approximately 100,000 – 120,000 ounces of gold per year. The 2010 exploration program at Jacobina has been focused primarily on extending and upgrading current mineral resources and identifying and delineating higher grade mineral resources primarily in the Morro do Vento and Canavieiras areas in order to increase the average feed grade to the mill.

A total of 17,000 metres in 38 holes have been completed year-to-date, including infill and step out drilling. Initial results indicate that the exploration effort has been very successful in achieving its goals. Drilling at both Morro do Vento and Canavieiras continued through the fourth quarter of 2010 and into 2011. In 2011, efforts will focus on converting the majority of inferred mineral resources at Canavieiras to mineral reserves.

The Canavieiras deposit and the Main Reef zone in the Morro do Vento deposit are the highest grade mineralized zones which have been discovered to date in the mining complex and represent the most significant near mine targets likely to increase the grade of the mineral resources and mineral reserves. Both Canavieiras and Morro do Vento drill results show grades in intersections that are substantially higher than, in some case a multiple of, overall reserve grade at Jacobina of 2.14 g/t. Much of the 2010 exploration focus has been on these areas.

Pilar

Pilar is Yamana's development stage project located in Goias, Brazil, approximately 80 kilometres from the Company's Chapada mine. A construction decision was made in 2010 and the project is currently in the permitting stage with production expected to begin in 2013.

Pilar is an orogenic gold deposit hosted in graphite and chlorite schists. Three main mineralized areas have been outlined along a strike length of approximately four kilometres. They are from south to north, Jordino, Ogo and Tres Buracos. The main deposit, Jordino, was previously drilled continuously along a strike length of two kilometres and a dip extension in excess of 400 metres. Three main, structurally controlled ore bodies, HG1, HG2 and HG3, have been defined to date.

The Company has undertaken an aggressive exploration program concurrently with mine development which began in 2010. The objective of the 2010 exploration program at Pilar was threefold:

1) to infill drill the areas containing mineral reserves to support mine development
2) to infill drill areas containing mineral resources in order to upgrade to mineral reserves
3) to extend the known areas of mineralization

During 2010, the focus of exploration was on extending the main Jordino mineralization down dip and to that end, 38,500 metres of diamond drilling was completed. The deepest hole to date to intersect the Jordino deposit, JD-364, cut 0.50 metres of 6.2 grams per tonne gold (g/t Au) at a depth of 840 metres indicating that mineralization remains open. This down dip extension is currently more than double the dip extent of the current mineral resource implying significant exploration upside and mineral resource growth.

ARGENTINA

Gualcamayo

In July 2010, a new zone was discovered during the development of the Rodado tunnel, which is intended to reach and facilitate drilling of QDD Lower West. The new Rodado discovery is approximately ten metres thick, and consists of tabular carbonate breccias with characteristics similar to QDD Lower West. It remains open along strike and to depth. The Company will continue its exploration drilling effort to outline the potential and the dimension of this zone in 2011. Currently, the Rodado discovery is not in the Company's resource model.

Exploration efforts continued in the Salamanca area located approximately ten kilometres north of the Gualcamayo mine area. The Company recently completed an additional 15 holes to test the northern extension of Salamanca. The deposit remains open along strike. An update of inferred resource is expected in early 2011.

CHILE

El Peñón

Exploration at the El Peñón mine in northern Chile was expanded in 2010 to include a regional exploration program in addition to mine and near-mine exploration efforts. In the first of these regional exploration programs, the Company discovered the Pampa Augusta Victoria vein structure within 30 kilometres of the El Peñón mine.

El Peñón currently produces approximately 400,000 – 420,000 gold equivalent ounces per year and has a long track record of replacement of ounces and mineral resource expansion. While the focus of the 2010 exploration program at El Peñón was the North Block and existing vein structures near the mine in order to replace mined ounces and increase mineral resources, the aim of the regional exploration effort was to identify new mineralization within hauling distance of the existing operation.

During 2010, 91 reverse circulation drill holes and three diamond drill holes totaling 38,835 metres were completed in an effort to extend both the Victoria and Victoria Este vein systems within the Pampa Augusta Victoria zone.

Mineralization is structurally controlled and consists of low sulphidation, epithermal quartz veins, stockworks and hydrothermal breccias, similar to other ore bodies at El Peñón. These rocks are exposed in a structurally controlled window that is approximately 400 square kilometres in surface area. To date, the Victoria vein has been traced along strike for approximately 900 metres and 250 metres down dip. The Victoria Este vein system consists of three different sub-parallel structures with variable widths of between one to four metres and a drill defined strike length of 500 metres. Neither the Victoria nor the Victoria Este veins outcrop and they are still open in all directions.

A new sub parallel vein system, Elizabeth, was discovered in September 2010. Drill holes DAV0032, DAV0089, DAV0090 and DAV0091 intersected a new mineralized structure 200 metres east of the Victoria Este vein system. Mineralization is associated with veins, veinlets and hydrothermal breccias hosted in andesites and, to date, has been traced along 170 metres of strike length with vein widths of between one and five metres. Additional drilling is underway to better define the horizontal and vertical dimensions of this new discovery.

Minera Florida

In October, Victoria, a high-grade deposit was discovered. Victoria and Tribuna Norte will be the focus of the Company's exploration effort at Minera Florida in 2011. Exploration will continue in the areas surrounding the mine with the objective of identifying new ounces to replace resources and reserves.

During 2010, significant effort was spent on converting resources to reserves at Polvorin, Centenario, Marquis Sur, Veta Central and Rafael, as well as an underground exploration drilling at the north end of the mine, and district exploration drilling at Mila.

MEXICO

Mercedes

Mercedes is Yamana's development stage project located in Sonora, Mexico. The project is currently under construction and is expected to commence production in 2012. Mercedes is a gold-silver, low-sulphidization vein/stockwork system. Mineralization at Mercedes is contained in four main target areas: Mercedes, Barrancas, Klondike and Lupita. A total 45,805 metres of drilling has been completed in 151 holes in 2010.

Following the significant mineral resource increase at Mercedes in 2009, the Company has undertaken an extensive exploration program in 2010 advancing concurrently with mine construction with the following core objectives:

1) Upgrade of mineral resources and mineral reserves in areas of known mineralization and existing ore bodies with infill drilling
2) Increase mineral resources and mineral reserves with step-out drilling around areas of known mineralization
3) Discovery of new areas of mineralization

The Company was successful in achieving all of these objectives, primarily at the Barrancas and Lupita vein structures. Drilling efforts are detailed below.

Barrancas Vein – Lagunas Zone

A total of 100 infill and exploration holes have been completed in the Barrancas zone and the new Lagunas northwest extension area, covering a strike length of 400 metres and a vertical range of up to 250 metres. Drilling has confirmed the high-grade intercepts first discovered in 2009, and expanded the dimensions of the vein zone.

The infill drill program is expected to convert mineral resources to mineral reserves. Step-out drilling on the northwest extension of Lagunas has encountered local bonanza-grade gold values in two parallel vein zones. These zones are open on strike to the northwest and at depth. These newly discovered mineralized zones are expected to add additional mineral resources.

Lupita Vein – Diluvio Zone

The Diluvio zone is a 2010 discovery made by the Company within the Mercedes project area. As originally announced on August 4, 2010, a 13-hole widely spaced drill program completed earlier in the year intersected a broad zone of multi-stage low sulphidation carbonate-quartz-adularia veins and stockworks ranging from ten to 150 metres in true width. This zone is approximately 600 metres northeast of the known mineral resource in the Lupita area.

Drilling of the Diluvio zone in the Lupita vein has continued and a total of 44 drill holes were completed in 2010. The goal of this additional drilling was to define the mineralized zone on a 60 by 60 metre drill grid. All holes drilled to-date continue to intersect broad zones of high and low angle multi-stage veins and stockwork hosted within lithic tuff and andesite flows. Preliminary results indicate the extension of strike length of the Diluvio zone by approximately 50 metres along strike. The zone is still open down-dip and to the northwest. Oriented core is being measured in order to determine orientations on the multitude of high and low angle vein zones that have been intersected in the Diluvio zone. This drill program will likely result in an increase to the overall mineral resources in the Lupita vein structure.

21. RISKS AND UNCERTAINTIES

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the economic conditions in the various geographical areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs these risks cannot be eliminated. Such risks include changes in local laws governing the mining industry, a decline in metal prices (such as gold, silver and copper), the activity in the mining sector, uncertainties inherent in estimating mineral reserves and mineral resources and fluctuations in local currency against the United States Dollar.

Readers are encouraged to read and consider the risk factors more particularly described in the Company's Annual Information Form for the year ended December 31, 2010. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Operating and Political Risks

The Company holds mining and exploration properties in Brazil, Argentina, Chile, Mexico and Colombia exposing it to the laws governing the mining industry in those countries. The governments in those countries are currently supportive of the mining industry but changes in government regulations including taxation, the repatriation of profits, restrictions on production, export controls, environmental and ecological compliance, expropriation of property, shifts in the political stability of the country and labour unrest could adversely affect the Company and its exploration and production initiatives in these countries.

To mitigate land title risks, the Company makes no commitments and does not undertake exploration without first determining that necessary property rights are in good standing. However, despite the Company's best efforts, land title may still be affected by undetected defects.

Currency Risks

Conducting exploration and production in Latin America also exposes the Company to the risk of currency fluctuations. A significant portion of the Company's expenditures are denominated in Brazilian Reais, Argentine Pesos, Chilean Pesos and to a lesser extent Canadian Dollars and Mexican Pesos. Revenues are earned in United States Dollars. A strengthened local currency could adversely affect the Company's costs denominated in United States Dollars. Historically, the Real has been highly volatile relative to other currencies and can fluctuate significantly against the United States Dollar over short-term periods. Refer to Note 26 to the consolidated financial statements for an additional discussion on currency risks.

The Company has entered into several currency hedges to mitigate against fluctuations in the Real vis-à-vis the United States Dollar as further discussed in the "Derivatives" section.

Commodity Risks

The mining industry is intensely competitive and is highly dependent on commodity prices. The profitability of the Company is directly related to the market price of gold, silver and copper. A decline in the price of gold, copper or silver could negatively impact the Company's operations. Refer to Note 26 to the consolidated financial statements for an additional discussion on commodity risks.

In addition to the direct impact of changes in copper prices on revenues, net earnings are also affected by unrealized accounting gains or losses on the mark-to-market of copper derivative contracts that do not qualify for hedge accounting but provide an economic hedge (refer to the "Derivatives" section for details).

The Company has entered into several currency hedges to mitigate against fluctuations in the price of copper as further discussed in the "Derivatives" section. The Company has not hedged any of its gold.

Interest Rate Risks

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2010, the Company had a total of $231.6 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in Other Comprehensive Income ("OCI") until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps has been recorded in current earnings. At December 31, 2010, the Company's long-term debt was at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

Credit Risks

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash, cash equivalents and accounts receivable, credit risk is represented by the carrying amount on the balance sheet. For long-term investments credit risk represents the par value of the instruments. For derivatives, the Company assumes no credit risk when the fair value of the instruments is negative. When the fair value of the instruments is positive, this is a reasonable measure of credit risk. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties.

Liquidity Risks

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an off-setting position. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding derivatives except upon the occurrence of customary events of default. The Company mitigates liquidity risk by spreading the maturity dates of derivatives over time, managing its capital expenditures and operation cash flows, and by maintaining adequate lines of credit.

Environmental Risks

The Company's mining and processing operations and exploration activities in Brazil, Chile, Argentina, Mexico and Columbia are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. Permits from various governmental authorities are necessary in order to engage in mining operations in all jurisdictions in which the Company operates. Such permits relate to many aspects of mining operations, including maintenance of air, water and soil quality standards. In most jurisdictions, the requisite permits cannot be obtained prior to completion of an environmental impact statement and, in some cases, public consultation. Further, the Company may be required to submit for government approval a reclamation plan, to post financial assurance for the reclamation costs of the mine site, and to pay for the reclamation of the mine site upon the completion of mining activities. The Company mitigates this risk by performing certain reclamation activities concurrent with production.

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities concerning the environmental effects associated with mineral exploration and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. To the extent Yamana is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available for business activities and could have a material adverse effect on the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect. The Company mitigates the likelihood and potential severity of these environmental risks it encounters in its day-to-day operations through the application of high operating standards.

Energy Risks

The Company consumes energy in mining activities, primarily in the form of diesel fuel, electricity and natural gas. As many of the Company's mines are in remote locations and energy is generally a limited resource, the Company faces the risk that there may not be sufficient energy available to carry out mining activities efficiently or that certain sources of energy may not be available. The Company manages this risk by means of long-term electricity agreements with local power authorities and inventory control process on consumables including fuel. Many of the mines have on-site generator sets as back-up to mitigate the anticipated and unanticipated interruptions from the energy providers.

22. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements in accordance with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact the Company's consolidated financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Users are cautioned that under current economic conditions, the Company may require the use of additional estimates and certain estimates are subject to a greater degree of uncertainty as a result. The following accounting estimates are among the most critical:

Revenue Recognition

Revenue from the sale of gold or other metals is recognized when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, when there is a fixed or determinable selling price and collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are finally settled.

Sales revenue is recognized at the fair value of consideration received. Revenue includes treatment and refining charges if payment of these amounts can be enforced at the time of sale. Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract or at spot prices. Incidental revenues from the sale of by-products (zinc) are classified with cost of sales. Concentrate revenue for independent smelters is set at a specified future date after shipment based on market prices. Revenues are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts are caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. In a period of unusual price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant.

For changes in metal quantities upon receipt of new information and assays, the provisional sales quantities are adjusted as well.

Asset retirement obligations

Asset retirement obligations are accrued at their fair value. Fair value is determined as the discounted future cash expenditures. Asset retirement obligations and other environmental liabilities are based on management judgments and estimated engineering costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, current technology and the possible use of the location. Since these estimates are specific to the locations involved, there are many individual assumptions underlying the Company's total asset retirement obligations and provision for other environmental liabilities. The asset retirement obligations are calculated as the net present value of estimated future cash flows which total $230.3 million discounted using a credit adjusted risk-free rate of 5%. The settlement of the obligations will occur through to 2032. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items. While these individual assumptions can be subject to change, none are individually significant to the Company's reported financial results. Asset retirement obligations are amortized over the life of each mine on a unit-of-production basis. Readers are encouraged to refer to Note 13 of the consolidated financial statements for additional information.

Inventories

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Depletion and impairment of mineral properties

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to exploration potential, reserves and resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on the discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. The annual impairment test assumed a long-term gold price of $1,200 per ounce and a long-term copper price of $3.00 per pound. Upon completion of this test, there were no impairments.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Goodwill

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of the reporting unit to its carrying amounts. If the carrying value of the reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

For goodwill impairment testing purposes, the Company estimates the fair value of a gold property using a discounted cash flow valuation based on projected future cash flows. The determination of fair value is highly subjective and requires numerous assumptions including, but not limited to, projected future revenues based on estimated production, long-term metal prices, operating expenses, capital expenditures, inflation index, exchange and discount rates.

The Company's goodwill relates exclusively to the acquisition of the Jacobina mine. The annual goodwill impairment test included a long-term gold price of $1,200 per ounce, a nominal discount rate of 8.7% and an average future inflation index of 2.0%. Upon completion of this test, there was no impairment to goodwill.

Mineral reserve estimates

The figures for reserves and resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

As at December 31, 2010, mineral reserve estimates were based on a gold price of $900 per ounce (except for Mercedes and Ernesto/Pau-a-Pique based on $825 per ounce, C1 Santa Luz based on $750 per ounce, Alumbrera based on $1,040 per ounce), a silver price of $15.00 per ounce (except for Mercedes based on $14.00 per ounce), and a copper price of $2.50 per pound (except for Alumbrera based on $2.80 per pound).

Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Income taxes

Future income tax assets and liabilities are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for income tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

Long-term income tax liabilities are recorded on the profits earned in Chile that the Company expects to repatriate to its foreign shareholders.

Assets under construction

Assets under construction consist of expenditures for the construction of future mines and include pre-production revenues and expenses prior to achieving commercial production. Commercial production is a convention for determining the point at which a mine and plant have completed the operational commissioning and have operational results that are at a sustainable commercial level over a period of time, after which production costs are no longer capitalized and are reported as operating costs. The determination of when commercial production commences is based on a several qualitative and quantitative factors including but not limited to the following:

- A significant portion of planned capacity including production levels, grades and recovery rates is achieved
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits to allow continuous operations

Change in Accounting Policies

During 2010, the Company adopted, in accordance with the respective transitional provisions, the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582 *"Business Combinations",* Section 1601 *"Consolidated Financial Statements"* and Section 1602 *"Non-Controlling Interests"* to replace Section 1581 and Section 1600. These sections shall be applied prospectively to business combinations on or after the effective date of January 1, 2011 but earlier application is permitted. These standards establish updated principles on the recognition, measurement criteria and presentation for acquisitions, the accounting for assets and liabilities assumed and non-controlling interests. The Company had adopted these standards early to be applicable beginning on January 1, 2010. Implementation of these standards impacted the accounting for the business combination in Note 10 of the consolidated financial statements as well as the disclosures related to the non-controlling interests in the financial statements.

23. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) CHANGEOVER PLAN

The Company continues to monitor the deliberations and progress on plans to adopt International Financial Reporting Standards ("IFRS") by accounting standard-setting bodies and securities regulators in Canada, Brazil, Chile, Argentina, Mexico, the United States and other countries, where the Company has operating and other interests.

Differences between Canadian GAAP and IFRS will impact the Company's accounting activities to varying degrees, some of which are dependent on policy choice decisions. The Company's main objective in the selection of IFRS policies and transition elections is to ensure that meaningful and transparent information is provided to stakeholders.

The major differences between the current accounting policies of the Company and those that the Company expects to apply in preparing IFRS financial statements as well as some of the most significant adjustments expected are included below. In the Company's first interim report of 2011, prepared in accordance with IFRS, it will provide a detailed reconciliation and explanation of the significant differences arising from the transition from Canadian GAAP to IFRS affecting its reported financial position, financial performance and cash flows.

First-time adoption of IFRS

IFRS 1- *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") which provides guidance for the initial adoption of IFRS. IFRS 1 requires an entity to apply IFRS effective at the end of its first IFRS annual reporting period on a full retrospective basis subject to specific mandatory and optional exemptions. Significant optional IFRS 1 exemptions the Company may expect to apply in its first IFRS financial statements have not changed from those previously disclosed.

Reconciliation of Consolidated Balance Sheets as Reported Under Canadian GAAP and IFRS

(In thousands of United States Dollars)	Note	As at December 31, 2009 Canadian GAAP basis (Audited)	Effect of conversion to IFRS (Unaudited)	As at January 1, 2010 IFRS basis (Unaudited)
Assets				
Current				
Cash and cash equivalents		$ 170,070	$ -	$ 170,070
Accounts receivable		102,126	-	102,126
Inventory		101,820	-	101,820
Other current assets	(b)	154,979	(14,552)	140,427
Current assets held for sale		53,624	-	53,624
Total current assets		582,619	(14,552)	568,067
Mineral interests	(c,e)	8,576,361	(35,024)	8,541,337
Investments		56,366	-	56,366
Other long-term assets		167,390	-	167,390
Future income tax assets	(a,b)	135,454	18,282	153,736
Goodwill		55,000	-	55,000
Long-term assets held for sale		134,070	-	134,070
Total assets		$9,707,260	$ (31,294)	$9,675,966
Liabilities				
Current				
Accounts payable		$ 153,522	$ -	$ 153,522
Accrued liabilities		86,319	-	86,319
Income taxes payable		42,844	-	42,844
Other current liabilities	(b,d)	25,660	5,626	31,286
Current liabilities held for sale		13,937	-	13,937
Total current liabilities		322,282	5,626	327,908
Long-term debt		529,450	-	529,450
Asset retirement obligations	(e)	133,163	22,026	155,189
Future income tax liabilities	(a,b,e)	1,768,899	188,870	1,957,769
Other long-term liabilities		138,389	-	138,389
Long-term liabilities held for sale		19,559	-	19,559
Total non-current liabilities		2,589,460	210,896	2,800,356
Total liabilities		2,911,742	216,522	3,128,264
Non-controlling interest		46,800	-	46,800
Shareholders' Equity				
Capital Stock				
Issued and outstanding 741,362,131 common shares (December 31, 2009 – 733,411,458 shares)		6,063,410	-	6,063,410
Share purchase warrants	(d)	44,071	(44,071)	-
Contributed surplus	(f)	26,942	3,727	30,669
Accumulated other comprehensive income (loss)		26,652	-	26,652
Retained earnings	(all)	587,643	(207,472)	380,171
Shareholders' equity		6,748,718	(247,816)	6,500,902
Total liabilities, non-controlling interest & shareholders' equity		$9,707,260	$ (31,294)	$9,675,966

a) Income taxes

The carrying values of non-monetary assets are recorded in their functional currencies at the time of the original acquisition. If the related tax value is calculated in a foreign currency, the tax value is translated to the functional currency at the rate in effect at each balance sheet date. Any change in the tax value measured in the functional currency creates a foreign exchange difference in the deferred tax calculation. Under Canadian GAAP, this foreign exchange difference is prohibited from recognition and thus, under Canadian GAAP deferred taxes on these non-monetary assets are calculated in the foreign currency and subsequently translated into the functional currency at the rate in effect at each balance sheet date. When applying the Canadian GAAP principles to the fair value adjustments recognized on the acquisition of non-monetary assets, significant unrealized foreign exchange gains/losses were recognized on the translation of the related deferred taxes. Under IFRS, the deferred tax liability relating to the fair value adjustments on acquisition of non-monetary assets will always be calculated with reference to the functional currency at the time of the original acquisition. As a result, the effect of foreign currency translation on the timing differences related to non-monetary assets will likely be more volatile; volatility of the effective tax rate from period to period is also expected. On the currency translation of purchase price adjustments, which do not have a tax value, IFRS has the impact of removing previously recognized foreign exchange gains/losses on the foreign currency denominated deferred tax liability from the date of acquisition. In future periods, no unrealized foreign exchange gains/losses related to deferred income tax liabilities arising from purchase price adjustments on non-monetary assets and liabilities will be recognized. This change has resulted in an adjustment on the balance sheet of $182.9 million reduction to future income tax liabilities offset by a reduction to opening retained earnings representing the difference between the accounting value at historical foreign exchange rates and the accounting value at current foreign exchange rates multiplied by the relevant tax rate.

b) Reclassification of income taxes

All current deferred tax assets and liabilities under Canadian GAAP are reclassified as non-current items under IFRS.

c) Impairment of assets

Under Canadian GAAP, a two-step approach to impairment testing is performed: firstly, the asset carrying value is compared with its undiscounted future cash flow to determine whether impairment exists. The impairment is then measured by comparing the asset's carrying value with its fair value. IAS 36, *Impairment of Assets ("IAS 36"),* requires the application of a one-step approach for both testing for and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use and includes the use of discounted cash flows when a cash flow model is used. IAS 36 also allows the reversal of impairments for long-lived assets if conditions that gave rise to these impairments no longer exist. It is expected that there may be increased volatility in impairment recognition due to the possibility of more frequent impairments and the reversal of impairments under IFRS. Applying IAS 36 has resulted in additional impairments in cases where the carrying values of certain assets was recoverable under Canadian GAAP on an undiscounted cash flow basis but could not be supported on a discounted cash flow basis. Financial statements elements impacted as a result of the impairment include the Company's mineral interests composed of depletable and non-depletable mineral properties and its equity investment. The opening adjustment on the balance sheet as a result of using a discounted cash flow approach required under IFRS is $35.0 million which has been recorded as a reduction to opening retained earnings.

d) Warrants

Under Canadian GAAP, the Company accounts for its Canadian dollar-denominated warrants, primarily acquired in its business combinations, as equity instruments. IFRS requires that warrants denominated in a currency other than the functional currency of the issuer (United States Dollars for the Company) be classified as liabilities unless they are issued pro rata to all existing shareholders. Therefore, the Company's outstanding Canadian dollar-denominated warrants will need to be reclassified as liabilities and recognized at fair value, with changes in value being recorded in the statement of operations and the opening adjustment to be recorded as an adjustment to opening retained earnings. Quantification of this impact results in a total reclassification of liability value of $9.0 million and an increase to retained earnings of $34.6 million.

e) Asset retirement obligations

Differences in this area between Canadian GAAP and IFRS that are being assessed include the recognition of provisions based on the concept of legal and constructive obligations, when probable ("more likely than not" or greater than 50%) and the measurement requirements for discounting using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the liability. The opening adjustment on the balance sheet as a result of using discount rates that are country-specific required under IFRS is less than $22.2 million resulting in a reduction of opening retained earnings.

f) Share-based compensation

The Company recognizes share-based compensation as a single pool with a fair value based on the specified vesting period for the overall arrangement. This treatment is applied for all arrangements under Canadian GAAP, including those which include tranches that vest in installments over the vesting period. Under IFRS, the Company will treat each installment as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period. The opening adjustment on the balance sheet as a result of using the above treatment required under IFRS is $3.7 million resulting in a reduction of opening retained earnings.

g) Property, plant and equipment ("PPE")

Key differences between Canadian GAAP and IFRS with respect to PPE include component accounting which must be applied to physical and non-physical components which are significant and have a useful life which differs to that of the overall asset, the mandatory capitalization of interest costs and requirements for the annual review of estimates of useful life, residual value and the depreciation method. The Company will continue to account for its PPE using the cost model. At this point, the Company does not expect to record a material adjustment relating to this difference.

h) Provisions, contingent liabilities and contingent assets

Differences that are being assessed include the recognition of provisions which introduce the concept of legal and constructive obligations when probable ("more likely than not" or greater than 50%) and the requirements for discounting when material. At this time, the Company does not expect to record a material adjustment relating to this difference.

The Company has not identified any material differences for any other financial statement elements.

Project update

A project steering committee was established at the inception of the project and is providing overall guidance to the conversion project. The audit committee of the Company is kept informed of management's decisions on accounting policy choices under IFRS, project status and significant IFRS developments. The Company completed a detailed work plan for the design and implementation phases of the project and the project is progressing according to plan, is on budget and there has been no significant change to the plan.

Some of the key activities that have been performed in 2010 include:

Activities	Progress report
Information technology and data systems	The Company's IFRS project team liaises with IT system teams to ensure alignment with other projects impacting the IT environment. The Company continues to make good progress as it is revises its IT systems to incorporate IFRS requirements after the changeover date.
Internal controls	A process has been designed and implemented to provide reasonable assurance on the controls in place relating to the conversion process. At this point in the IFRS project, the Company does not anticipate any significant changes to key internal controls.
Training programs	All major company personnel impacted by the IFRS changeover from site staff to all levels of executives and directors have undergone various levels of training and have an understanding of IFRS. Specific training to key personnel, in both the corporate and regional offices, has been completed during the year. Additional training to enhance internal competencies on IFRS is planned for the first quarter of 2011.
Communication programs	The Audit Committee receives quarterly updates on the project's progress status. It met in May, August and October with the project team to review the effect of conversion to IFRS on the opening balance sheet and the template of financial statements and notes proposed for interim and annual reporting in 2011. The Company's project team continues to communicate project status and significant impacts of transition to affected parties.
Revision of accounting policy and procedures manual	Differences arising from IFRS adoption have been identified and decisions have been documented in accounting papers addressing specific policies. Revisions and approval of the Company's documented accounting policies under IFRS are underway.
Preparation of draft IFRS financial statements templates, disclosures and related decisions	Draft IFRS financial statements are undergoing a thorough review and approval with the involvement of the Company's auditors. Some of the key changes expected include, but are not limited to, the following: • The statement of operations will be presented by "function" of the line items with additional note disclosures on the "nature" of the item to be included in supporting notes, • Unrealized and realized gain/loss on financial instruments as well as foreign exchange gain/loss will be presented within net finance expenses, • Foreign exchange gain/loss, interest and penalties related to tax to be reported in the tax expense line, • Deferred tax asset and liability balances to be presented as non-current on the balance sheet, • Cash flow statement to begin with earnings before taxation and present dividends received and taxes paid as operating activities, • Additional reconciliations/disclosures to be provided for several financial statement elements such as property, plant and equipment, equity investment, goodwill and intangible assets, dividends paid and proposed, share-based payments, cost of sales excluding depreciation, depletion and amortization, other operating income and expenses, finance income and expenses, environmental rehabilitation and provisions, employee compensation and benefit expenses, financial instruments, equity and its components, related party transactions, etc.
Preparation and auditor procedures on the IFRS opening balance sheet for January 1, 2010	Significant differences between Canadian GAAP and IFRS impacting the Company's opening balance sheet for January 1, 2010 are substantially complete. Significant adjustments to the opening balance sheet to date have been disclosed above.
Other business impacts	During the transition year, IFRS figures are being tracked in parallel with Canadian GAAP figures for comparative purposes.

The above is not considered a complete and final list of all the impacts that may result from the transition to IFRS. The Company will maintain disclosures as current as possible as changes in circumstances may impact the final determination of adjustments and application.

Future Expected Changes to IFRS

Continuous monitoring of current IFRS developments is an imperative consideration in the design and implementation phase as multiple changes are expected to come into effect from projects delineated by the timetable of the International Accounting Standards Board as the Company transitions to IFRS.

Joint Arrangements

The International Accounting Standards Board ("IASB") has issued Exposure Draft ("ED 9") – Joint Arrangements, which proposes to require that all jointly controlled entities be accounted for using the equity method of accounting. ED 9 would replace the current IFRS standard which allows for a policy choice to account for jointly controlled entities using either proportionate consolidation, which is consistent with Canadian GAAP, or the equity method of accounting. ED 9 is expected to result in the issue of a final IFRS standard in the first quarter of 2011, which the Company will be required to adopt during a period subsequent to its transition to IFRS. The Company is currently evaluating the impact that ED 9 is expected to have on its consolidated financial statements.

Financial Statement Presentation (Presentation of Other Comprehensive Income)

The Presentation of Other Comprehensive Income ("OCI") is a part of the Phase B of the Financial Statement Presentation project. In May 2010, the IASB published for public comment an ED "Presentation of Items of Other Comprehensive Income" with proposed changes that aim to address the issues of the lack of distinction between different items in the OCI and the lack of clarity in the presentation of items in OCI. The IASB proposes to group items presented in OCI on the basis of whether they are at some point reclassified ("recycled") from OCI to profit or loss. In addition, the IASB proposes to use the title "statement of profit or loss and other comprehensive income" for the statement that shall be presented in two sections: profit or loss; and OCI. Issuance of a final IFRS standard is expected in the first quarter of 2011 and the Company will be required to adopt the standard subsequent to its transition to IFRS.

Revenue Recognition

In June 2010, the IASB and FASB jointly issued an ED on Revenue from contracts with customers. If adopted, the proposals would supersede IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations. The core principle proposed in the ED would require an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to receive in exchange for those goods or services. The ED also specifies the accounting for contract costs. The Discussion Paper ("DP") proposes a single revenue recognition model based on changes in the contract asset or liability with a customer, i.e., the net asset or liability arising from the remaining rights and obligations in a contract. The Company is currently evaluating the impact that ED is expected to have on its consolidated financial statements. A final IFRS standard to be issued in the second quarter of 2011 is expected, which the Company will be required to adopt subsequent to its transition to IFRS.

Leases

In July 2006, the IASB announced a project to reconsider the accounting requirement for leasing arrangements. The project is being conducted jointly with the FASB. In March 2009, the IASB and the FASB published a DP Leases – Preliminary Views. The DP proposes, for lessees, to eliminate the requirement to classify a lease contract as an operating or finance lease, and to require a single accounting model to be applied to all leases. The DP proposes that a lessee recognize in its financial statements a "right-of-use" asset representing its right to use the leased asset, and a liability representing its obligation to pay lease rentals. The DP includes a high-level discussion of lessor accounting issues, but expresses no preliminary views on lessor accounting. An ED was issued in August 2010 and a final standard in the second quarter of 2011, which the Company will be required to adopt subsequent to its transition to IFRS. The Company is currently monitoring the impact that proposed changes are expected to have on its consolidated financial statements.

Hedge Accounting

Hedge accounting represents the third phase of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". In December 2010, the IASB issued for public comment an ED on the accounting for hedging activities. The ED proposes requirements that will enable companies to reflect their risk management activities better in their financial statements and, in turn, help investors to understand the effect of those activities upon the financial statements and future cash flows. The key proposed changes include:

- A hedge accounting model that combines a management view that aims to use information produced internally for risk management purposes and an accounting view that seeks to address risk management issue of the timing of recognition of gains and losses.
- Elimination of the distinction of components of financial items versus non-financial items for purpose of hedging.
- Extending the use of hedge accounting to net positions and, thereby, improving the link to risk management.

A final standard is expected to be issued in the second quarter of 2011. The Company will be required to adopt the standard subsequent to its transition to IFRS.

24. RECENT ACCOUNTING PRONOUNCEMENTS

Recently issued Canadian accounting pronouncements are outlined below.

Future accounting changes

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011 ("Changeover Date"). Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

As the result of adopting IFRS, changes in significant accounting policies will include:

- *Income taxes*

  Under IFRS, the deferred tax liability relating to the fair value adjustments on acquisition of non-monetary assets will be calculated with reference to the functional currency at the time of the original acquisition. Under previous Canadian GAAP, recognition of such foreign exchange difference is prohibited; hence, the initial deferred tax liability on the fair value adjustments on acquisition of non-monetary assets is calculated in the foreign currency and subsequently translated into the functional currency at the rate in effect at each balance sheet date.

  On business combinations, IFRS requires the deferred taxes be calculated without gross-up, and deferred taxes not to be set up on assets acquired outside of business combinations.

  IFRS requires disclosure of the temporary differences between the original investment and the cumulative undistributed retained earnings of the investment since its acquisition. All deferred tax assets and liabilities are to be classified as non-current items.

- *Impairment of assets*

  IFRS requires the application of a one-step approach for both testing for and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use and includes the use of discounted cash flows when a cash flow model is used. IFRS also allows the reversal of impairments for long-lived assets if conditions that gave rise to those impairments no longer exist. Under previous Canadian GAAP, a two-step approach to impairment testing is performed: firstly, the asset carrying value is compared with its undiscounted future cash flow to determine whether impairment exists. The impairment is then measured by comparing the asset's carrying value with its fair value.

- *Warrants*

  IFRS requires that warrants denominated in a currency other than the functional currency of the issuer (United States Dollars for the Company) be classified as liabilities unless they are issued pro rata to all existing shareholders. Such warrants shall be recognized at fair value with changes in value being recorded in the statement of operations. Under previous Canadian GAAP, the Company accounts for its Canadian dollar-denominated warrants, primarily acquired in its business combinations, as equity instruments.

• Decommissioning, restoration and similar liabilities

Under IFRS, recognition of provision shall be based on the concept of legal and constructive obligations when it is probable ("more likely than not") that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the discount rates shall be pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

• Share-based compensation

The Company recognizes share-based compensation, including that which includes tranches that vest in installments over the vesting period. Under IFRS, the Company shall treat each installment as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period.

25. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chairman and Chief Executive Officer and Executive Vice President, Finance and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Timely Disclosure and Confidentiality Policy, our Code of Business Conduct and Ethics, our Insider Trading Policy and Share Dealing Code, our Whistleblower Policy, our Fraud Policy, the effective functioning of our Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

As at the end of the period covered by this Management's Discussion and Analysis, management of the Company, with the participation of the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by applicable rules of the SEC and the Canadian Securities Administrators (or Canadian securities regulatory authorities). The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings and other reports filed or submitted under applicable securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in the rules of the United States Securities and Exchange Commission and the Canadian Securities Administrators. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in Canada and the United States of America for external purposes. The Company's internal control over financial reporting includes:

- maintaining records that in reasonable detail accurately and fairly reflect our transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that, as of December 31, 2010, the Company's internal control over financial reporting is effective and no material weaknesses were identified. The Company has certified the above in its annual filings with both the U.S. Securities and Exchange Commission on Form 40-F as required by the United States Sarbanes-Oxley Act and with Canadian securities regulatory authorities.

Deloitte and Touche LLP, the Company's Independent Registered Chartered Accountants, have audited the consolidated financial statements of the Company for the year ended December 31, 2010, and have also issued a report on the internal controls over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States).

Changes in Internal Controls

During the year ended December 31, 2010, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between December 31, 2010 and December 31, 2009 and results of operations for the period ended December 31, 2010, December 31, 2009 and December 31, 2008.

This Management's Discussion and Analysis has been prepared as of February 23rd, 2011. The audited consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") follow this Management's Discussion and Analysis. This Management's Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2010 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis. This Management's Discussion and Analysis should be read in conjunction with both the annual audited consolidated financial statements for the year ended December 31, 2010 and the most recent Annual Information Form for the year ended December 31, 2010 on file with the Securities Commissions of all of the provinces in Canada and the 2010 Annual Report on Form 40-F on file with the United States Securities and Exchange Commission. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein. All dollar amounts in the Management's Discussion and Analysis are in United States Dollars, unless otherwise specified.

Cautionary Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis contains or incorporates by reference "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan," "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the Company's expectations in connection with the projects and exploration programs discussed herein being met, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating metal prices (such as gold, copper, silver and zinc), currency exchange rates (such as the Brazilian Real, the Chilean Peso and the Argentine Peso versus the United States Dollar), possible variations in ore grade or recovery rates, changes in the Company's hedging program, changes in accounting policies, changes in the Company's corporate mineral resources, risks related to non-core mine disposition, changes in project parameters as plans continue to be refined, changes in project development, construction production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, final pricing for concentrate sales, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's annual Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2010 filed with the securities regulatory authorities in all provinces of Canada and available at www.sedar.com, and the Company's Annual Report on Form 40-F filed with the United States Securities and Exchange Commission. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources

This Management's Discussion and Analysis uses the terms "Measured", "Indicated" and "Inferred" Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and 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 other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

Cautionary Note Regarding Mineral Reserves and Mineral Resources

Readers should refer to the Annual Information Form of the Company for the year ended December 31, 2010 and other continuous disclosure documents filed by the Company since January 1, 2011 available at www.sedar.com, for further information on mineral reserves and mineral resources, which is subject to the qualifications and notes set forth therein.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Yamana Gold Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management on a going concern basis in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Yamana Gold Inc. maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are independent directors. The Committee meets at least four times a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States) on behalf of the shareholders. Deloitte & Touche LLP have full and free access to the Audit Committee.

PETER MARRONE
Chairman and
Chief Executive Officer

Charles B. Main

CHARLES B. MAIN
Executive Vice President, Finance and
Chief Financial Officer

February 23, 2011

Report of Independent Registered Chartered Accountants

To the Shareholders of Yamana Gold Inc.

We have audited the accompanying consolidated financial statements of Yamana Gold Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yamana Gold Inc. and subsidiaries as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
February 23, 2011
Vancouver, Canada

Report of Independent Registered Chartered Accountants (con'd)

To the Shareholders of Yamana Gold Inc.

We have audited the internal control over financial reporting of Yamana Gold Inc. and its subsidiaries (the "Company") as of December 31, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated February 23, 2011 expressed an unqualified opinion on those financial statements and included a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Differences referring to changes in accounting principles.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
February 23, 2011
Vancouver, Canada

Yamana Gold Inc.

Consolidated Balance Sheets

For the Years Ended December 31 (In thousands of United States Dollars)	**2010**	2009
ASSETS		
Current		
Cash and cash equivalents	$ 330,498	$ 170,070
Accounts receivable	212,945	102,126
Inventory (Note 4)	116,443	101,820
Other current assets (Note 5)	268,287	154,979
Current assets held for sale (Note 10(b))	-	53,624
	928,173	582,619
Mineral interests (Note 6)	8,829,195	8,576,361
Investments (Note 7)	102,958	56,366
Other long-term assets (Note 8)	251,770	167,390
Future income tax assets (Note 21(b))	132,145	135,454
Goodwill (Note 9)	55,000	55,000
Long-term assets held for sale (Note 10(b))	-	134,070
	$10,299,241	$9,707,260
LIABILITIES		
Current		
Accounts payable	$ 185,151	$ 153,522
Accrued liabilities	116,184	86,319
Income taxes payable	81,785	42,844
Other current liabilities (Note 11)	15,680	25,660
Current liabilities held for sale (Note 10(b))	-	13,937
	398,800	322,282
Long-term debt (Note 12)	486,550	529,450
Asset retirement obligations (Note 13)	153,486	133,163
Future income tax liabilities (Note 21(b))	1,822,185	1,768,899
Other long-term liabilities (Note 14)	147,432	138,389
Long-term liabilities held for sale (Note 10(b))	-	19,559
	2,609,653	2,589,460
	3,008,453	2,911,742
EQUITY		
Capital Stock (Note 15)		
Issued and outstanding 741,362,131 common shares (December 31, 2009 – 733,411,458 shares)	6,171,047	6,063,410
Share purchase warrants (Note 17)	13,111	44,071
Contributed surplus	33,885	26,942
Accumulated other comprehensive income (Note 16)	49,727	26,652
Retained earnings	976,218	587,643
	7,243,988	6,748,718
Non-controlling interest (Note 19)	46,800	46,800
	$10,299,241	$9,707,260

Contractual commitments and contingencies (Notes 24 and 27).

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

PETER MARRONE
Director

PATRICK MARS
Director

Yamana Gold Inc.

Consolidated Statements of Operations

For the Years Ended December 31 *(In thousands of United States Dollars except for shares and per share amounts)*	**2010**	2009	2008
Revenues	$1,686,811	$1,183,314	$ 949,362
Cost of sales excluding depletion, depreciation and amortization	(631,063)	(479,847)	(413,635)
Depletion, depreciation and amortization	(300,711)	(233,687)	(175,907)
Accretion of asset retirement obligations	(7,163)	(2,282)	(1,834)
Mine operating earnings	747,874	467,498	357,986
Expenses			
General and administrative	(109,103)	(90,676)	(58,443)
Exploration	(39,184)	(25,433)	(22,409)
Other operating expenses	(28,483)	(9,536)	(14,131)
Operating earnings	571,104	341,853	263,003
Investment and other business income (loss)	5,914	22,231	(27,293)
Interest and financing expenses (Note 20)	(54,064)	(34,573)	(44,478)
Foreign exchange gain	32,115	74,515	131,921
Realized (loss) gain on derivatives (Note 26(a))	(5,476)	18,659	(10,048)
Unrealized gain (loss) on derivatives (Note 26(a))	1,948	(105,428)	166,216
Earnings from continuing operations before taxes and equity earnings	551,541	317,257	479,321
Income tax expense (Note 21(a))	(160,690)	(136,559)	(25,727)
Equity earnings from Minera Alumbrera (Note 6)	49,264	31,073	25,763
Earnings from continuing operations	440,115	211,771	479,357
Earnings (loss) from discontinued operations (Note 10)	11,329	(19,140)	(44,585)
Net earnings	$ 451,444	$ 192,631	$ 434,772
Earnings per share from continuing operations			
Basic	0.59	0.29	0.69
Diluted	0.59	0.29	0.68
Net earnings per share			
Basic	0.61	0.26	0.63
Diluted	0.61	0.26	0.62
Weighted average number of share outstanding (Note 15(b))			
Basic	739,938	733,093	691,536
Diluted	740,878	734,235	701,685

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31 *(In thousands of United States Dollars)*	**2010**	2009	2008
Net earnings	$ 451,444	$ 192,631	$ 434,772
Other comprehensive income, net of taxes (Note 16)	23,075	67,303	(36,796)
Comprehensive income	$ 474,519	$ 259,934	$ 397,976

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31 *(In thousands of United States Dollars)*	**2010**	2009	2008
Common shares			
Balance, beginning of year	$6,063,410	$6,055,892	$5,502,518
Issued on exercise of stock options, share appreciation rights and warrants (Note 15(a))	101,479	3,702	449,933
Issued on vesting of restricted share units (Note 18)	6,158	3,816	-
Public offering (net of issue costs)	-	-	103,441
	$6,171,047	$6,063,410	$6,055,892
Share purchase warrants			
Balance, beginning of year (Note 17)	$ 44,071	$ 44,109	$ 270,805
Exercise of warrants (Note 17)	(23,750)	(38)	(226,029)
Transfer of expired warrants (Note 17)	(7,210)	-	(667)
	$ 13,111	$ 44,071	$ 44,109
Contributed surplus			
Balance, beginning of year	$ 26,942	$ 26,587	$ 77,393
Transfer of stock-based compensation on the exercise	(2,245)	(2,252)	(53,522)
Transfer of expired warrants	7,210	-	667
Transfer of restricted share units on vesting	(6,091)	(3,904)	-
Stock-based compensation	8,069	6,511	2,049
	$ 33,885	$ 26,942	$ 26,587
Total before retained earnings and accumulated other comprehensive loss	$6,218,043	$6,134,423	$6,126,588
Retained earnings			
Balance, beginning of year	$ 587,643	$ 424,182	$ 59,960
Net earnings	451,444	192,631	434,772
Dividends declared	(62,869)	(29,170)	(70,550)
Retained earnings, end of year	976,218	587,643	424,182
Accumulated other comprehensive income (loss) (Note 16)	49,727	26,652	(40,651)
	1,025,945	614,295	383,531
Total shareholders' equity	$7,243,988	$6,748,718	$6,510,119

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31 (In thousands of United States Dollars)	**2010**	2009	2008
Operating Activities			
Earnings from continuing operations	$ 440,115	$ 211,771	$ 479,357
Asset retirement obligations paid (Note 13)	(4,264)	(4,134)	(5,556)
Other	-	-	10,000
Items not involving cash:			
Depletion, depreciation and amortization	300,711	233,687	175,907
Stock-based compensation	12,249	10,470	4,493
Future income tax recovery (Note 21(a))	22,654	54,435	(37,792)
Accretion of asset retirement obligations (Note 13)	7,163	2,282	1,834
Unrealized foreign exchange gain	(24,850)	(73,601)	(124,375)
Unrealized loss (gain) on derivatives (Note 26(a))	(1,948)	105,428	(166,216)
Write-off and provisions against assets	994	6,263	52,451
Mark-to-market on sales of concentrate	(17,581)	(40,365)	17,072
Financing charges	2,348	10,333	2,919
Other	9,126	(20,950)	1,106
	746,717	495,619	411,200
Net change in non-cash working capital (Note 22(c))	(133,661)	32,407	(173,786)
Cash flows from operating activities of continuing operations	613,056	528,026	237,414
Cash flows from operating activities of discontinued operations (Note 10(b))	1,616	23,567	91,261
Financing Activities			
Public offering (net of issue costs)	-	-	101,941
Issue of common shares upon exercise of options and warrants (net of issue costs)	75,485	1,353	170,382
Dividends paid	(48,267)	(29,366)	(69,930)
Proceeds of notes payable and long-term liabilities	-	568,632	30,000
Repayment of notes payable and long-term liabilities	(45,000)	(596,891)	(95,621)
Financing and other costs	(247)	(8,685)	(5,193)
Cash flows (to) from financing activities of continuing operations	(18,029)	(64,957)	131,579
Investing Activities			
Expenditures on mineral properties	(286,662)	(289,774)	(226,794)
Acquisition of property, plant and equipment	(115,567)	(130,475)	(106,768)
Expenditures on assets under construction	(79,743)	(78,508)	(163,221)
Business acquisitions (Note 10)	(49,109)	-	-
Proceeds on disposition of mineral interests (Note 10)	69,855	55,432	33,192
Return of investment from Minera Alumbrera Ltd (Note 6)	12,204	20,411	8,222
Other assets and investments	5,816	(47,002)	(14,209)
Cash flows to investing activities of continuing operations	(443,206)	(469,916)	(469,578)
Cash flows to investing activities of discontinued operations (Note 10(b))	(1,616)	(25,940)	(90,137)
Effect of foreign exchange on non-United States Dollar denominated cash and cash equivalents	8,607	9,152	(15,296)
Increase (Decrease) in cash and cash equivalents	160,428	(68)	(114,757)
Cash and cash equivalents, beginning of year – continuing operations	170,070	167,765	283,646
(Decrease) Increase in cash and cash equivalents – discontinued operations	-	(2,373)	1,124
Cash and cash equivalents, end of year	$ 330,498	$ 170,070	$ 167,765
Cash and cash equivalents are comprised of the following:			
Cash at bank	$ 330,498	$ 93,673	$ 136,063
Bank term deposits	-	76,397	31,702
	$ 330,498	$ 170,070	$ 167,765

Supplementary cash flow information (Note 22)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010, December 31, 2009 and December 31, 2008

(Tabular amounts in thousands of United States Dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Yamana Gold Inc. (the "Company" or "Yamana") is a Canadian publicly-traded gold producer engaged in gold and other precious metals mining and related activities including exploration, extraction, processing and reclamation. Yamana has significant properties involved in gold production and other precious metals, development, exploration and land positions throughout the Americas including Brazil, Argentina, Chile, Mexico and Colombia.

The Company's net earnings and operating cash flows for the year result from operations in Brazil, Chile and Argentina. Gold mining requires the use of specialized facilities and technology. The Company relies heavily on such facilities and technology to maintain production levels. Cash flow and profitability of operations are affected by various factors including levels of production, prices of consumables, interest rates, environmental costs, the level of exploration activity and other discretionary costs and activities. Profitability and operating cash flows are also affected by the market prices of gold, silver and copper and foreign currency exchange rates which can fluctuate widely. Yamana seeks to manage the risks associated with its business, however many factors affecting the above risks are beyond the Company's control.

2. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Consolidation and Presentation

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the assets, liabilities and operations of the Company and its wholly-owned subsidiaries. Canadian GAAP differs in certain aspects from United States of America generally accepted accounting principles ("US GAAP") as described in *Note 28*.

Management is required to assess whether there are significant uncertainties that may affect the Company's ability to continue to operate as a going concern in the foreseeable future. In developing this assessment, management has taken into account all available information about the future including but not limited to projected cash flows, current and expected profitability and debt repayment schedules. Based on the above assessment, the accompanying consolidated financial statements have been prepared on a going concern basis.

During the year, the sale of the São Francisco and São Vicente mines was completed *(Note 10)*. The operating results, assets and liabilities of these have been treated as discontinued operations with the balances presented separately. Comparative amounts for all periods have been included in discontinued operations, as applicable.

The Company's 50% interest in Aguas Frias S.A. is accounted for using the proportionate consolidation method.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Entities which are jointly controlled, referred to as joint ventures, are proportionately consolidated. Variable Interest Entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company's 56.7% interest in Agua De La Falda ("ADLF"), which is a variable interest entity, is consolidated and the non-controlling interest of the Company's partner is recorded *(Note 19)*.

Investments in shares of investee companies in which the Company's ownership and rights arising therefrom provide the Company with the ability to exercise significant influence are accounted for using the equity method. The Company's investment in Minera Alumbrera Ltd., which owns the Bajo de la Alumbrera mine in Argentina, has been accounted for using the equity method. Cash distributions received are credited to the equity investment.

All inter-company accounts are eliminated on consolidation.

(ii) Measurement uncertainties

The preparation of consolidated financial statements in accordance with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Users are cautioned that under current economic conditions, the Company may require the use of additional estimates and certain estimates are subject to a greater degree of uncertainty as a result.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of receivables and investments, the quantities of material on heap leach pads and in circuit, the useful lives of assets, proven and probable reserves, resources and exploration potential and the related depletion, the valuation of goodwill, impairment testing of mineral properties, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the estimated net realizable value of inventories, the accounting for stock-based compensation, the fair value of derivatives, the provision for taxes and recognition of future income tax assets and liabilities, the anticipated costs of reclamation and closure cost obligations, the criteria used to determine when a mine begins commercial production and the fair value of assets and liabilities acquired in business combinations. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(iii) Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and VIEs and represent the outside interest's share of the carrying values of the subsidiaries and VIEs. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

(iv) Foreign currency translation

The Company considers its foreign operations to be integrated operations as they are financially and operationally interdependent of the reporting entity such that the exposure to exchange rate change is similar to the exposure that would exist had the transactions and activities been undertaken by the reporting enterprise. The Company's mining operations operate primarily within an economic environment where the United States Dollar is the reference currency, as such the Company's functional currency is the United States Dollar. Monetary assets and liabilities of the Company's operations denominated in a currency other than the United States Dollar are translated into United States Dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depletion, depreciation and amortization which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with banks and highly liquid short-term investments with terms of less than 90 days.

(vi) Inventories and Stockpiled Ore

Inventory consisting of metal-in-circuit ore, gold in process and product inventories is valued at the lower of the weighted average cost of production and net realizable value. Net realizable value is calculated as the difference between the estimated future metal price based on prevailing and long-term metal prices and estimated costs to complete production into a saleable form. Inventories of material and supplies expected to be used in production are valued at the lower of cost and net replacement value. Net realizable and/or net replacement value is evaluated on a periodic basis. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the original write-down. Write-downs of inventory and reversals of write-downs are reported as a component of current period costs.

Metal in circuit is comprised of ore in stock piles and ore on heap leach pads. Ore in stock piles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stock piles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad.

Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Gold in process represents materials that are currently in the process of being converted to a saleable product.

(vii) Mineral Interests

a. *Property, plant and equipment*

Property, plant and equipment are initially recorded at cost and amortization is recorded on a straight-line basis over the estimated useful lives of the assets. Useful lives of property, plant and equipment items range from two to fifteen years, but do not exceed the related estimated mine life based on proven and probable reserves and the portion of resources that management expects to become reserves in the future.

	Depreciation Method	Useful Life
Building	Straight Line	4 to 15 years
Machinery and equipment	Straight Line	2 to 7 years
Vehicles	Straight Line	3 to 5 years
Furniture and office equipment	Straight Line	2 to 10 years
Computer equipment and software	Straight Line	3 to 5 years

Expenditures that extend the useful lives of existing facilities or equipment (betterments) are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred.

The Company reviews the carrying value of its property, plant and equipment on a regular basis and where the carrying value is estimated to exceed the estimated undiscounted future net cash flows, a provision for impairment is recorded based on discounted estimated future cash flows.

b. *Mineral properties and exploration costs*

Acquisition costs of mineral properties, direct exploration and development expenditures, and pre-stripping costs are capitalized at cost and carried net of depreciation. Costs incurred for general exploration that is not project specific or does not result in the acquisition of mineral properties are charged to operations. Costs relating to areas of interest abandoned are written off when such a decision is made.

When accounting for multiple pits using a common infrastructure:

- In circumstances where the new development is not closely located to a producing mine or is development of a new ore body, the Company accounts for the pre-stripping costs as if the development was a separately identified mine; and
- In circumstances where the development relates to ensuring or facilitating continued access to a common ore body and the pit is in close proximity to an existing pit, the Company accounts for the costs as per below.

Depletion of mining properties and amortization of pre-production and development costs are calculated and recorded on the unit-of-production basis over the proven and probable reserves of the mine and the portion of mineralization expected to be classified as reserves.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body (stripping costs). During the pre-production and also in the production period, these costs are deferred as part of the mine property classified into mineral properties, if the costs relate to anticipated future benefits and represent a betterment. Once mine production enters the area related to the capitalized stripping costs, these are depleted on a unit-of-production basis over the reserves that directly benefit from the specific stripping activity. Regular waste removal that does not give rise to future benefits is accounted for as variable production costs and included in the cost of the inventory produced during the period that the stripping costs are incurred.

c. *Impairment*

The Company reviews the carrying value of each property on an ongoing basis. This review generally is made by reference to the timing of exploration and/or development work, work programs proposed and the exploration results achieved. Where it is determined that there is an excess of carrying value over the estimated undiscounted future net cash flows the difference between carrying value and fair value is charged to operations in the period in which such impairment is determined. Estimated undiscounted future net cash flows are calculated using estimates for metal prices, reserves, operating costs, capital costs and reclamation and closure costs for each respective property.

d. *Assets under construction*

Assets under construction consist of expenditures for the construction of future mines and include pre-production revenues and expenses prior to achieving commercial production. Commercial production is a convention for determining the point in time in which a mine and plant have completed the operational commissioning and have operational results that are expected to remain at a sustainable commercial level over a period of time, after which production costs are no longer capitalized and are reported as operating costs. The determination of when commercial production commences is based on several qualitative and quantitative factors including but not limited to the following:

- A significant portion of planned capacity including production levels, grades and recovery rates is achieved;
- Achievement of mechanical completion and operating effectiveness; and
- Significant milestones such as obtaining necessary permits to allow continuous operations.

Financing costs, including interest, associated with projects that are actively being prepared for production are capitalized to assets under construction. These costs are elements of the historical cost of acquiring an asset when a period of time is required to bring it to the condition and location necessary for its intended use. Capitalized interest costs are amortized on the same basis as the corresponding qualifying asset with which they are associated.

(viii) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in investment and other business income. Loans and receivables, and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at fair value with unrealized gains and losses recognized in other comprehensive income ("OCI") unless their impairment is determined to be other than temporary.

Cash and cash equivalents, restricted cash, short-term investment and marketable securities are designated as "held for trading" and are measured at fair value. Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges are classified as "held for trading". Account receivables, long-term note receivable, deferred consideration and other assets are designated as "loans and receivables". Long-term investments in equity securities, where the Company cannot exert significant influence, are designated as "available-for-sale". Accounts payable and accrued liabilities and long-term debt are designated as "other financial liabilities".

Derivatives

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges.

For cash flow hedges that qualify under the hedging requirements of Section 3865, the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is included in operations as an unrealized gain (loss) on commodity and currency contracts in the Statement of Operations.

a. *Commodity Derivatives*

The Company may enter into commodity contracts including forward contracts and derivatives to manage exposure to fluctuations in metal prices such as copper, zinc and silver. In the case of forwards, these contracts are intended to reduce the risk of declining prices on future sales. Purchased options are intended to allow the Company to benefit from higher market metal prices. In instances where the call option purchases offset the committed ounces of the corresponding forward, derivative assets/liabilities are presented net of amounts to counterparties. Some of the derivative transactions are effective in achieving the Company's risk management goals, however, they do not meet the hedging requirements of CICA Section 3865 – *"Hedges"*, therefore the changes in fair value are recorded in earnings.

The Company has entered into non-hedge derivatives that include forward contracts intended to manage the risk of declining copper prices. The Company does not hedge any of its gold sales.

b. *Currency Derivatives*

The Company, from time to time, may enter into currency forward contracts to manage the foreign exchange exposure of the expenditures associated with the international operations. The Company tests the hedge effectiveness quarterly. Effective unrealized changes in fair value are recorded in other comprehensive income. Ineffective changes in fair value are recorded in earnings. At settlement, the fair value amount settled is recognized as cost of sales to offset the foreign exchange recorded by the mines.

c. *Interest Rate Derivatives*

The Company, from time to time, may enter into interest rate swap contracts to manage its exposure to fluctuations in interest rates. The Company tests the hedge effectiveness quarterly. Effective unrealized changes in fair value are recorded in other comprehensive income. Ineffective changes in fair value are recorded in earnings. At settlement, the fair value amount settled is recognized as interest expense.

(ix) Revenue recognition

Revenue from the sale of gold or other metals is recognized when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, when there is a fixed or determinable selling price and when collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are finally settled.

Sales revenue is recognized at the fair value of consideration received. Revenue includes treatment and refining charges if payment of these amounts can be enforced at the time of sale. Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract or at spot prices. Incidental revenues from the sale of by-products (zinc) are classified with cost of sales. Concentrate revenue for independent smelters is set at a specified future date after shipment based on market prices. Revenues are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts are caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. The provisional sales quantities are adjusted for changes in metal quantities upon receipt of new information and assay results.

(x) Goodwill

Acquisitions are accounted for using the acquisition method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company tests for impairment of goodwill at least on an annual basis during the fourth quarter or upon the occurrence of a triggering event or circumstance that indicates impairment. At such time, the Company evaluates whether the carrying amount of a reporting unit's goodwill may no longer be recoverable. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

(xi) Asset retirement obligations and closure costs

Asset retirement obligations are legal obligations associated with the retirement of a long-lived asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset. Reclamation obligations on the Company's mineral properties are recorded as asset retirement obligations.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures that may occur upon reclamation and closure. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Reclamation and closure costs are capitalized as part of the carrying amount of the associated long-lived asset and amortized over the life of the mine on a unit-of-production basis.

(xii) Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

(xiii) Earnings per share

Earnings per share are based on the weighted average number of common shares of the Company that were outstanding throughout each year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of outstanding stock options and warrants that are used to purchase common shares at the average market price during the year.

(xiv) Stock-based compensation

The Company's stock-based compensation plans are described in *Note 18*.

The Company accounts for all stock-based payments to employees and non-employees using the fair value based method of accounting and recognizes compensation expense over the stock option vesting period. The Company's stock option plan includes a stock appreciation feature. If and when the stock options are ultimately exercised, the applicable amount of additional paid-in capital in contributed surplus is transferred to share capital.

(xv) Transaction and financing costs

Transaction costs and financing costs are incremental costs that are directly attributable to the acquisition of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For financial instruments classified as other than held-for-trading, transaction costs are included with the carrying amount of the financial asset or liability on initial recognition and amortized using the effective interest method.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

During 2010, the Company adopted, in accordance with the respective transitional provisions, the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants:

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582 *"Business Combinations",* Section 1601 *"Consolidated Financial Statements"* and Section 1602 *"Non-Controlling Interests"* to replace Section 1581 and Section 1600. These sections shall be applied prospectively to business combinations on or after the effective date of January 1, 2011 but earlier application is permitted. These standards establish updated principles on the recognition, measurement criteria and presentation for acquisitions, the accounting for assets and liabilities assumed and non-controlling interests. The Company has adopted these standards early to be applicable beginning on January 1, 2010. Implementation of these standards impacted the accounting for the business combination in *Note 10* of the consolidated financial statements as well as the disclosures related to the non-controlling interests in the financial statements.

Future accounting changes

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial years beginning on or after January 1, 2011 ("Changeover Date"). Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

4. INVENTORY

	2010	2009
Product inventories	$ 19,969	$ 26,372
Metal in circuit and gold in process	19,282	11,752
Ore stockpiles	21,290	20,303
Material and supplies	55,902	43,393
	$ 116,443	$ 101,820

The amount of inventories recognized as an expense during the year comprises cost of sales of $631.1 million (2009 – $479.8 million; 2008 – $413.6 million).

5. OTHER CURRENT ASSETS

	2010	2009
Advances and deposits	$ 158,144	$ 98,035
Income taxes recoverable	31,467	12,323
Current portion of note receivable (Note 8(ii))	24,325	-
Current portion of derivative related assets (Note 26(a))	25,540	14,110
Future income tax assets (Note 21)	15,595	14,552
Other current assets	13,216	15,959
	$ 268,287	$ 154,979

6. MINERAL INTERESTS

	2010 Cost	2010 Accumulated Depreciation	2010 Net Book Value	2009 Cost	2009 Accumulated Depreciation	2009 Net Book Value
Total property, plant and equipment *(i)*	$1,181,836	$ 280,662	$ 901,174	$ 999,001	$ 187,149	$ 811,852
Mineral Properties:						
Depletable producing properties	2,975,749	641,137	2,334,612	2,703,580	435,957	2,267,623
Non-depletable development and exploration properties	5,297,319	-	5,297,319	5,278,605	-	5,278,605
Total mineral properties *(ii)*	$8,273,068	$ 641,137	$7,631,931	$7,982,185	$ 435,957	$7,546,228
Total assets under construction *(iii)*			$ 94,505			$ 4,492
Equity investment in Minera Alumbrera Ltd. *(iv)*			$ 201,585			$ 213,789
Total mineral interests			$8,829,195			$8,576,361

(i) Included in property, plant and equipment is $40.5 million of land properties which are not subject to depreciation (December 31, 2009 – $39.4 million).

(ii) The following table shows the reconciliation of capitalized stripping costs incurred in the production phase:

	2010	2009
Balance, beginning of the year	$ 13,995	$ -
Additions	38,615	14,272
Amortization	(1,003)	(277)
Balance, end of year	$ 51,607	$ 13,995

(iii) During the year ended December 31, 2010, the Company capitalized $4.3 million of interest costs for assets under construction (December 31, 2009 – $16.7 million).

(iv) The Company has a 12.5% indirect interest in the Bajo de la Alumbrera mine, held by Minera Alumbrera Ltd. ("Alumbrera"). Based on the Company's ability to exercise significant influence, the investment has been accounted for using the equity method. Earnings of Alumbrera have been included in the earnings of the Company from October 13, 2007, the date of acquisition.

	2010	2009
Balance, beginning of the year	$ 213,789	$ 234,200
Equity in earnings	49,264	31,073
Cash distributions	(61,468)	(51,484)
Balance, end of year	$ 201,585	$ 213,789

The equity investment in Alumbrera includes $120.9 million (December 31, 2009 – $131.2 million) representing the unamortized excess of the purchase price over the underlying net book value of the investee's assets as at December 31, 2010. The excess is attributable to the value of mineral properties within the investee based on estimated fair values and is being amortized over the life of the mine.

7. INVESTMENTS

	2010	2009
Available-for-sale securities (a)	$ 102,958	$ 46,239
Long-term investments (b)	-	10,127
	$ 102,958	$ 56,366

(a) Available-for-sale securities

	2010				2009			
	% of Ownership *(i)*	Cost	Fair Value	Cumulative Gains in OCI	% of Ownership *(i)*	Cost	Fair Value	Cumulative Gains in OCI
Aura Minerals Inc.	11.3%	$ 78,625	$ 91,225	$ 12,600	5.5%	$ 26,532	$ 40,886	$ 14,354
Others	-	8,465	11,733	3,268	-	3,985	5,353	1,368
		$ 87,090	$102,958	$ 15,868		$ 30,517	$ 46,239	$ 15,722

(i) % ownership on an undiluted basis.

Available-for-sale securities are reviewed quarterly for possible other-than-temporary impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the facts and circumstances of each individual investment including the severity of loss, the financial position and near term prospects of the investment, the length of time the fair value has been below cost, management's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value and management's market view and outlook. There were no amounts recorded as other than temporary impairments during the year ended December 31, 2010 (December 31, 2009 – $nil; December 31, 2008 – $nil).

(b) Other investments

During the year, the Company disposed of its Master Asset Vehicle II notes ("MAVII") and Auction Rate Securities ("ARS") for proceeds of $13.4 million and a net gain of $3.0 million. As at December 31, 2009 the Company had $7.1 million of MAVII notes and $3.0 million of ARS.

8. OTHER LONG-TERM ASSETS

	2010	2009
Derivative related assets (Note 26(a))	$ 18,643	$ 167
Restricted cash *(i)*	220	13,844
Long-term note receivable *(ii)*	40,365	25,971
Long-term tax credits *(iii)*	129,551	107,177
Long-term income taxes receivable	7,680	-
Intangible asset *(iv)*	16,574	-
Deferred consideration receivable (Note 10)	25,000	-
Other	13,737	20,231
	$ 251,770	$ 167,390

(i) At December 31, 2010, the Company had restricted cash of $0.2 million (December 31, 2009 – $13.8 million). Restricted cash held in the United States represents funds on deposit that have been pledged as backing for letters of credit subject to annual renewal issued for reclamation bonding and relate to the Beartrack and Royal Mountain King mines in reclamation since acquisition.

(ii) Long-term note receivables are secured promissory notes received on the sale of the San Andrés, São Francisco and São Vicente mines in 2009 and 2010 (Note 10 (b)). The amount of the note relating to the sale of the San Andrés mine outstanding as of December 31, 2010 was $26.1 million, of which $10.8 million matures in February 2011 and $15.3 million matures in August 2012. The second promissory note, acquired as part of the sale of the São Francisco and São Vicente mines, for an amount of $38.6 million is outstanding at December 31, 2010, of which $13.6 million matures in October 2011 and $25.0 million matures in April 2013. These notes were recorded at fair value upon disposal of each of the mines and are recorded at amortized cost.

(iii) Long-term tax credits consist of South American sales taxes which are recoverable against other taxes payable and value added tax credits.

(iv) The balance relates to the other identifiable limited-life intangibles on acquisition with a useful life of 12 years (Note 10(a)).

9. GOODWILL

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired on a business acquisition. The Company's total goodwill of $55.0 million as at December 31, 2010 relates to the 2006 acquisition of the gold producing Jacobina mine and related assets in Brazil. To date, the accumulated impairment relating to goodwill is nil. The recognition of goodwill represents the substantial value implicit in the Company's intent and ability to develop the mine. Additionally, it captures the expected synergies including but not limited to the expected increases in cash flow resulting from cost savings and revenue enhancements that can be realized from managing a portfolio of mines and mineral properties in Brazil.

For goodwill impairment testing purposes, the Company estimates the fair value of an operating mineral property using a discounted cash flow valuation based on projected future cash flows. The determination of fair value is highly subjective and requires numerous assumptions including, but not limited to, projected future revenues based on estimated production, long-term metal prices, operating expenses, capital expenditures, inflation index, exchange and discount rates.

For the Jacobina mine, the assumptions used for long-term gold prices, discount rate and the inflation index have a significant impact on the estimate of fair value. The annual goodwill impairment test included a long-term gold price of $1,200 per ounce, a nominal discount rate of 8.7% and an average future inflation index of 2.0%. Upon completion of this test, there was no impairment to goodwill.

10. BUSINESS ACQUISITIONS AND DISPOSITIONS

(a) Acquisition of Constructora Gardilcic Ltda. and Constructora TCG Ltda.

On January 5, 2010, the Company acquired all of the outstanding shares of Constructora Gardilcic Ltda. ("CG") and Constructora TCG Ltda. ("CT"), two entities held by Gardilcic Construccion S.A. (the "Seller"). CG and CT were responsible for a servicing contract at the El Peñón mine. Through purchasing this business, the Company is now owner-mining at the El Peñón mine. The purchase price of this transaction totaled cash of $48.9 million and included a $1.0 million deferred payment. Transaction costs relating to this acquisition were immaterial and have been expensed. The sale did not result in a significant tax impact.

The business combination was accounted for as a purchase transaction with the Company as the acquirer of CG and CT. The Company has consolidated the assets and operation acquired from the date of acquisition. Included in the purchase price allocation is $18.6 million of other identifiable intangibles, representing the intellectual property, know-how and processes associated with mining for and extracting gold ore in the Chilean region. This intangible asset will be amortized over its estimated useful life to the Company, which is expected to be 12 years.

The purchase price was calculated as follows:

Cash Consideration	$ 48,938
Purchase consideration	**$ 48,938**

The preliminary purchase price allocation is as follows:

Inventory	$ 2,969
Property, plant and equipment, net	28,328
Other liabilities accrued	(1,000)
Other identifiable intangibles	18,641
Net identifiable assets	**$ 48,938**

(b) Disposition of San Andrés, São Francisco and São Vicente Mines

On July 17, 2009, the Company signed an agreement with Aura Minerals Inc. ("Aura" or the "Purchaser") to sell three of the Company's non-core operating mines for total consideration exceeding $265.0 million in a combination of cash, shares, secured promissory notes and deferred payments. One of the mines is in Honduras and two are in Brazil.

The sale transaction is structured in two parts to accommodate jurisdiction-related regulatory requirements as follows:

a) The first disposition relates to the sale of shares representing a 100% interest in the San Andrés mine (*Note 23* – Central America and Other Segment). The sale closed on August 25, 2009 at which time the Company was entitled to a consideration totaling $84.9 million which included cash of $35.9 million, a note receivable of $25.8 million, and shares of Aura of $23.2 million. In addition, the agreement entitles the Company to receive a deferred consideration to a maximum of $14.7 million payable on the achievement of specified operating results which has not been recognized at December 31, 2010 (December 31, 2009 – $nil). The sale of shares does not result in a significant income tax liability for the Company. There was a gain on sale of $5.7 million.

b) The second disposition related to the sale of assets that encompass the São Francisco and São Vicente mines, which closed on April 30, 2010. The total consideration was approximately $166.6 million which includes cash of $49.4 million, a note receivable of $38.4 million and $53.8 million paid for in shares of Aura. Consideration also includes an amount of $25.0 million for the fair value deferred consideration. The total deferred consideration of up to $28.6 million is payable upon achievement of specified operating results. The sale does not result in a significant income tax liability for the Company. The Company has recorded a gain of $5.4 million on this transaction.

As at December 31, 2010, a total of $25.0 million has been recognized in respect of the deferred consideration on the disposition of these assets.

Based on the final terms of the executed purchase and sale agreement, the results of operations of the mines above were retrospectively reclassified as discontinued operations.

The following are the results of operations for the years ended December 31:

	Total discontinued operations		
	2010 *(i)*	2009 *(ii)*	2008 *(ii)*
Revenues	$ 53,047	$ 134,731	$ 105,246
Operating earnings (expenses)	7,406	33,169	(56,053)
Earnings (loss) before taxes	7,866	(13,532)	(50,629)
Income tax (expense) recovery	(1,966)	(11,352)	6,044
Earnings (loss)	5,900	(24,884)	(44,585)
Gain on sale	5,429	5,744	-
Earnings (loss) from discontinued operations	**$ 11,329**	**$ (19,140)**	**$ (44,585)**
Earnings (loss) per share from discontinued operations			
Basic	0.02	(0.03)	-
Diluted	0.02	(0.03)	-
Cash flows of discontinued operations			
Operating activities	1,616	23,567	91,261
Investing activities	(1,616)	(25,940)	(90,137)

(i) Results for the year ended December 31, 2010 include the operations of São Francisco and São Vicente mines until April 30, 2010.

(ii) Results for the years ended December 31, 2009 and December 31, 2008 included the operations of São Francisco and São Vicente mines. The results of the operations of San Andrés mine were included up to July 17, 2009.

The carrying amounts of the major classes of assets and liabilities of discontinued operations included in the Consolidated Balance Sheet are as follows:

	Total discontinued operations	
As at December 31,	**2010**	2009
Assets		
Accounts receivable	$ -	$ 7,953
Inventory	-	44,085
Other current assets	-	1,586
Current assets	-	53,624
Mining interests	-	134,070
Non-current assets	$ -	$ 134,070
Liabilities		
Accounts payable and accrued liabilities and other	$ -	$ 13,937
Current liabilities	-	13,937
Asset retirement obligation and other	-	19,559
Long-term liabilities	-	19,559
Total liabilities	$ -	$ 33,496

11. OTHER CURRENT LIABILITIES

	2010	2009
Current portion of derivative related liabilities (Note 26(a))	$ 3,853	$ 12,105
Future income tax liabilities (Note 21(b))	4,446	3,427
Other current liabilities	7,381	10,128
	$ 15,680	$ 25,660

12. LONG-TERM DEBT

	2010	2009
$680 million revolving facility (a)	$ 218,307	$ 261,477
$270 million senior debt notes (b)	268,243	267,973
Long-term debt *(i)*	$ 486,550	$ 529,450

(i) Includes transaction costs of $6.1 million net of amortization (2009 – $8.2 million).

(a) In December 2010, the Company finalized the refinancing of its revolving facility, increasing its credit limit to $750.0 million. This refinancing became effective in January 2011. The following summarizes the new terms with respect to this facility:

- The credit facility is unsecured and has a maturity date of June 16, 2014 which was extended from the original date of December 16, 2012.
- Amounts drawn bear interest at a rate of LIBOR plus 2.0% to 3.25% per annum, depending upon the Company's leverage ratio defined as the rolling 12 months earnings before interest, taxes, depreciation and amortization divided by consolidated net debt. The effective interest rate at December 31, 2010 was 6.57%.
- Undrawn amounts are subject to a commitment fee of 0.50% to 0.81% per annum depending upon the Company's leverage ratio.

(b) During December 2009, the Company completed a private placement of a total of $270.0 million unsecured senior debt notes in three series as follows:

- Series A – $15.0 million at a rate of 5.53% with a maturity of December 21, 2014.
- Series B – $73.5 million at a rate of 6.45% with a maturity of December 21, 2016.
- Series C – $181.5 million at a rate of 6.97% with a maturity of December 21, 2019.

The following is a schedule of long-term debt principal repayments:

	Revolving facility	Senior debt notes
2011	-	-
2012	-	-
2013	-	-
2014	222,632	15,000
2015	-	-
Thereafter	-	255,000
	$ 222,632	$ 270,000

13. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations relate to reclamation and closure costs relating to the Company's mine operations and projects under development. The asset retirement obligations are calculated as the net present value of estimated undiscounted future cash flows which total $230.3 million, discounted using a credit adjusted risk-free rate of 5%. The settlement of the obligations will occur through to 2030. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items.

The following is an analysis of the asset retirement obligations:

	2010	2009
Balance, beginning of year	$ 138,104	$ 80,213
Accretion incurred in the current year for operating mines	7,163	2,282
Accretion incurred in the current year for non-operating mines	2,286	1,698
Additions capitalized to site reclamation obligations during the year	13,900	51,137
Foreign exchange loss	1,064	6,908
Expenditures during the current year	(4,264)	(4,134)
	158,253	138,104
Less: Current portion included in other current liabilities	(4,767)	(4,941)
Balance, end of year	$ 153,486	$ 133,163

14. OTHER LONG-TERM LIABILITIES

	2010	2009
Derivative related liabilities (Note 26(a))	$ 950	$ 3,241
Silicosis liability *(i)*	8,949	6,533
Long-term withholding taxes *(ii)*	91,827	91,172
Royalty payable *(iii)*	14,978	14,193
Other	30,728	23,250
	$ 147,432	$ 138,389

(i) The silicosis liability consists of amounts provided to settle claims by former employees of Jacobina Mineração e Comércio Ltda ("JMC"), relating to silicosis. This balance represents management's best estimate for all known and anticipated future obligations related to health claims against JMC prior to acquisition by the Company in April 2006. The Company estimates this contingency to be about $8.9 million as at December 31, 2010. The increase of $2.4 million in the year relates to the impact of the foreign exchange rate of this Brazilian-Real denominated liability.

(ii) The Company is subject to additional taxes in Chile on the repatriation of profits to its foreign shareholders. Total taxes in the amount of $91.8 million have been accrued on the assumption that the profits will be repatriated.

(iii) The Company has an agreement with Miramar Mining Corporation ("Miramar" acquired by Newmont Mining Corporation) for proceeds interest of Cdn$15.0 million. The agreement entitles Miramar to receive payment of this interest over time calculated as the economic equivalent of a 2.5% net smelter return royalty on production from the Agua Rica property or 50% of the net proceeds of disposition of any interest in the Agua Rica property until the Proceeds Interest of Cdn$15.0 million is paid.

15. CAPITAL STOCK

(a) Common shares issued and outstanding:

	2010		2009		2008	
	Number of common shares ('000s)	Amount	Number of common shares ('000s)	Amount	Number of common shares ('000s)	Amount
Balance, beginning of year	733,411	$6,063,410	732,845	$6,055,892	668,417	$5,502,518
Exercise of options and share appreciation rights *(i)*	271	3,885	206	3,331	9,677	107,046
Exercise of warrants *(ii)*	7,125	97,594	33	371	32,251	342,887
Issued on vesting of restricted share units (Note 18)	555	6,158	327	3,816	-	-
Public offering, net of transaction costs	-	-	-	-	22,500	103,441
Balance, end of year	741,362	$6,171,047	733,411	$6,063,410	732,845	$6,055,892

(i) During the year ended December 31, 2010, the Company issued 0.3 million shares (December 31, 2009 – 0.2 million shares; December 31, 2008 – 9.7 million shares) to optionees on the exercise of their share options and appreciation rights for cash proceeds of $1.6 million (December 31, 2009 – $1.1 million; December 31, 2008 – $53.5 million). Previously recognized stock-based compensation in the amount of $2.2 million (December 31, 2009 – $2.2 million; December 31, 2008 – $53.5 million) on the options exercised was added to share capital with a corresponding decrease to contributed surplus.

(ii) During the year ended December 31, 2010, the Company issued 7.1 million shares (December 31, 2009 – 0.03 million shares; December 31, 2008 – 32.3 million shares) to warrant holders on the exercise of their warrants for cash proceeds of $73.8 million (December 31, 2009 $0.3 million; December 31, 2008 – $116.9 million). An amount of $23.8 million (December 31, 2009 – $0.04 million; December 31, 2008 – $226.0 million) was added to share capital with a corresponding decrease to share purchase warrants with respect to these exercises.

(b) Weighted average number of common shares and dilutive common share equivalents

	2010	2009	2008
Weighted average number of common shares	739,938	733,093	691,536
Weighted average number of dilutive warrants	-	169	8,652
Weighted average number of dilutive stock options	940	973	1,497
Dilutive weighted average number of common shares	**740,878**	**734,235**	**701,685**

Total options and warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the period ended December 31, 2010 were 0.08 million (December 31, 2009 – nil million; December 31, 2008 – 0.02 million) and 4.9 million (December 31, 2009 – 4.9 million; December 31, 2008 – 4.9 million), respectively.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2010	2009
Balance, beginning of year	**$ 26,652**	**$ (40,651)**
Change in fair value of available-for-sale securities *(i)*	(2,626)	21,327
Reclassification of losses on available-for-sale securities to earnings *(ii)*	268	-
Net change in fair value of hedging instruments *(iii)*	25,433	45,976
Other comprehensive income	23,075	67,303
Balance, end of year	**$ 49,727**	**$ 26,652**

(i) Net of tax expense of $1.0 million (2009 – $2.8 million).

(ii) Net of tax expense of $0.05 million (2009 – $nil).

(iii) Net of tax expense of $12.7 million (2009 – $22.4 million).

17. SHARE PURCHASE WARRANTS

A summary of issued share purchase warrants as at the year end and the changes thereof during the year are as follows:

	2010			2009		
	Number of warrants (000's)	Weighted average exercise price (Cdn$)	Value	Number of warrants (000's)	Weighted average exercise price (Cdn$)	Value
Outstanding, beginning of year	**14,497**	**$ 13.74**	**$ 44,071**	**14,530**	**$ 13.73**	**$ 44,109**
Exercised	(7,124)	11.05	(23,750)	(33)	10.53	(38)
Expired	(2,487)	-	(7,210)	-	-	-
Outstanding and exercisable, end of year *(i)*	**4,886**	**$ 19.08**	**$ 13,111**	**14,497**	**$ 13.74**	**$ 44,071**

(i) No share purchase warrants were issued during 2010 and 2009.

The Company had the following share purchase warrants outstanding as at December 31, 2010:

Exercise price (Cdn$)	Issuable shares on exercise of warrants (000's)	Weighted average remaining contractual life (Years)
$19.08	4,886	0.34

18. STOCK-BASED COMPENSATION

(a) Stock Options

The Company's Share Incentive Plan is designed to advance the interests of the Company by encouraging employees, officers, directors and consultants to have equity participation in the Company through the acquisition of common shares. The Share Incentive Plan is comprised of a share option component and a share bonus component. The aggregate maximum number of common shares that may be reserved for issuance under the Share Incentive Plan is 24.9 million. Pursuant to the share bonus component of the Share Incentive Plan, common shares may be issued as a discretionary bonus to employees, officers, directors and consultants of the Company. Options granted under the share option component of the Share Incentive Plan vest immediately and have an exercise price of no less than the closing price of the common shares on the Toronto Stock Exchange on the trading day immediately preceding the date on which the options are granted and are exercisable for a period not to exceed ten years.

The Share Incentive Plan also provides for the granting of share appreciation rights to optionees. An optionee is entitled to elect to terminate his or her option, in whole or part, and, in lieu of receiving the common shares to which their terminated option relates, to receive that number of common shares, disregarding fractions which, when multiplied by the fair value of the common shares to which their terminated option relates, has a total value equal to the product of the number of such common shares times the difference between the fair value and the option price per share of such common shares, less any amount required to be withheld on account of income taxes.

There were no options that were granted in the year ended December 31, 2010. The following weighted average assumptions were used in the Black-Scholes option pricing model during the year ended December 31, 2009:

	2009
Weighted average grant date fair value of options	$3.57
Dividend yield	0.35% – 0.47%
Expected volatility	35%
Risk-free interest rate	1.8% – 2.1%
Expected life	1 – 3 years
Forfeitures	Nil

A summary of the stock options granted to acquire common shares under the Company's Share Incentive Plan as at the period end and the changes thereof during the period are as follows:

	2010		2009	
	Number of options (000's)	Weighted average exercise price (Cdn$)	Number of options (000's)	Weighted average exercise price (Cdn$)
Outstanding, beginning of year	**5,876**	**$ 9.32**	**5,065**	**$ 9.21**
Granted	-	-	1,588	10.02
Exercised	(381)	7.83	(551)	9.42
Expired	(5)	9.65	(226)	9.98
Outstanding, end of year	**5,490**	**$ 9.42**	**5,876**	**$ 9.32**
Exercisable, end of year	**4,988**	**$ 9.35**	**4,873**	**$ 9.17**

Stock options outstanding and exercisable as at December 31, 2010 are as follows:

	Outstanding		Exercisable	
Exercise price (Cdn$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$0.01-$2.99	5	0.41	4	0.41
$3.00- $4.99	230	4.06	230	4.06
$6.00-$7.99	155	0.48	155	0.48
$9.00-$9.99	4,992	1.19	4,515	0.96
$10.00-$12.99	72	3.47	48	3.47
	5,454	1.32	4,952	1.11

	Outstanding		Exercisable	
Exercise price (US$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$0.01-$3.99	17	3.37	17	3.37
$4.00-$5.99	19	4.37	19	4.37
	36	3.90	36	3.90
	5,490		4,988	

(b) Other Stock-Based Payment Plans

(i) Deferred Share Units ("DSU")

DSUs are granted to the eligible participants of the Deferred Share Unit Plan, who are non-executive directors of the Company or designated affiliates (an "eligible director"), and the Chairman or Chief Executive Officer (an "eligible officer") of the Company. The number of DSU granted to each eligible director on each DSU issue-date has the value equal to one third of the director's remuneration payable in the current quarter. The Board may also grant, in its sole and absolute discretion, to an eligible officer the rights to acquire any number of DSU as a discretionary payment in consideration of past services to the Company. Each DSU entitles the holder, who ceases to be an eligible director or eligible officer, to a payment in cash without any further action on the part of the holder of the DSU on the relevant separation date. The value of a DSU is equal to the market value in Canadian Dollars of a common share of the Company at the separation date. In 2010, the Company recorded a mark-to-market expense of $1.7 million (December 31, 2009 – $1.1 million) which is included in general and administrative expenses and an expense of $4.1 million (December 31, 2009 – $2.5 million) for DSU granted during the year.

	2010 Number of DSU (000's)	2009 Number of DSU (000's)
Outstanding, beginning of year	**605**	**273**
Granted	296	332
Outstanding, end of year	**901**	**605**

The value of the DSU as at December 31, 2010 was $11.6 million (2009 – $6.5 million) *(ii) Restricted Share Units ("RSU")*

RSU are granted to eligible employees and eligible contractors to secure for the Company the benefits inherent in the ownership of company shares by the eligible participants. From time to time, the Board determines the participants to whom RSU shall be granted by taking into consideration the present and potential contributions of the services rendered by the particular participant to the success of the Company. A RSU award granted to a participant will entitle the participant to receive a Canadian Dollar payment in fully paid shares or, at the option of the Company, in cash on the date when the RSU award is fully vested upon the expiry of the restricted period in respect of the corresponding RSU award. Fair value of RSU is based on the market price on the day that the RSU is granted.

	2010 Number of RSU (000's)	2009 Number of RSU (000's)
Outstanding, beginning of year	**1,349**	**1,128**
Granted	415	802
Vested and converted to common shares	(556)	(327)
Forfeited	(16)	(254)
Outstanding, end of year	**1,192**	**1,349**

In 2010, the Company credited $6.2 million to share capital in respect of RSU that have vested during the year and granted 415,086 RSU with a weighted average grant value of Cdn$10.82 (2009 – $10.20). The expense of $7.0 million (2009 – $4.6 million) is included in general and administrative expenses.

19. NON-CONTROLLING INTEREST

	2010	2009
Agua De La Falda S.A.	$ 46,800	$ 46,800

The Company holds a 56.7% interest in Agua De La Falda ("ADLF") project along with its joint venture partner, Corporación Nacional del Cobre de Chile ("Codelco"). The ADLF project is an exploration project which includes the Jeronimo deposit and is located in northern Chile.

Due to the fact that the equity investment at risk may not be sufficient to permit ADLF to finance its activities without additional subordinated support from equity holders, ADLF meets the classification under AcG-15 as a variable interest entity. ADLF has been consolidated in the financial statements of the Company since its acquisition date and the non-controlling interest for the interest of the Company's partner is recorded at the estimated fair value at the date of acquisition. As of December 31, 2010, the Company is not the guarantor of any significant debt of ADLF.

20. INTEREST AND FINANCING EXPENSES

During the year, the Company expensed the following:

	2010	2009	2008
Interest expense on long-term debt	$ 31,919	$ 13,756	$ 22,746
Finance fees and taxes	13,346	7,459	12,314
Bank fees and interest	8,799	5,037	6,777
Other	-	8,321	2,641
	$ 54,064	$ 34,573	$ 44,478

21. INCOME TAXES

(a) Income tax expense

The following table reconciles income taxes calculated at statutory rates with the income tax expense in these financial statements:

	2010	2009	2008
Earnings from continuing operations before income taxes	$ 551,541	$ 317,257	$ 479,321
Canadian statutory tax rate	31.0%	33.0%	33.5%
Expected income tax expense	170,978	104,695	160,573
Impact of foreign tax rates	10,705	(43,373)	(41,089)
Impact of changes in tax rates	3,173	28,128	2,594
Permanent differences	(27,543)	5,183	(44,948)
Change in valuation allowance	68,536	27,720	36,819
Unrealized foreign exchange	(90,873)	19,420	(96,901)
Losses not benefited	5,183	-	7
Withholding taxes	14,258	-	-
Other	6,273	(5,214)	8,672
Income tax expense	**$ 160,690**	**$ 136,559**	**$ 25,727**
Represented by:			
Current income tax expense	138,036	82,124	63,519
Future income tax expense (recovery)	22,654	54,435	(37,792)
Net income tax expense	**$ 160,690**	**$ 136,559**	**$ 25,727**

(b) Future income taxes

The temporary differences and losses that give rise to future income tax assets and liabilities are presented below:

Future Income Tax Assets	2010	2009
Deductible temporary differences	$ 17,238	$ 20,528
Amounts related to tax losses	223,149	228,940
Financing costs	4,327	6,829
Asset retirement obligation	15,033	16,876
Derivative liability	1,152	3,518
Mineral properties and property, plant and equipment	125,268	21,986
Other	2,326	8,401
Gross future income tax assets	$ 388,493	$ 307,078
Less: Valuation allowance	(260,395)	(176,474)
Future income tax assets	$ 128,098	$ 130,604

Future Income Tax Liabilities	2010	2009
Mineral properties and property, plant and equipment	$(1,740,862)	(1,717,195)
Unrealized foreign exchange gains	(40,899)	(33,782)
Derivative asset	(23,576)	(1,947)
Available-for-sale securities	(1,652)	-
Future income tax liabilities	$(1,806,989)	$(1,752,924)
Net future income tax liabilities	$(1,678,891)	$(1,622,320)

The net future income tax assets (liabilities) are classified as follows:	2010	2009
Future income tax assets – current (Note 5)	$ 15,595	$ 14,552
Future income tax assets – long-term	132,145	135,454
Future income tax liabilities – current (Note 11)	(4,446)	(3,427)
Future income tax liabilities – long-term	(1,822,185)	(1,768,899)
	$(1,678,891)	$(1,622,320)

The Company has entered into foreign investment contracts under Chilean Decree Law 600 ("DL600"). The Company is committed to an election to be subject to a maximum 4% rate for the Chilean mining royalty tax and tax stabilization through 2017 at a maximum 35% tax rate, in return for ceasing to use accelerated depreciation for tax purposes beginning in 2008. The Company is not accruing Category II tax for Chile based on management's intent to permanently reinvest the earnings.

The Company is subject to a separate DL600 contract, related to Minera Florida Limitada, a wholly-owned subsidiary which owns the Minera Florida mine, which also provides for a maximum 35% tax rate to the end of 2020.

(c) Non-capital losses

The Company has non-capital losses of approximately $790.9 million (December 31, 2009 – $678.2 million) available to apply against future taxable income. Approximately $628.5 million (December 31, 2009 – $377.5 million) of these losses are subject to a valuation allowance where there is uncertainty regarding the Company's ability to utilize these losses. In particular, a valuation allowance has been taken in companies that are in reclamation or those that have no current source of income and have no future expectation of earnings and companies that are in exploration or start-up, where there is no history of prior earnings and future earnings are uncertain.

Loss carry forwards at December 31, 2010 will expire as follows:

	Canada	US	Brazil	Chile	Argentina	Other	Total
2011	1,199	-	-	-	658	3,950	$ 5,807
2012	-	4,220	-	-	704	5,206	$ 10,130
2013	-	1,603	-	-	994	1,334	$ 3,931
2014	7,030	8,834	-	-	743	2,607	$ 19,214
2015	6,709	3,964	-	-	703	2,694	$ 14,070
2016 and onwards	83,553	125,140	-	-	-	81,673	$290,366
Unlimited	165,757	-	209,066	55,627	-	16,927	$447,377
	$264,248	$143,761	$209,066	$ 55,627	$ 3,802	$114,391	$790,895

22. SUPPLEMENTARY CASH FLOW INFORMATION

(a) non-cash investing and financing transactions:

	2010	2009	2008
Issue of shares on exercise of warrants	23,750	38	226,029
Accrued interest capitalized to assets under construction	4,067	19,413	13,756
Common shares received as consideration for assets sold during the year (Note 10)	53,760	23,168	511
Value of expired warrants transferred to contributed surplus	7,210	-	667
Common shares issued on vesting of RSU (Note 18)	6,158	-	-
Transfer of contributed surplus on exercise of stock options and share appreciation rights	2,245	2,252	53,522
Other	-	-	560

(b) Interest and income tax paid:

	2010	2009	2008
Interest paid during the year	$ 36,186	$ 41,136	$ 38,876
Income taxes paid during the year	$ 79,179	$ 75,488	$ 110,252

(c) Net change in non-cash operating capital:

	2010	2009	2008
Net (increase) decrease in:			
Accounts receivable	$ (83,747)	$ (40,802)	$ 30,845
Inventory	(18,182)	(33,313)	(37,137)
Other assets	(107,419)	(37,696)	30,950
Net increase (decrease) in:			
Accounts payable and accrued liabilities	37,877	94,202	(141,436)
Income taxes payable	35,114	47,803	(55,777)
Other current liabilities	2,696	2,213	(1,231)
	$ (133,661)	$ 32,407	$ (173,786)

Changes in non-cash working capital items are net of items related to assets under construction and items acquired or disposed of during the period.

23. SEGMENTED INFORMATION

Reporting segments for the Company consist of geographical segments for which decisions in resource allocation, performance assessment and operating results are reviewed by the chief operating decision makers. The Company's operating segments are Brazil, Chile, Argentina, Mexico and Other, and Canada (which is solely comprised of corporate and administrative activities).

Mineral interests referred to below consist of land, buildings, equipment, mineral properties, exploration costs, assets under construction and equity investment.

2010	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Mineral interests	$ 1,521,493	$ 4,666,897	$ 2,519,173	$ 117,826	$ 3,806	$ 8,829,195
Goodwill	55,000	-	-	-	-	$ 55,000
Long-lived assets	1,748,542	4,703,828	2,631,483	118,438	168,777	$ 9,371,068
Total assets	2,225,136	4,908,652	2,658,456	200,378	306,619	$10,299,241
Capital expenditures	194,078	213,699	48,834	73,152	1,318	$ 531,081

2009	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Mineral interests	$ 1,404,285	$ 4,606,155	$ 2,518,393	$ 43,957	$ 3,571	$ 8,576,361
Goodwill	55,000	-	-	-	-	$ 55,000
Long-lived assets	1,557,230	4,627,528	2,625,469	58,152	122,192	$ 8,990,571
Total assets	1,845,004	4,736,163	2,640,794	132,411	165,194	$ 9,519,566
Capital expenditures	205,117	146,384	125,928	18,302	3,026	$ 498,757

2008	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Mineral interests	$ 1,242,720	$ 4,540,348	$ 2,474,555	$ 71,230	$ 1,032	$ 8,329,885
Goodwill	55,000	-	-	-	-	$ 55,000
Long-lived assets	1,395,853	4,578,361	2,509,865	70,482	69,423	$ 8,623,984
Total assets	1,572,026	4,683,398	2,523,440	56,181	246,085	$ 9,081,130
Capital expenditures	151,252	125,676	195,011	23,060	1,784	$ 496,783

(i) Balance excludes discontinued operations.

(i) Includes $201.6 million (December 31, 2009 – $213.8 million) related to the Company's equity interest in Minera Alumbrera Ltd.

Segment Operating Earnings

2010	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Revenues	$ 876,864	$ 646,954	$ 162,993	$ -	$ -	$ 1,686,811
Cost of sales	(323,047)	(237,591)	(70,425)	-	-	(631,063)
Depreciation, amortization and depletion	(87,053)	(174,544)	(39,114)	-	-	(300,711)
Accretion of asset retirement obligations	(3,615)	(1,393)	(2,155)	-	-	(7,163)
Mine operating earnings	**$ 463,149**	**$ 233,426**	**$ 51,299**	**$ -**	**$ -**	**$ 747,874**
Equity earnings	**$ -**	**$ -**	**$ 49,264**	**$ -**	**$ -**	**$ 49,264**

2009	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Revenues	$ 647,322	$ 447,123	$ 88,869	$ -	$ -	$ 1,183,314
Cost of sales	(270,610)	(176,990)	(32,247)	-	-	(479,847)
Depreciation, amortization and depletion	(73,129)	(140,339)	(20,219)	-	-	(233,687)
Accretion of asset retirement obligation	(803)	(862)	(617)	-	-	(2,282)
Mine operating earnings	**$ 302,780**	**$ 128,932**	**$ 35,786**	**$ -**	**$ -**	**$ 467,498**
Equity earnings	**$ -**	**$ -**	**$ 31,073**	**$ -**	**$ -**	**$ 31,073**

2008	Brazil *(i)*	Chile	Argentina *(ii)*	Mexico and Other *(i)*	Canada	Total
Revenues	$ 559,507	$ 387,933	$ -	$ 1,922	$ -	$ 949,362
Cost of sales	(259,327)	(153,408)	-	(900)	-	(413,635)
Depreciation, amortization and depletion	(54,449)	(121,426)	-	(32)	-	(175,907)
Accretion of asset retirement obligation	(948)	(728)	-	(158)	-	(1,834)
Mine operating earnings	**$ 244,783**	**$ 112,371**	**$ -**	**$ 832**	**$ -**	**$ 357,986**
Equity earnings	**$ -**	**$ -**	**$ 25,763**	**$ -**	**$ -**	**$ 25,763**

(i) Excludes operating results of discontinued operations (Note 10).

(ii) Includes Gualcamayo which the Company commissioned on July 1, 2009.

24. CONTRACTUAL COMMITMENTS

In addition to commitments otherwise reported in these consolidated financial statements the Company is contractually committed to the following as at December 31, 2010:

Year	2011	2012	2013	2014	2015	Thereafter	Total
Operating/construction and service contracts:							
Brazil	$118,987	$ 58,394	$ 40,679	$ 37,849	$ 439	$ -	$256,348
Chile	86,482	58,376	44,974	21,322	6,103	5,600	222,857
Argentina	6,318	228	-	-	-	-	6,546
Central America and Other	5,891	18,341	13,206	1,498	186	-	39,122
Canada	943	943	943	943	943	236	4,951
	$218,621	$136,282	$ 99,802	$ 61,612	$ 7,671	$ 5,836	$529,824

25. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, to ensure the externally imposed debt covenants relating to its long-term debt are being met, and to provide returns to its shareholders. The Company defines capital that it manages as net worth, which is comprised of total shareholders' equity and debt obligations (net of cash and cash equivalents).

The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

During 2010, the Company refinanced its revolving facility increasing its credit limit and renegotiating some of its terms *(Note 12(a))*. The resulting externally imposed financial covenants are as follows:

(a) Tangible net worth of at least $2.3 billion.

(b) Maximum net total debt (debt less cash) to tangible net worth of 0.75.

(c) Leverage ratio (net total debt/EBITDA) to be less than or equal to 3.5:1.

Not meeting these debt covenants will result in a condition of default by the Company. As at December 31, 2010, the Company has met all of the externally imposed debt covenants.

26. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, deferred consideration receivable, advances and deposits, marketable securities, long-term note receivable, accounts payable, accrued liabilities and other current liabilities, long-term debt and derivative assets (liabilities). The carrying values of cash and cash equivalents, restricted cash, accounts receivable, advances and deposits, accounts payable, accrued liabilities and other current liabilities approximate their fair values due to the relatively short-term nature of these instruments. Adjustments recognized in the balance sheet relating to concentrate sales were fair valued based on published and observable prices. The fair value of long-term receivables is calculated by discounting the future cash flows by a discount factor based on an interest rate of 5% which reflects the Company's own credit risk. Fair values of derivatives were based on published and observable market prices for similar instruments and on market closing prices at period end.

There were no material differences between the carrying value and fair value of long-term assets and liabilities except for the long-term debt, which has a carrying value of $486.5 million (December 31, 2009 – $529.5 million), comprised of a revolving facility and senior debt notes with fair values of $246.9 million and $300.8 million, respectively (December 31, 2009 – $278.3 million and $303.1 million). The fair value was calculated by discounting the future cash flows by a discount factor based on an interest rate of 5% which reflects the Company's own credit risk. Fair values of long-term investments were calculated based on current and available market information and the Company's best estimate.

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. As at December 31, 2010, there were no embedded derivatives requiring separate accounting other than concentrate sales.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts its valuation models to incorporate a measure of credit risk.

The following table summarizes the fair value hierarchy:

Fair Value Measurements at December 31, 2010	Level 1 Input	Level 2 Input	Level 3 Input	Aggregate Fair Value
Assets:				
Cash and cash equivalents	$ 330,498	$ -	$ -	$ 330,498
Restricted cash	242	-	-	242
Available for sale securities	102,958	-	-	102,958
Derivative related assets *(i)*	-	44,183	-	44,183
	$ 433,698	**$ 44,183**	**$ -**	**$ 477,881**
Liabilities:				
Derivative related liabilities *(ii)*	-	4,803	-	4,803
	$ -	**$ 4,803**	**$ -**	**$ 4,803**

(i) Includes current portion of derivative related assets of $25.5 million and non-current portion of derivative related assets of $18.6 million.

(ii) Include current portion of derivative related liabilities of $3.9 million and non-current portion of derivative related liabilities of $1.0 million.

Valuation Techniques

Available-for-Sale Securities

The fair value of available-for-sale securities is determined based on a market approach reflecting the closing price of each particular security at the balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available-for-sale securities are classified within Level 1 of the fair value hierarchy.

Derivative Instruments

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company continues to monitor the potential impact of the recent instability of the financial markets, and will adjust its derivative contracts for credit risk based upon the credit default swap spread for each of the counterparties as warranted.

Normal Gold Sales Contracts and Metal Concentrate Sales Contracts

Normal gold sales are made at spot prices quoted on the London Metal Exchange ("LME") or Commodity Exchange ("COMEX") of the New York Mercantile Exchange, which are market observable inputs.

Metal concentrate sales are based on forward market prices as of measurement dates, which are two or three months after shipment depending on the terms of the off-take agreements. The sales are measured initially and then adjusted on the basis of forward prices quoted on the LME or COMEX until measurement date. Therefore, metal concentrate sales would be classified within Level 2 of the fair value hierarchy. The Company continues to monitor and, as warranted, adjust for credit risk based upon the credit default swap spread for each of the counterparties.

The following table summarizes derivative related assets:

December 31,	2010	2009
Currency Contracts		
Forward contracts	$ 44,183	$ 14,277
	44,183	14,277
Less: Current portion	(25,540)	(14,110)
Long-term portion	$ 18,643	$ 167

The following table summarizes the components of derivative related liabilities:

December 31,	2010	2009
Commodity Contracts		
Forward contracts and options	-	(5,230)
	$ -	$ (5,230)
Interest Rate Contracts		
Interest rate swaps	(4,803)	(10,116)
	$ (4,803)	$ (15,346)
Less: Current portion	3,853	12,105
Long-term portion	$ (950)	$ (3,241)

The following table summarizes unrealized derivative (losses) gains:

	2010	2009	2008
Non-hedge derivatives			
Commodity contracts	$ 5,230	$ (94,072)	$ 160,436
Share purchase warrants held	-	-	(98)
	5,230	(94,072)	160,338
Hedge ineffectiveness			
Currency contracts	(4,250)	(900)	5,823
Interest rate contracts	968	(10,456)	55
	$ 1,948	$ (105,428)	$ 166,216

The following table summarizes realized derivative gains (losses):

	2010	2009	2008
Commodity contracts	$ (5,230)	$ 18,659	$ (10,048)
Currency contracts	(246)	-	-
	$ (5,476)	$ 18,659	$ (10,048)

Additionally, included in cost of sales are realized gains in the amount of $26.8 million (December 31, 2009 – $10.1 million; December 31, 2008 – $14.4 million) with respect to currency derivative contracts. Included in sales are realized losses in the amount of $3.4 million (December 31, 2009 – $nil; December 31, 2008 – $nil) in respect to commodity contracts. Included in interest and financing expenses are realized losses in the amount of $8.3 million (December 31, 2009 – $16.2 million; December 31, 2008 – $5.1 million) in respect to the interest rate swaps.

The Company estimates that approximately $28.4 million net gain is expected to be reclassified from accumulated other comprehensive income to earnings in respect of cash flow currency hedges over the next 12 months.

The following table summarizes cash flow currency and interest rate hedge gains (losses) in OCI *(Note 16):*

	2010	2009	2008
Effective portion of change in fair value of hedging instruments:			
Currency contracts	$ 33,747	$ 40,955	$ (46,483)
Interest rate contracts	4,346	22,228	(13,621)
Future income tax	(12,660)	(17,207)	19,333
	$ 25,433	$ 45,976	$ (40,771)

(b) Currency risk

The Company's sales are predominantly denominated in United States Dollars. The Company is primarily exposed to currency fluctuations relative to the United States Dollar as a significant portion of the Company's operating costs and capital expenditures are denominated in foreign currencies; predominately the Brazilian Real, the Argentine Peso, the Chilean Peso and the Mexican Peso. Monetary assets denominated in foreign currencies are also exposed to foreign currency fluctuations. These potential currency fluctuations could have a significant impact on production costs and thereby the profitability of the Company.

During prior years, the Company entered into forward contracts to economically hedge against the risk of an increase in the value of the Brazilian Real versus the United States Dollar. Currency contracts totaling 631.5 million Reais at an average rate of 2.1442 Real to the United States Dollar have been designated against forecast Reais denominated expenditures as a hedge against the variability of the United States Dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to December 2013. Of this, 281.8 million Reais is hedged for 2011, 273.6 million Reais for 2012 and approximately 76.1 million Reais for 2013. The effective portion of changes in the fair value of the currency contracts has been recorded in OCI until the forecast expenditure impacts earnings. The ineffective portion of changes in the fair value of the currency contracts has been recorded in current earnings.

A 10% change in the United States Dollar exchange rate on financial assets and liabilities for the year compared with the above currencies, with all other variables held constant, would impact the Company's after-tax net earnings as shown below.

	2010	
(on 10% change in United States Dollar exchange rate)	Effect on net earnings, net of tax	Effect on other comprehensive income, net of tax
Brazilian Real	$ 9,062	$ 23,779
Argentine Peso	$ 1,275	$ -
Canadian Dollar	$ 540	$ -
Chilean Peso	$ 3,901	$ -

(c) Commodity price risk

Gold, copper and silver prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold, copper and silver-producing countries. The profitability of the Company is directly related to the market price of gold, copper and silver.

The Company has not hedged any of its gold sales.

The Company has forward contracts to economically hedge against the risk of declining copper prices for a portion of its forecast copper concentrate sales. The program requires no cash margin, collateral or other security from the Company.

A 10% change in the average commodity prices for the year with all other variables constant would result in the following impact to the Company's after-tax earnings:

(10% change in price)	**2010** Effect on net earnings, net of tax
Gold	$ 75,571
Copper	$ 37,328
Silver	$ 15,043

The change in average commodity prices will not have an impact on other comprehensive income.

(d) Interest rate risk

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2010, the Company has a total of $147.4 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in OCI until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

At December 31, 2010, the Company's long-term debt was at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

(e) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties whilst also establishing policies to ensure liquidity of available funds. In addition, credit risk is further mitigated in specific cases by maintaining the ability to novate contracts from lower quality credit counterparties to those with higher credit ratings.

For cash, cash equivalents, accounts receivable, income taxes recoverable, derivative related assets, long-term investments, restricted cash, long-term note receivable and long-term tax credits, credit risk is represented by the carrying amount on the balance sheet. Cash, cash equivalents and restricted cash are deposited in highly rated corporations and the credit risk associated with these deposits is low. The Company sells its products to large international financial institutions and other organizations with high credit ratings. Historical levels of receivable defaults and overdue balances over normal credit terms are both negligible, thus the credit risk associated with accounts receivables is also considered to be negligible. For long-term investments, credit risk represents the par value of the instruments. Tax related assets have negligible credit risk as they are receivable from the governmental authorities and are carried at their estimated fair value. The long-term note receivable in relation to the sale of assets is due from a highly rated corporation and the credit risk associated with it is low. For derivatives, the Company assumes no credit risk when the fair value of the instruments is negative. When the fair value of the instruments is positive, this is a reasonable measure of credit risk.

The Company's maximum credit exposure to credit risk at December 31, 2010 is as follows:

	2010	2009
Cash and cash equivalents	$ 330,498	$ 170,070
Accounts receivable	212,945	102,126
Income taxes recoverable	31,467	12,323
Derivative related assets	44,183	14,277
Long-term investments	102,958	56,366
Restricted cash	243	13,844
Note receivable	64,690	25,971
Long-term tax credits	129,551	107,177
	$ 916,535	$ 502,154

(f) Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an off-setting position. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding derivatives except upon the occurrence of customary events of default. The Company mitigates liquidity risk by spreading the maturity dates of derivatives over time, managing its capital expenditures and operating cash flows and by maintaining adequate lines of credit. In addition, the Company addresses the capital management process as described in *Note 25*. Contractual maturities relating to contractual commitments are included in *Note 24* and relating to long-term debt are included in *Note 12*.

27. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of $177.0 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitled him to a pre-emption right to participate in acquisitions by Northern Orion in Argentina and claimed damages in connection with the acquisition by Northern Orion of its 12.5% equity interest in the Alumbrera project. On August 22, 2008, the National Commercial Court No. 8 of the City of Buenos Aires issued a first-instance judgment rejecting the claim. The plaintiff appealed this judgment and a decision of the appellate court is pending. While the Company continues to consider that the plaintiff's allegations are unfounded and has been advised by its Argentine counsel that the appeal is unlikely to be successful; the outcome is not certain. There is no assurance that the Company will be wholly successful in confirming the first-instance judgment at appellate courts. There have not been any significant developments on this matter during the current year.

28. SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN CANADIAN GAAP AND UNITED STATES GAAP

These consolidated financial statements have been prepared in accordance with Canadian GAAP. Material variations in the accounting principles, practices and methods used in preparing these consolidated financial statements from principles, practices and methods accepted by US GAAP are described and quantified below.

The impact of US GAAP on the consolidated income statements is as follows:

	2010	2009	2008
OPERATIONS			
Net earnings under Canadian GAAP	$ 451,444	$ 192,631	$ 434,772
Earnings from discontinued operations under Canadian GAAP (Note 10(b))	11,329	(19,140)	(44,585)
Earnings from continuing operations under Canadian GAAP	440,115	211,771	479,357
Adjustment for depreciation, amortization and depletion *(i)*	(42,969)	(45,235)	(27,521)
Write-off of mineral property costs *(i)*	(66,560)	(37,832)	(68,761)
Pre-operating costs *(ii)*	-	13,266	856
Stripping costs in mine operating earnings *(v)*	(20,221)	(14,272)	-
Stripping costs in equity earnings *(v)*	(2,437)	(1,522)	(3,354)
Mark-to-market adjustment for warrants *(viii)*	3,839	(2,764)	-
Adjustment for unrecognized tax benefits *(vi)*	(1,699)	(1,581)	(1,935)
Other	778	-	-
	310,846	121,831	378,642
Tax effect of reconciling items *(iii)*	35,016	20,667	15,566
Net earnings attributable to continuing operations under US GAAP	$ 345,862	$ 142,498	$ 394,208
Earnings from discontinued operations under Canadian GAAP (Note 10(b))	11,329	(19,140)	(44,585)
US GAAP adjustments attributable to discontinued operations	19,585	1,358	(4,459)
Net earnings attributable to discontinued operations under US GAAP (Note 10)	30,914	(17,782)	(49,044)
Net earnings under US GAAP	$ 376,776	$ 124,716	$ 345,164
Net earnings under US GAAP	$ 376,776	$ 124,716	$ 345,164
Other comprehensive income, net of taxes (Note 16)	23,075	67,303	36,796
Comprehensive income under US GAAP	$ 399,851	$ 192,019	$ 381,960
Earnings from continuing operations under US GAAP			
Basic earnings	$ 0.47	$ 0.19	$ 0.57
Diluted earnings	$ 0.47	$ 0.19	$ 0.56
Earnings (loss) from discontinued operations under US GAAP			
Basic earnings	$ 0.04	$ (0.02)	$ (0.07)
Diluted earnings	$ 0.04	$ (0.02)	$ (0.07)
Net earnings per share under US GAAP			
Basic earnings	$ 0.51	$ 0.17	$ 0.50
Diluted earnings	$ 0.51	$ 0.17	$ 0.49
Basic weighted average number of shares outstanding under US GAAP	739,938	733,093	691,536
Diluted weighted average number of shares outstanding under US GAAP	740,878	734,235	701,685

The impact of US GAAP on the consolidated balance sheets is as follows:

	2010	2009	2008
ASSETS			
Total assets under Canadian GAAP	$10,299,241	$ 9,707,260	$ 9,337,354
Write-off of mineral property costs *(i)*	(235,363)	(168,802)	(130,971)
Adjustment to mineral properties *(i)* and *(ii)*	(145,075)	(83,792)	(40,855)
Adjustment to inventory *(i)*	(15,432)	(13,568)	(10,264)
Future employee benefit adjustment on acquisition of Mineral Properties *(vii)*	2,478	2,478	2,478
Future income tax assets related to adjustments *(iii)*	91,288	56,272	35,605
Adjustment to equity investment *(v)*	(8,263)	(5,826)	(4,304)
Discontinued operations adjustments (Note 10)	-	(17,782)	(21,008)
Total assets under US GAAP	$ 9,988,874	$ 9,476,240	$ 9,168,035
LIABILITIES			
Total liabilities under Canadian GAAP	$ 3,008,453	$ 2,911,742	$ 2,780,435
Future employee benefit liability adjustment *(vii)*	-	3,902	3,902
Other long-term liabilities – adjusted for unrecognized tax benefit *(vi)*	6,708	5,009	3,429
Future income tax liabilities related to adjustments *(iii)*	(2,922)	(2,922)	(2,922)
Warrants adjustment – reclassification from equity *(viii)*	143	9,053	-
Total liabilities under US GAAP	$ 3,012,382	$ 2,926,784	$ 2,784,844
Equity under Canadian GAAP	7,243,988	6,748,718	6,510,119
Write-off of mineral property costs *(i)*	(269,856)	(183,075)	(130,971)
Adjustment for depreciation, amortization and depletion *(i)*	(139,695)	(96,769)	(51,534)
Unrecognized tax benefits *(vi)*	(6,708)	(5,009)	(3,428)
Future employee benefit adjustment to Other Comprehensive Income *(vii)*	2,478	(1,424)	(1,424)
Write-off of pre-operating costs *(ii)*	13,682	13,682	414
Adjustment to equity investment *(v)*	(8,263)	(5,826)	(4,304)
Future income taxes *(iii)*	94,209	59,194	38,527
Warrants adjustment – reclassification to liabilities *(viii)*	(143)	(9,053)	-
Discontinued operations adjustments (Note 10)	-	(17,782)	(21,008)
Shareholders' equity under US GAAP	$ 6,929,692	$ 6,502,656	$ 6,336,391
Non-controlling interest under US GAAP	$ 46,800	$ 46,800	$ 46,800
Total liabilities and shareholders' equity under US GAAP	$ 9,988,874	$ 9,476,240	$ 9,168,035

The components of shareholders' equity under US GAAP would be as follows:

	2010	2009	2008
EQUITY			
Shareholders' equity:			
Common shares	$6,152,307	$6,063,410	$6,055,892
Share purchase warrants	-	-	44,109
Additional paid-in capital	26,675	26,942	26,587
Accumulated other comprehensive income (loss)	49,727	25,228	(42,075)
Retained earnings	700,983	387,076	251,878
Total shareholders' equity	$6,929,692	$6,502,656	$6,336,391
Non-controlling interest under US GAAP	$ 46,800	$ 46,800	$ 46,800

	2010	2009	2008
CASH FLOWS			
Cash flows from operating activities per Canadian GAAP	$ 614,672	$ 551,593	$ 328,675
Write-off of mineral property costs *(i)*	(66,560)	(37,832)	(68,762)
Stripping costs *(v)*	(20,221)	(15,794)	(3,354)
Pre-operating costs *(ii)*	-	13,266	856
Cash flows from operating activities per US GAAP	527,891	511,233	257,415
Cash flows (to) from financing activities per Canadian and US GAAP	(18,029)	(64,957)	131,579
Cash flows to investing activities per Canadian GAAP	(444,822)	(495,856)	(559,715)
Write-off of mineral property costs *(i)*	66,560	37,832	68,762
Stripping costs *(v)*	20,221	15,794	3,354
Pre-operating costs *(ii)*	-	(13,266)	(856)
Cash flows to investing activities per US GAAP	$ (358,041)	$ (455,496)	$ (488,455)

(i) Mineral properties

Under Canadian GAAP, resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Capitalized costs under Canadian GAAP are amortized on a unit-of-production basis based on proven, probable and the portion of mineralization expected to be classified as reserves.

Under US GAAP, exploration costs must be expensed as incurred unless the resource properties have proven and probable reserves at which time costs incurred to bring the mine into production are capitalized as development costs. Drilling and related costs in delineating an ore body and converting mineral resources to mineral reserves are expensed as exploration costs under US GAAP. Capitalized costs are then amortized on a unit-of-production basis based on proven and probable reserves rather than over the proven and probable reserves of the mine and the applicable portion of resources expected to ultimately be mined. This additional depletion and exploration expense is required to be recognized under US GAAP. For the purposes of the consolidated statements of cash flows, the exploration costs are classified as cash used in investing activities under Canadian GAAP and cash used in operations under US GAAP.

(ii) Pre-operating costs

US GAAP requires pre-operating costs to be expensed as incurred. Canadian GAAP allows certain pre-operating costs included in the cost of an item of property, plant and equipment to be capitalized until commercial production is established and then amortized on the unit-of-production basis.

(iii) Income taxes

Under Canadian GAAP, future income taxes are calculated based on enacted or substantively enacted tax rates applicable to future years. Under US GAAP, only enacted rates are used in the calculation of future income taxes. This difference in GAAP did not result in a difference in the financial position, results of operations or cash flows of the Company for the years ended December 31, 2010, 2009 or 2008.

(iv) **Stock-based compensation**

Effective January 1, 2006, the Company adopted ASC 718. The adoption of this standard had no impact on the Company.

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the 2010 fiscal year end and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all the option holders exercised their options on December 31, 2010.

The following is a summary for stock options:

As at December 31,	2010	2009
Outstanding stock options (in millions)	5.5	5.8
Exercisable stock options (in millions)	5.0	4.9
Aggregate intrinsic value of options outstanding (in millions of United States Dollars)	$ 18.4	$ 15.0
Weighted average contractual term (in years)	1.34	2.42
Total compensation costs related to non-vested awards not yet recognized (in millions of United States Dollars)	$ 1.1	$ 2.2
Weighted average grant date fair value of non-vested stock options	$ 2.16	$ 2.16
Fair value of options vested during the year	$ 2.16	$ 2.15
Weighted average period for non-vested stock options (in years)	3.4	3.4

For the year ended December 31, (in millions of United States Dollars)	2010	2009	2008
Aggregate intrinsic value of options exercised	$ 1.5	$ 1.1	$ 92.4
Cash received from exercise of stock options *(i)*	$ 1.6	$ 1.1	$ 53.5

(i) There is no tax impact on the above.

(v) **Stripping costs incurred during production**

Under Canadian GAAP, certain stripping costs incurred during production may be capitalized if the stripping activity provides access to sources of reserves that will be produced in future periods. Per EITF 04-6 now known as ASC 930-330-25-1, under US GAAP, these costs should be included in the costs of the inventory produced (that is, extracted) during the period that the stripping costs are incurred and consequently expensed as the inventory is sold.

(vi) **Accounting for uncertainty in income taxes**

The Company adopted FASB ASC 740, Accounting for Uncertainty in Income Taxes effective January 1, 2007. As a result of this adoption in 2007, the Company recognized, as a cumulative effect of change in accounting principle, a $1.5 million increase in liabilities for unrecognized taxable benefits, and a $1.5 million decrease in retained earnings. In 2008, the Company recorded an additional $1.9 million with respect to this adjustment for a cumulative total of $3.4 million accrued in the Consolidated Balance Sheet.

A reconciliation of the beginning and ending amount of unrecognized taxable benefits is as follows:

	2010	2009	2008
Balance at January 1,	$ 33,211	$ 26,214	$ 4,639
Additions based on tax positions related to the current year	-	1,762	-
Additions related to tax positions of prior years	3,841	5,235	21,575
Balance at December 31,	$ 37,052	$ 33,211	$ 26,214

These liabilities are primarily included as a component of other long-term liabilities in the Company's Consolidated Balance Sheet because the Company generally does not anticipate that any of the liabilities will be settled within the next 12 months. As of December 31, 2010, $37.1 million (December 31, 2009 – $33.7 million; December 31, 2008 – $26.2 million) of unrecognized taxable benefits, if recognized in future periods, would impact the Company's effective tax rate. The Company does not have any unrecognized taxable benefits that will significantly increase or decrease within the next 12 months.

The Company recognizes any interest and penalties related to unrecognized tax benefits in interest expense during the period. During the year ended December 31, 2010, the Company recognized $1.9 million of interest and penalties (December 31, 2009 – $1.6 million; December 31, 2008 – $2.9 million). The Company had $6.9 million of interest and penalties accrued at December 31, 2010 (December 31, 2009 – $5.0 million; December 31, 2008 – $3.4 million).

The following is a summary of the tax years that remain subject to examination by major jurisdiction:

Jurisdiction	Years
Canada	2000-2010
United States	2000-2010
Brazil	2005-2010
Chile	2006-2010
Argentina	2008-2010

(vii) Defined benefit pension

In September 2006, the FASB issued ASC 715-20 *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"* which requires the recognition in the Company's financial statements of the funding status of a benefit plan and that the plan assets and benefit obligations be measured as of the date of the employer's fiscal year-end statement of financial position. Under ASC 715-20 the Company is required to recognize unamortized actuarial gains and losses, prior service cost and remaining transitional amounts not recognized under Canadian GAAP, with the offset to comprehensive income. As at December 31, 2010, the pension plan was formally closed, and liabilities extinguished.

(viii) Reclassification of Warrants

In late June 2008, FASB released ASC 815-40 *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock,* which provides further guidance on the accounting treatment for certain equity instruments with elements of foreign currency risk.

The Company's functional currency is the United States Dollar and it has issued and outstanding warrants that have an exercise price that is denominated in Canadian Dollars. The Company has determined that such warrants with an exercise price that is different from the entity's functional currency cannot be classified as equity based on the evaluation of the warrant's settlement provisions. As a result, these instruments are treated as derivatives and recorded as liabilities carried at their fair value for US GAAP purposes. Any changes in the fair value from period to period are recorded as a gain or loss in the statement of operations. Accordingly, for US GAAP purposes, the Company assessed the fair value of these warrants as of January 1, 2009, and recorded a reduction in share purchase warrants of $44.1 million, a decrease in opening shareholders' equity of $32.2 million and an $11.9 million increase in liabilities. For the year ended December 31, 2010, the Company has assessed the fair value of the warrants and reclassified $13.1 million warrants (December 31, 2009 – $44.1million) previously recorded in share purchase warrants, recorded a liability of $0.1 million (December 31, 2009 – $9.1 million) and a mark-to-market adjustment for the year of $3.8 million (December 31, 2009 – $2.8 million).

There were no share purchase warrants issued during 2009 and 2010. Warrants are level 2 in the fair value hierarchy. The fair value of the warrants issued in 2007 was valued using a Black-Scholes pricing model. These values were determined on an option pricing model with the following assumptions:

	2010	2009	2008
Dividend yield	0.63%	0.21% – 0.38%	0.33%
Expected volatility	35%	35%	35%
Risk-free interest rate	1.13%	1.06%	3.06% – 4.66%
Expected life	0.34 years	0.13 – 1.34 years	1-3 years
Forfeitures	nil	nil	nil

(ix) **Entity consolidated using the equity method**

The Company has a 12.5% indirect interest in Minera Alumbrera Ltd ("Alumbrera") and based on the Company's ability to exercise significant influence, the investment has been accounted for using the equity method. Earnings of Alumbrera have been included in the earnings of the Company from October 13, 2007, the date of acquisition.

The following is summarized financial information for 100% of the operations of Alumbrera:

Summary of operating information

For the years ended December 31	2010	2009	2008
Revenues	$1,590,062	$1,321,284	$1,248,947
Cost of sales	(654,927)	(538,456)	(563,029)
Operating expenses	(267,309)	(271,376)	(254,616)
Income tax	(203,394)	(182,297)	(130,991)
Net income	$ 464,432	$ 329,155	$ 300,311

Summary of balance sheet information

At December 31	2010	2009
Assets		
Current assets	$ 586,438	$ 545,385
Property, plant and equipment	459,104	507,337
Other assets	177,696	184,640
	$1,223,238	$1,237,362
Liabilities		
Current liabilities	$ 306,126	$ 278,212
Long-term loan	162,000	162,000
Future income tax liabilities	95,640	116,369
Asset retirement obligations	59,841	63,678
	$ 623,607	$ 620,259

Summary of cash flow information

For the years ended December 31	2010	2009	2008
Operating activities	$ 549,466	$ 478,265	$ 297,382
Investing activities	(35,423)	(33,626)	(60,335)
Financing activities	(491,875)	(411,875)	(271,908)
Increase/(decrease) in cash and cash equivalents during the year	$ 22,168	$ 32,764	$ (34,861)

(x) **Goodwill**

The cost of goodwill is $55.0 million (December 31, 2009 – $55.0 million; December 31, 2008 – $55.0 million) and there was no impairment of goodwill for the year ended December 31, 2010 (December 31, 2009 – $nil; December 31, 2008 – $nil).

Yamana's Mineral Reserve & Mineral Resource Estimates

As at December 31, 2010

MINERAL RESERVES (PROVEN & PROBABLE)

GOLD	Proven Reserves Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Probable Reserves Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Total - Proven & Probable Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Alumbrera (12.5%)	34,625	0.39	434	875	0.28	8	35,500	0.39	442
Chapada	167,765	0.21	1,125	261,406	0.24	2,009	429,171	0.23	3,134
C1 Santa Luz	13,452	1.63	706	10,336	1.44	479	23,788	1.55	1,184
El Peñón	1,349	7.53	327	7,204	7.24	1,677	8,554	7.29	2,003
Ernesto/Pau-a-Pique	2,279	3.86	283	4,827	2.75	427	7,106	3.11	710
Fazenda Brasileiro	1,254	2.85	115	545	3.49	61	1,799	3.04	176
Gualcamayo	20,614	0.97	641	48,461	1.14	1,775	69,075	1.09	2,416
Jacobina	3,754	1.93	233	17,205	2.60	1,439	20,959	2.48	1,672
Jeronimo (57%)*	-	-	-	7,310	3.95	928	7,310	3.95	928
Mercedes	-	-	-	4,362	5.66	794	4,362	5.66	794
Minera Florida	1,831	4.54	267	3,149	3.96	401	4,980	4.18	668
Pilar (Jordino)	-	-	-	11,098	4.03	1,439	11,098	4.03	1,439
Sub Total Gold Mineral Reserves	**246,923**	**0.52**	**4,131**	**376,779**	**0.94**	**11,437**	**623,702**	**0.78**	**15,565**
Agua Rica	384,871	0.25	3,080	524,055	0.21	3,479	908,926	0.22	6,559
Total Gold Mineral Reserves	**631,794**	**0.35**	**7,211**	**900,834**	**0.52**	**14,916**	**1,532,628**	**0.45**	**22,124**

SILVER	Proven Reserves Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Probable Reserves Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Total - Proven & Probable Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
El Peñón	1,349	280.70	12,176	7,204	171.34	39,687	8,554	188.59	51,863
Mercedes	-	-	-	4,362	59.80	8,386	4,362	59.80	8,386
Minera Florida	1,831	30.54	1,798	3,149	29.39	2,976	4,980	29.81	4,774
Sub Total Silver Mineral Reserves	**3,180**	**136.67**	**13,974**	**14,715**	**107.90**	**51,049**	**17,896**	**113.01**	**65,023**
Agua Rica	384,871	3.73	46,176	524,055	3.33	56,070	908,926	3.50	102,246
Total Silver Mineral Reserves	**388,051**	**4.82**	**60,150**	**538,770**	**6.18**	**107,119**	**926,822**	**5.61**	**167,269**

COPPER	Proven Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Probable Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Total - Proven & Probable Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	34,625	0.39	298	875	0.32	6	35,500	0.39	304
Chapada	167,765	0.29	1,068	200,951	0.24	957	368,716	0.26	2,149
Sub Total Copper Mineral Reserves	**202,390**	**0.31**	**1,366**	**201,826**	**0.24**	**963**	**404,216**	**0.27**	**2,453**
Agua Rica	384,871	0.56	4,779	524,055	0.43	5,011	908,926	0.49	9,789
Total Copper Mineral Reserves	**587,261**	**0.47**	**6,144**	**725,881**	**0.38**	**5,974**	**1,313,142**	**0.42**	**12,242**

ZINC	Proven Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Probable Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Total - Proven & Probable Tonnes (000's)	Grade (%)	Contained lbs (mm)
Minera Florida	1,831	1.19	48	3,149	1.17	81	4,980	1.18	129
Total Zinc Mineral Reserves	**1,831**	**1.19**	**48**	**3,149**	**1.17**	**81**	**4,980**	**1.18**	**129**

MOLYBDENUM	Proven Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Probable Reserves Tonnes (000's)	Grade (%)	Contained lbs (mm)	Total - Proven & Probable Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	34,625	0.013	10	875	0.015	0.3	35,500	0.013	10
Sub Total Moly Mineral Reserves	**34,625**	**0.013**	**10**	**875**	**0.015**	**0.3**	**35,500**	**0.013**	**10**
Agua Rica	384,871	0.033	279	524,055	0.030	350	908,926	0.031	629
Total Moly Mineral Reserves	**419,496**	**0.031**	**289**	**524,930**	**0.030**	**350**	**944,426**	**0.031**	**639**

**Jeronimo mineral reserves on a consolidated basis total 1.628 million ounces with mineral resources of 165,000 ounces.*

MINERAL RESOURCES (MEASURED, INDICATED & INFERRED)

GOLD	Measured Resources Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Indicated Resources Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Amancaya	-	-	-	-	-	-
C1 Santa Luz	12,029	1.50	580	13,728	1.43	633
Caiamar	-	-	-	703	4.76	108
Chapada	65,250	0.13	269	369,693	0.19	2,254
El Peñón	822	12.71	336	1,843	7.12	422
Ernesto/Pau-a-Pique	204	6.28	41	1,793	1.44	83
Fazenda Brasileiro	4,617	1.76	262	3,267	2.00	210
Gualcamayo	5,336	1.38	237	20,283	1.06	694
Jacobina	3,403	2.18	238	13,735	3.23	1,425
Jeronimo (57%)*	-	-	-	830	3.54	94
La Pepa	15,750	0.61	308	133,682	0.57	2,452
Mercedes	-	-	-	1,509	3.88	188
Minera Florida	1,105	5.77	205	888	5.85	167
Pilar (Jordino)	-	-	-	703	5.13	116
Pilar (Tres Buracos)	-	-	-	-	-	-
Suyai	-	-	-	4,700	15.00	2,286
Sub Total Gold Mineral Resources	**108,515**	**0.71**	**2,476**	**567,357**	**0.61**	**11,132**
Agua Rica	27,081	0.14	120	173,917	0.14	776
Total Gold Mineral Resources	**135,596**	**0.60**	**2,596**	**741,274**	**0.50**	**11,908**

SILVER	Measured Resources Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Indicated Resources Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Amancaya	-	-	-	-	-	-
El Peñón	822	332.59	8,789	1,843	193.64	11,477
Mercedes	-	-	-	1,509	48.70	2,363
Minera Florida	1,105	20.53	729	888	30.87	881
Suyai	-	-	-	4,700	23.00	3,523
Sub Total Silver Mineral Resources	**1,927**	**153.67**	**9,518**	**8,940**	**63.48**	**18,244**
Agua Rica	27,081	2.35	2,042	173,917	2.89	16,158
Total Silver Mineral Resources	**29,007**	**12.40**	**11,560**	**182,857**	**5.85**	**34,402**

COPPER	Measured Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)	Indicated Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)
Chapada	65,250	0.18	239	278,787	0.19	1,146
Sub Total Copper Mineral Resources	**65,250**	**0.18**	**239**	**278,787**	**0.19**	**1,146**
Agua Rica	27,081	0.45	266	173,917	0.38	1,447
Total Copper Mineral Resources	**92,331**	**0.26**	**505**	**452,704**	**0.26**	**2,593**

ZINC	Measured Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)	Indicated Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)
Minera Florida	1,105	2.26	55	888	1.52	30
Total Zinc Mineral Resources	**1,105**	**2.26**	**55**	**888**	**1.52**	**30**

MOLYBDENUM	Measured Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)	Indicated Resources Tonnes (000's)	Grade (%)	Contained lbs (mm)
Agua Rica	27,081	0.049	29	173,917	0.037	142
Total Moly Mineral Resources	**27,081**	**0.049**	**29**	**173,917**	**0.037**	**142**

**Jeronimo mineral reserves on a consolidated basis total 1.628 million ounces with mineral resources of 165,000 ounces.*

NOTE: Mineral resources are exclusives of mineral reserves

Total - Measured & Indicated			Inferred Resources		
Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
-	-	-	1,390	7.90	351
25,757	1.46	1,213	4,989	1.43	230
703	4.76	108	1,380	3.30	150
434,943	0.18	2,523	105,325	0.12	404
2,665	8.85	758	4,447	8.12	1,161
1,997	1.93	124	4,459	1.79	257
7,884	1.86	472	2,021	3.11	202
25,619	1.13	931	4,381	0.82	115
17,138	3.02	1,663	13,555	2.97	1,293
830	3.54	94	1,846	3.70	219
149,432	0.57	2,760	37,900	0.50	620
1,509	3.88	188	3,444	4.23	468
1,992	5.81	372	2,980	5.58	534
703	5.13	116	697	5.71	128
-	-	-	4,100	1.30	170
4,700	15.00	2,286	900	9.90	274
675,872	**0.63**	**13,608**	**193,814**	**1.06**	**6,576**
200,998	0.14	896	642,110	0.12	2,444
876,870	**0.51**	**14,504**	**835,924**	**0.34**	**9,020**

Total - Measured & Indicated			Inferred Resources		
Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
-	-	-	1,390	73.00	3,270
2,665	236.53	20,266	4,447	258.17	36,911
1,509	48.70	2,363	3,444	32.10	3,554
1,992	25.14	1,610	2,980	55.63	5,329
4,700	23.00	3,523	900	21.00	575
10,866	**79.47**	**27,762**	**13,161**	**117.31**	**49,639**
200,998	2.82	18,200	642,110	2.33	48,124
211,864	**6.75**	**45,962**	**655,271**	**4.64**	**97,763**

Total - Measured & Indicated			Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
344,037	0.19	1,385	96,147	0.19	392
344,037	**0.19**	**1,385**	**96,147**	**0.19**	**392**
200,998	0.39	1,714	642,110	0.34	4,853
545,035	**0.26**	**3,099**	**738,257**	**0.32**	**5,245**

Total - Measured & Indicated			Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
1,992	1.94	85	2,980	1.43	94
1,992	**1.94**	**85**	**2,980**	**1.43**	**94**

Total - Measured & Indicated			Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
200,998	0.039	172	642,110	0.034	480
200,998	**0.039**	**172**	**642,110**	**0.034**	**480**

MINERAL RESERVE & MINERAL RESOURCE REPORTING NOTES:

1. *Metal Prices and Cut-off Grades:*

MINE	MINERAL RESERVES	MINERAL RESOURCES
Alumbrera (12.5%)	$1,040 Au, $2.80 Cu, $16.00 and 0.22% CuEq	N/A
Amancaya	N/A	1.0 g/t Aueq OP , 3.4 g/tAueq UG
Caiamar	N/A	1.5 g/t Au cut-off
Chapada	$900 Au, $2.50 Cu, $3.53 NSR cut-off	$3.53 NSR cut-off out of pit
C1 Santa Luz	$750 Au, 0.50 g/t Au cut-off	0.5 g/t Au cut-off
El Peñón	$900 Au, $15.00 Ag, 3.6 g/t Aueq cut-off	3.9 g/t Aueq cut-off
Ernesto/Pau-a-Pique	$825 Au, 1.0 g/t UG, 0.3 g/t Au OP cut-off	0.3 g/t OP 1.0 g/t UG
Fazenda Brasileiro	$1,000 Au, 1.34 g/t Au UG and 0.94g/t Au OP cut-off	0.5 g/t cut-off UG and 0.25g/t Au OP cut-off
Gualcamayo	$900 Au, 1.00 g/t Au UG and 0.15 g/t Au Open Pit cut-off	1.00 g/t Au UG and 0.15 g/t Au OP cut-off
Jacobina	$900 Au; 1.18 g/t Au cut-off	0.5 g/t Au cut-off for Jacobina Mines and 1.5 g/t Au cut-off for Pindobaçu Project
Jeronimo	$900 Au, 2.0 g/t Au cut-off	2.0 g/t Au cut-off
La Pepa	N/A	$780 Au, 0.30 g/tAu cut-off
Mercedes	$900 Au, $15.00 Ag, 3.0 g/t Aueq	2.0 g/t Aueq cut-off
Minera Florida	$900 Au, $15.00 Ag, $1 lb Zn, 2.51 g/t Aueq cut-off	1.2 g/t Aueq cut-off
Pilar	$900 Au; 2.0 g/t Au cut-off	2.0 g/t Au cut-off
Suyai	N/A	5.0 g/t Au cut-off
Agua Rica	$1,000 g/t Au, $2.50 lb Cu, $17.00 g/t Ag, $12.00 lb Mo	0.2% Cu cut-off

2. *All mineral reserves and mineral resources have been calculated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101, other than the estimates for the Alumbrera mine which have been calculated in accordance with the JORC Code which is accepted under NI 43-101.*
3. *All mineral resources are reported exclusive of mineral reserves.*
4. *Mineral resources which are not mineral reserves do not have demonstrated economic viability.*
5. *Mineral reserves and mineral resources are reported as of December 31, 2010.*
6. *For the qualified persons responsible for the mineral reserve and mineral resource estimates, see the qualified persons chart in "Item 15 Interests of Experts" in the annual information form.*

The following are qualified persons responsible for mineral reserve and mineral resource estimates as at December 31, 2010.

PROPERTY	QUALIFIED PERSONS FOR MINERAL RESERVES	QUALIFIED PERSONS FOR MINERAL RESOURCES
Fazenda Brasileiro	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
C1 Santa Luz	Enrique Munoz Gonzalez, MAusIMM, Metalica Consultores S.A.	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.
Jacobina	Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
Ernesto/Pau-a-Pique	Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
Chapada	Raul Contreras, Metalica Consultores S.A.	Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc. For Chapada -and- Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc. For Chapada - Suruca
Gualcamayo	Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc.	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Pilar	Guillermo Bagioli, MAusIMM, Metalica Consultores S.A. For Jordino -and- Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc. For Jordino Extension	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc. For Jordino -and- Pamela L. De Mark, P.Geo., Senior Consultant, Snowden Mining Industry Consultants Inc. For 3 Buracos
El Peñón	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Minera Florida	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Amancaya	Not applicable	Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc.
Agua Rica	Enrique Munoz Gonzalez, MAusIMM, Metalica Consultores S.A.	Evandro Cintra, Ph.D., P. Geo., Senior Vice President, Technical Services, Yamana Gold Inc.
Alumbrera	Julio Bruna Novillo, AusIMM, Xstrata Plc	Julio Bruna Novillo, AusIMM, Xstrata Plc
Jeronimo	Guillermo Bagioli Arce, M. AusIMM, Metálica Consultores S.A.	Dominique Bongarçon, Ph.D., P.Eng., Agoratek International
Suyai	Not applicable	Robin J. Young, P. Geo., Western Services Engineering, Inc.
Mercedes	Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc	Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc.
La Pepa	Not applicable	Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc.

Corporate Governance & Committees of The Board

CORPORATE GOVERNANCE

Yamana and the Board recognize the importance of corporate governance to the effective management of the Company and to the protection of its employees and shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that Yamana's business and affairs are effectively managed so as to enhance shareholder value.

The Company's corporate governance practices have been designed to be in compliance with applicable Canadian, United States and United Kingdom legal requirements and best practices. The Company continues to monitor developments in Canada, the United States, and the United Kingdom with a view to keeping its governance policies and practices current.

Although, as a regulatory matter, the majority of the corporate governance listing standards of the New York Stock Exchange are not applicable to the Company, Yamana has corporate governance practices that comply with such standards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations in all jurisdictions in which the Company conducts business; providing guidance to directors, officers and employees to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

Yamana has established a toll-free compliance hotline and website to allow for anonymous reporting of any suspected Code violations, including concerns regarding accounting, internal controls over financial reporting or other auditing matters.

COMMITTEES OF THE BOARD

The Board has the following four standing committees:

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community. The external auditors of the Company report directly to the Audit Committee.

Compensation Committee

The Compensation Committee, which is composed entirely of independent directors, among other things, may determine appropriate compensation for the Company's directors, officers and employees. The process by which appropriate compensation is determined is through periodic and annual reports from the Compensation Committee on the Company's overall compensation and benefits philosophies.

Corporate Governance and Nominating Committee

This committee is responsible for conducting an annual review of the Board's relationship with management to ensure the Board is able to, and in fact does, function independently of management; develops and recommends to the Board for approval a long-term plan for Board composition that takes into consideration the independence of directors, competencies and skills of the Board as a whole; reviews retirement dates and the appropriate size of the Board with a view to facilitating effective decision making and the strategic direction of the Company; develops and implements a process to handle any director nominees who are recommended by security holders; periodically reviews the Board Manual by which the Board will operate and the terms of reference for the Board; and annually reviews the directors' compensation program and makes any recommendations to the Board for approval.

Sustainability Committee

The Board also has a Sustainability Committee to assist in oversight of sustainability, environmental, health and safety matters, including monitoring the implementation and management of the Company's policies, procedures and practices relating to sustainability, environmental, health and safety matters.

To view Yamana's Board and committee charters, ethics policy, corporate governance practices as well as how they compare to the NYSE standards, please visit www.yamana.com/Governance. More information can also be found in Yamana's Information Circular.

Corporate Information

BOARD OF DIRECTORS

Peter Marrone*
Chairman and Chief Executive Officer, Yamana Gold Inc.

Patrick Mars (1)(3)(4)
Lead Director, Yamana Gold Inc. and
President, P.J. Mars Investments Limited

John Begeman (4)
President and Chief Executive Officer, Avion Resources Corp.

Alex Davidson (4)
Company Director

Richard Graff (1)
Company Director

Robert Horn (2)(4)
Company Director

Nigel Lees (1)(2)
President and Chief Executive Officer, SAGE Gold Inc.

Juvenal Mesquita (3)
Company Director

Carl Renzoni (1)(3)
Company Director

Antenor Silva*
President and Chief Executive Officer, MBAC Fertilizer Corp.
(Former President, Yamana Gold Inc.)

Dino Titaro (2)(3)(4)
President and Chief Executive Officer, Carpathian Gold Inc.

** Non-independent Board Member*

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Member of the Sustainability Committee

SENIOR MANAGEMENT

Peter Marrone
Chairman and Chief Executive Officer

Ludovico Costa
President and Chief Operating Officer

Charles Main
Executive Vice President, Finance and Chief Financial Officer

Greg McKnight
Senior Vice President, Business Development

Darcy Marud
Senior Vice President, Exploration

Evandro Cintra
Senior Vice President, Technical Services

Sofia Tsakos
Senior Vice President, General Counsel and
Corporate Secretary

Lisa Doddridge
Vice President, Corporate Communications and
Investor Relations

Jason LeBlanc
Vice President, Finance and Treasurer

Ana Lucia Martins
Vice President, Safety, Health, Environment and Community

Nelson Munhoz
Vice President, Operations, Brazil

Ricardo Palma
Vice President, Country Manager, Chile

Patrick Portmann
Vice President, Corporate Development

Arão Portugal
Vice President, Administration and Country Manager, Brazil

Betty Soares
Vice President, Corporate Controller and
Chief Accounting Officer

Mark Bennett
Assistant Corporate Secretary

Shareholder Information

SHARE LISTINGS

Toronto Stock Exchange: YRI
New York Stock Exchange: AUY
London Stock Exchange: YAU

CAPITALIZATION *(as at December 31, 2010)*

Common Shares (basic): 741.4 million
Common Shares (fully diluted): 751.7 million
Warrants: 4.9 million
Options: 5.5 million

2010 COMMON SHARE TRADING INFORMATION

Stock Exchange	Ticker	Closing Price	High	Low	Average Daily Volume
TSX	YRI-T	C$12.77	C$13.48	C$9.47	10,386,880
NYSE	AUY	US$12.80	US$13.13	US$9.16	4,054,172
LSE	YAU-LN	£817.50	£825	£580	10,268

DIVIDENDS

Yamana currently pays a quarterly dividend of US$0.03 per share.

2010 Dividend Schedule		Anticipated 2011 Dividend Schedule*	
Record Date	Payment Date	Record Date	Payment Date
March 31 2010	April 14 2010	March 31 2011	April 14 2011
June 30 2010	July 14 2010	June 30 2011	July 14 2011
September 30 2010	October 14 2010	September 30 2011	October 14 2011
December 31 2010	January 14 2011	December 30 2011	January 13 2012

** Subject to approval by the Board of Directors*

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENTS

If you would like to receive your shareholder and financial documents electronically, please enroll in Yamana's electronic delivery program through CIBC Mellon Trust at www.cibcmellon.com/electronicdelivery.

TRANSFER AGENT

For information regarding shareholdings, dividends, certificates, change of address, electronic delivery, or exchange of share certificates due to an acquisition, please contact CIBC Mellon Trust Company at:

CIBC Mellon Trust Company
320 Bay Street, Box 1
Toronto, Ontario, Canada M5H 4A6
Phone: 1-800-387-0825 (toll free in North America)
1-416-643-5500 (outside North America)
Email: inquiries@cibcmellon.com

INVESTOR INFORMATION CONTACT

For additional financial information, industry developments, latest news and corporate updates:

Phone: 416-815-0220
Email: investor@yamana.com
Website: www.yamana.com

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LEGAL COUNSEL

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Shearman & Sterling LLP

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ANNUAL GENERAL MEETING

Wednesday, May 4, 2011
11:00 a.m. Eastern Time

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