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YAMANA GOLD

2011 Annual Report

YAMANA GOLD

Share Performance

(AUY US$)

$14.69

Breaking Out

Cover Photo: Gold bullion produced at our Jacobina mine in Brazil. All bullion is numbered for tracking purposes.

In less than a decade, Yamana Gold has developed into a strong gold mining company with seven low-cost mines in production and three coming on stream, a pipeline of projects, an aggressive exploration program focused on organic growth, and an enviable financial foundation.

Over the next two years, our gold equivalent production is expected to increase by 60 percent to approximately 1.75 million ounces. Yamana's share price has reflected our progress by moving into a new trading range.

Yamana Gold is Breaking Out, Breaking Records, Breaking Ground, Breaking Boundaries, Breaking Expectations.

Yamana Gold is Breaking Away.

+60% Yamana's seven mines in the Americas produced 1.1 million gold equivalent ounces in 2011. By 2014 annual production from ten mines is expected to reach 1.75 million ounces.

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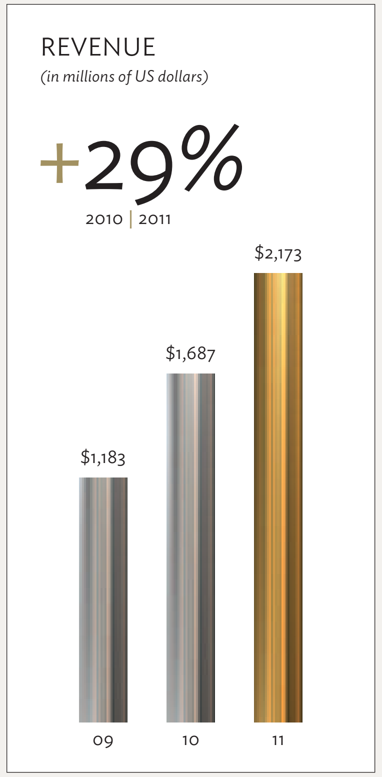
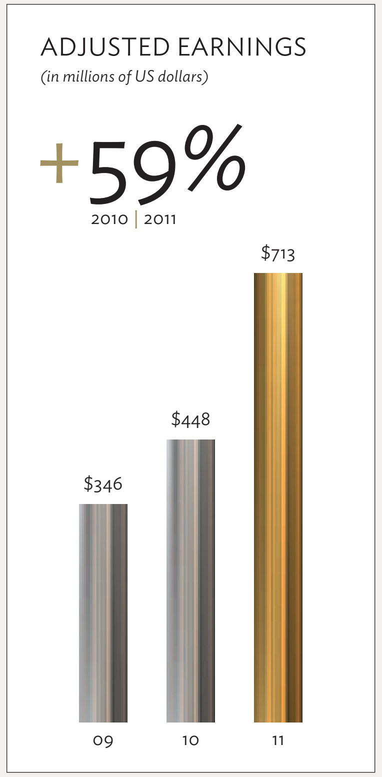
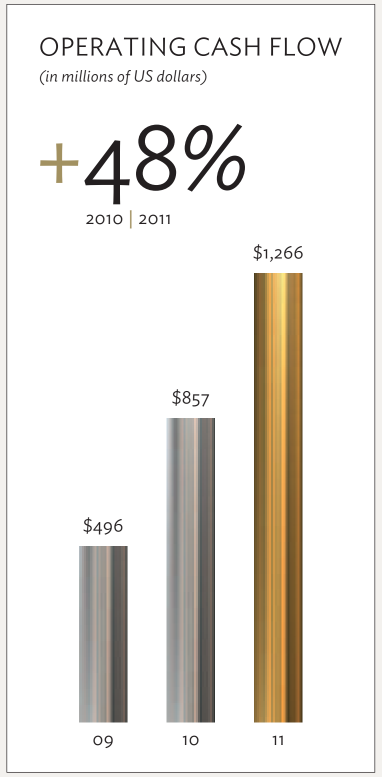
2011 Highlights

- ✔ Record Cash Flow
- ✔ Record Adjusted Earnings
- ✔ Record GEO Production
- ✔ First Gold Pour in Mexico
- ✔ Delivered Shareholder Value
- ✔ Increased Dividend 83 percent







2011 Timeline

JANUARY – New Chapada production plan includes ore from Suruca satellite deposit

FEBRUARY – Yamana reports record financial and production results for 2010

MARCH – Agreement reached with Alumbrera partners to advance Agua Rica

APRIL – First quarter dividend of US$0.03 per share paid out on April 14

MAY – Excellent Q1 results prompt 50 percent increase in dividend

JUNE – Exploration budget up 25 percent, Corpo Sul, Arco Sul discoveries announced

JULY – Mercedes exploration budget increased to focus on Barrancas, Lupita veins

AUGUST – Record revenue, cash flow and earnings reported for Q2

SEPTEMBER – Yamana finalizes Agua Rica sale option agreement with Xstrata and Goldcorp

OCTOBER – Exploration drilling extends PAV mineralization at El Peñón

NOVEMBER – The new Mercedes mine pours its first gold ahead of schedule

DECEMBER – The year's cash flow comes in at $1.3 billion or $1.70 per share

Message to Shareholders

The year 2011 was a very good one for Yamana. I shall highlight our achievements and plans for growth by responding to some of the most frequent questions we are asked by shareholders about the Company.

How would you describe Yamana?

We consider ourselves one of the more significant growth companies in the gold mining industry. We brought our seventh mine into production in November 2011, well ahead of schedule. We will see two more mines start up in 2012 and another in 2013. By 2014, we expect production to reach a sustainable level of approximately 1.75 million gold equivalent ounces (GEO), almost 60 percent higher than our record 2011 output of 1.1 million GEO. Expansions at current mines, earlier stage development projects in our pipeline and continuing exploration successes have the potential to add significantly to our production beyond 2014.

Since making several acquisitions in 2006 and 2007, we have worked hard to establish Yamana as a reliable, low-cost gold producer with predictable operations and financial results, significant mineral resources and progressive production growth through an organic growth strategy.

With our available cash and our expected robust cash flows from operations, the Company can fully fund its growth, reward shareholders through dividends and accelerate capital spending to enhance our production growth profile.

How is Yamana different from other gold mining companies?

We are comfortable with projects in the 100,000-200,000 ounce production range with more manageable capital expenditures. We can build them and then continue to grow them.

We have an advantage through the clustering of our mines within mining friendly jurisdictions. When two or more of our mines and projects are in close proximity, we develop a buddy system, whereby the older operation can provide oversight and training and personnel development opportunities.

We place significant importance on our exploration program, perhaps more than most companies our size. We believe strongly in growing our resources in the ground, seeking in particular ounces that can be brought to production and converted into cash flow quickly.

We are totally focused, one might almost say, fixated, on cash flow generation.

PETER MARRONE

Chairman and
Chief Executive Officer

What is the Company's philosophy?

First, and foremost, we strive to adhere to high standards for health, safety and environmental protection. We also rely on local support from communities for our operations and projects.

We are well positioned in stable and mining friendly jurisdictions.

We look to margin expansion and cash flow generation as a significant measure of our success. We strive to increase the cash margins on each gold ounce we produce faster than the rate of increase in metal prices. For each gold equivalent ounce we produced in 2011, the cash margin was more than $1,500.

We used a gold price of US$950 per ounce, well below the three year average normally used, in our estimates of mineral reserves and resources, to better reflect increases in reserves through successful exploration rather than higher metal prices, and in part this allows us to maintain grades and cost structure.

We view potential reserves and resources in terms of how quickly ounces in the ground can be developed, mined and turned into cash flow. We believe in organic growth. We like to find new ounces around our mines and development projects since such resources can be converted into production and then cash flow relatively rapidly.

What about mergers and acquisitions?

We have no need for Company transforming acquisitions. Our focus is not on acquisitions as we are in the midst of bringing three new mines into production and beginning to shift our focus to advancing other projects in our pipeline. We strive to develop projects that will maintain overall cost structure adding to which is that our exploration successes have included discovering gold at a cost of less than $25 per resource GEO, and that is much cheaper than any acquisition. We continue to look at and evaluate other opportunities but have not found any that create better value than our internal prospects.

Will you increase your exposure to non-precious metals?

No. As a significant gold producer, our exposure to non-precious metals helps with our overall cost structure at our current level of exposure. With all of our growth expected in gold-only production, our exposure to copper will decline, but it is a useful commodity to produce since it serves as a natural hedge against inflation and varying currency exchange rates.

How many employees work for Yamana?

The Company employs over 9,500 people, about half of whom are full-time employees and the remainder are contract personnel. Wherever possible, we aim to hire locally and have an active retention strategy that includes extensive training opportunities. We look to our employees for feedback on how we conduct our business. As local residents they can facilitate communication with the local communities, which is just one aspect of our corporate social responsibility efforts, that are key considerations in all that we do.

How did the Company perform in 2011?

We delivered on expectations. I am very pleased with what we achieved in 2011, and give full credit to Yamana's employees for our accomplishments.

Our Strategy

- Increase production
- Optimize and expand existing operations
- Advance development projects
- Focus on exploration
- Increase mineral reserves and mineral resources
- Contain costs and grow cash margins
- Manage capital expenditures effectively
- Deliver strong financial results

In 2011, we had record production, thanks to significant increases at our two largest gold mines, El Peñón and Gualcamayo. We maintained our cash costs at $50 per GEO on a by-product basis, amongst the lowest in the industry.

The year 2011 was a good one for mineral reserve and mineral resource growth. We added high quality ounces to mines and projects, ounces that can be brought quickly to production, and we did so through exploration successes rather than much higher metal price assumptions.

Gold equivalent in total proven and probable mineral reserves increased by two million ounces, or 11 percent, to 18.6 million ounces compared to 2010. Major contributors to the increase included El Peñón, Jacobina, Jeronimo and Minera Florida. Measured and indicated resources were replaced. Inferred GEO mineral resources increased by 39 percent to over ten million ounces, thanks to new discoveries at Chapada, Gualcamayo, Fazenda Brasileiro and C1 Santa Luz, and significant extensions to known deposits at Pilar, El Peñón and Mercedes.

If we take a longer-term view of our performance, since we are in a long-term business, it is very satisfying to note that Yamana has delivered increases of 75 percent in reserves, 191 percent in revenue and 332 percent in cash flow over the last four years.

What were the financial results for the year?

Higher sales, strong metal prices and successful cost containment all contributed to several new financial records:

- Compared to 2010, revenue increased by 29 percent to $2.2 billion.
- Adjusted earnings increased by 59 per cent to $713 million or $0.96 per share.
- Cash flow rose by 48 percent to $1.3 billion or $1.70 per share.
- At year end, cash and cash equivalents were $550 million, up 67 percent, and cash and available credit was approximately $1.1 billion.
- Dividends were increased twice, to total $0.20 per share. The increases reflect our confidence that our higher cash flow levels are sustainable.

During 2011 we reduced our debt position by $55 million to $432 million. Our capital expenditures, including exploration, amounted to $822 million.

What do you forecast for 2012?

The first full year of operations at the Mercedes mine and an expansion at the Minera Florida mine will contribute to total production of 1.2 million-1.3 million GEO in 2012. We expect the Ernesto/Pau-a-Pique and C1 Santa Luz mines to be on stream by the end of the year. We are also forecasting growth in mineral resources, revenue and cash flow.

Expenditures of $665 million are planned on our development projects in 2012, and $125 million on exploration. As always, our exploration efforts will focus on increasing mineral reserves and resources. With success, we can then assess increasing the scale of the operations. We plan to accelerate the development of recent discoveries, and advance several greenfield projects.

2013 and beyond?

Production in 2013 should reach 1.5 million-1.7 million GEO, an approximate 45 percent increase over 2011. The increase will come from the first full year of contributions from C1 Santa Luz and Ernesto/Pau-a-Pique, and the start-up of Pilar and the Gualcamayo expansion.

With the achievement of sustainable annual production at the approximately 1.75 million GEO level in 2014, we shall then focus on further growth through other projects.

Yamana has made steady progress over the years, as it has grown into a dependable million-ounce-plus producer. With thanks to all who have contributed to our success, most notably our motivated work force and supportive local communities, I am looking forward to our continuing successes in the years ahead.

"Peter Marrone"

PETER MARRONE
Chairman and Chief Executive Officer

Performance & Objectives

2011 Performance

- ✔ Produced 1.04 million – 1.14 million GEO
- ✔ Increased production quarter-over-quarter
- ✔ Continued to focus on cost containment with by-product costs below $250 per GEO
- ✔ Continued to deliver strong financial results and significant free cash flow
- ✔ Advanced four development projects expected to begin production over the next two years and contribute an additional 440,000 GEO of production annually
- ✔ Unlocked further value within existing portfolio
  - Agua Rica – announced and completed strategic transaction
  - Suyai – continued engagement with stakeholders to advance the project
  - Jeronimo – feasibility study end of 2011
- ✔ Focused exploration on several new areas of mineralization discovered in 2009 and 2010
- ✔ Increased gold mineral reserves and gold mineral resources
- ✔ Upheld best practices and international standards in safety, health, environmental protection and community relations.

2012 Objectives

Produce 1.2 million – 1.3 million GEO

Increase production quarter-over-quarter

Continue to emphasize cost containment, and maintain by-product costs below $250 per GEO

Continue to deliver strong financial results and significant free cash flow

Complete commissioning of new Mercedes mine

Advance three development projects, two to production

Begin production from tailings project at Minera Florida

Unlock further value within existing portfolio

Make a construction decision on Jeronimo

Continue effective exploration: increase mineral reserves and mineral resources, accelerate the development of new discoveries, develop greenfield projects

Uphold best practices and international standards in safety, health, environmental protection and community relations

Operations

Breaking Records

Producing Mines

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

The Chapada open pit gold-copper mine, located northwest of Brasília in Goiás state, began production in 2007. The flotation plant was expanded in 2010 to treat 22 million tonnes annually. The Suruca gold deposit, discovered six kilometres northeast of Chapada in 2009, will begin contributing an average of 49,000 ounces of gold annually for an initial five years in 2013. Production from Corpo Sul, the southern extension to the Chapada deposit discovered in 2011, is expected to start in 2014.

PRODUCTION	2011	2012E	2013E
Gold (oz.)	135,347	110-120,000	140-160,000
Cash cost (per oz.)	$319		
By-product cash cost (per oz.)	$(2,454)		
Copper (million lb.)	166	140-155	120-135
Cash cost (per lb. of copper)	$1.29		

15+

STRATEGIC MINE LIFE (years)

MINERAL RESERVES + MINERAL RESOURCES

Gold 3.3 million oz. proven & probable + 2.2 million oz. measured & indicated

Copper 2.3 billion lb. proven & probable + 986 million lb. measured & indicated

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

The Jacobina underground gold mine is located in Bahia state in northeastern Brazil and began the second phase of commercial production in 2005. It consists of a complex of underground gold mines and a 6,500 tonnes per day carbon-in-pulp processing plant. The development of the higher grade Morro do Vento and Canavieiras deposits is being evaluated and if implemented will raise annual production above 140,000 ounces of gold from 2014. Mineral reserve grade has increased by 28 percent since 2009.

PRODUCTION	2011	2012E	2013E
Gold (oz.)	121,675	130-145,000	130-140,000
Cash cost (per oz.)	$643		

15+

STRATEGIC MINE LIFE (years)

MINERAL RESERVES + MINERAL RESOURCES

Gold 2.0 million oz. proven & probable + 2.4 million oz. measured & indicated

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

Fazenda Brasileiro is an underground gold mine with a 3,500 tonnes per day carbon-in-pulp plant. Located in Bahia state in northeast Brazil, the mine has been in operation for over 20 years and has consistently replaced its mineral reserves as they have been mined. The Lagoa do Gato and CLX_2 zones discovered in 2009 have significant potential as sources of ore for the mill, with the CLX_2 zone being easily accessible from existing mine workings. As a result, an extension of the mine life is being evaluated.

PRODUCTION	2011	2012E	2013E
Gold (oz.)	55,163	50-60,000	50-60,000
Cash cost (per oz.)	$937		

4+

STRATEGIC MINE LIFE (years)

MINERAL RESERVES + MINERAL RESOURCES

Gold 359,000 oz. proven & probable + 153,000 oz. measured & indicated

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 138-142 for complete information relating to mineral reserves and mineral resources, including tonnage and grade, for all Yamana mines and projects.

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

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

The El Peñón mine is a high grade gold-silver underground mine with a 4,500 tonnes per day Merrill-Crowe processing plant located in northern Chile, 160 kilometres southeast of Antofagasta. Commercial production began in 2000. Exploration continues to enhance known deposits and make new discoveries such as the Pampa Augusta Victoria vein system. A 20 percent increase in mineral reserves in 2011 will support sustainable annual production of 440,000 GEO and extend the mine life.

PRODUCTION	2011	2012E	2013E
GEO	475,586	430-455,000	435-455,000
Cash cost (per GEO)	$400		

MINERAL RESERVES + MINERAL RESOURCES

Gold 2.2 million oz. proven & probable + 447,000 oz. measured & indicated

Silver 66.5 million oz. proven & probable + 11.4 million oz. measured & indicated

8+

STRATEGIC MINE LIFE (years)

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

The Minera Florida mine is an underground gold-silver producer located 73 kilometres south of Santiago in central Chile, and has been in operation for over 20 years. Ore is treated in a 2,400 tonnes per day plant incorporating flotation and the Merrill-Crowe process. Reprocessing of tailings, to start in April 2012, will increase annual production by approximately 40,000 gold equivalent ounces per year for five years. The mine also produces by-product zinc, amounting to 6,958 tonnes in 2011.

PRODUCTION	2011	2012E	2013E
GEO	102,738	135-150,000	140-155,000
Cash cost (per GEO)	$591		

MINERAL RESERVES + MINERAL RESOURCES

Gold 842,000 oz. proven & probable + 529,000 oz. measured & indicated

Silver 6.3 million oz. proven & probable + 2.8 million oz. measured & indicated

8+

STRATEGIC MINE LIFE (years)

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 138-142 for complete information relating to mineral reserves and mineral resources, including tonnage and grade, for all Yamana mines and projects.

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

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

The Gualcamayo mine is an open pit, heap leach operation with three substantial zones of gold mineralization, located in the San Juan province of Argentina. Total output from the Gualcamayo mine, which began commercial production in 2009, is expected to exceed half a million ounces of gold by April 2012. The development of an underground mine in the QDD Lower West deposit is expected to raise annual production above 200,000 ounces of gold starting in 2014.

PRODUCTION	2011	2012E	2013E
Gold (oz.)	158,847	155-180,000	180-190,000
Cash cost (per oz.)	$441		

MINERAL RESERVES + MINERAL RESOURCES

Gold 2.2 million oz. proven & probable + 1.1 million oz. measured & indicated

9+

STRATEGIC MINE LIFE (years)

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

The Mercedes gold-silver underground mine in Sonora State in Mexico poured its first gold ahead of schedule in November 2011, and reached commercial production on February 1, 2012. Ore is treated in a 1,500 tonnes per day plant by agitated leaching, counter-current decantation and the Merrill-Crowe process. A 20 percent increase in plant capacity through modest modifications is under consideration that would increase annual production to a sustainable 140,000 gold equivalent ounces starting in 2014.

PRODUCTION	2011	2012E	2013E
GEO	8,438	105-120,000	125-135,000
Cash cost (per GEO, 2012 E)		$600	

MINERAL RESERVES + MINERAL RESOURCES

Gold 964,000 oz. proven & probable + 188,000 oz. measured & indicated

Silver 10.1 million oz. proven & probable + 1.9 million oz. measured & indicated

10+

STRATEGIC MINE LIFE (years)

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 138-142 for complete information relating to mineral reserves and mineral resources, including tonnage and grade, for all Yamana mines and projects.

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

Development Projects *Mines Under Construction*

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

The Ernesto/Pau-a-Pique gold project is located on Yamana's 450,000-hectare property on the prolific Guapore gold belt in Mato Grosso state in western Brazil. Production is on schedule to start up in late 2012. 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 treated in a one million tonnes per year plant that incorporates gravity and carbon-in-leach processing.

ANNUAL PRODUCTION (E)	
Gold (oz.)	100,000 (120,000 in first two years)

MINERAL RESERVES + MINERAL RESOURCES

Gold 791,000 oz. proven & probable + 141,000 oz. measured & indicated

7+

STRATEGIC MINE LIFE
(years)
Starting late 2012

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

The C1 Santa Luz project in Bahia state in eastern Brazil is expected to produce its first gold by the end of 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 on the Rio Itapicuru greenstone belt.

ANNUAL PRODUCTION (E)	
Gold (oz.)	100,000 (130,000 in first two years)

MINERAL RESERVES + MINERAL RESOURCES

Gold 1.5 million oz. proven & probable + 582,000 oz. measured and indicated

10+

STRATEGIC MINE LIFE
(years)
Starting late 2012

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

The Pilar project in Goiás state in Brazil is scheduled to begin production in mid-2013. The 590 square kilometre property is located in the Crixas greenstone belt, 80 kilometres south of the Chapada mine. An underground mine is planned with ore to undergo gravity and carbon-in-leach treatment in a one million tonnes per year plant. The project is being built with 30 percent more capacity than contemplated in the feasibility study in anticipation of significant resource growth. Development of the high grade Caiamar deposit located 38 kilometres west of Pilar is expected to increase annual production to at least 140,000 ounces of gold as early as 2014.

ANNUAL PRODUCTION (E)	
Gold (oz.)	140–150,000

MINERAL RESERVES + MINERAL RESOURCES

Gold 1.4 million oz. proven & probable + 267,000 oz. measured & indicated

9+

STRATEGIC MINE LIFE
(years)
Starting mid-2013

Notes: Mineral resources are exclusive of mineral reserves. Refer to pages 138-142 for complete information relating to mineral reserves and mineral resources, including tonnage and grade, for all Yamana mines and projects.

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

Development Projects *At the Intermediate Stage*

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

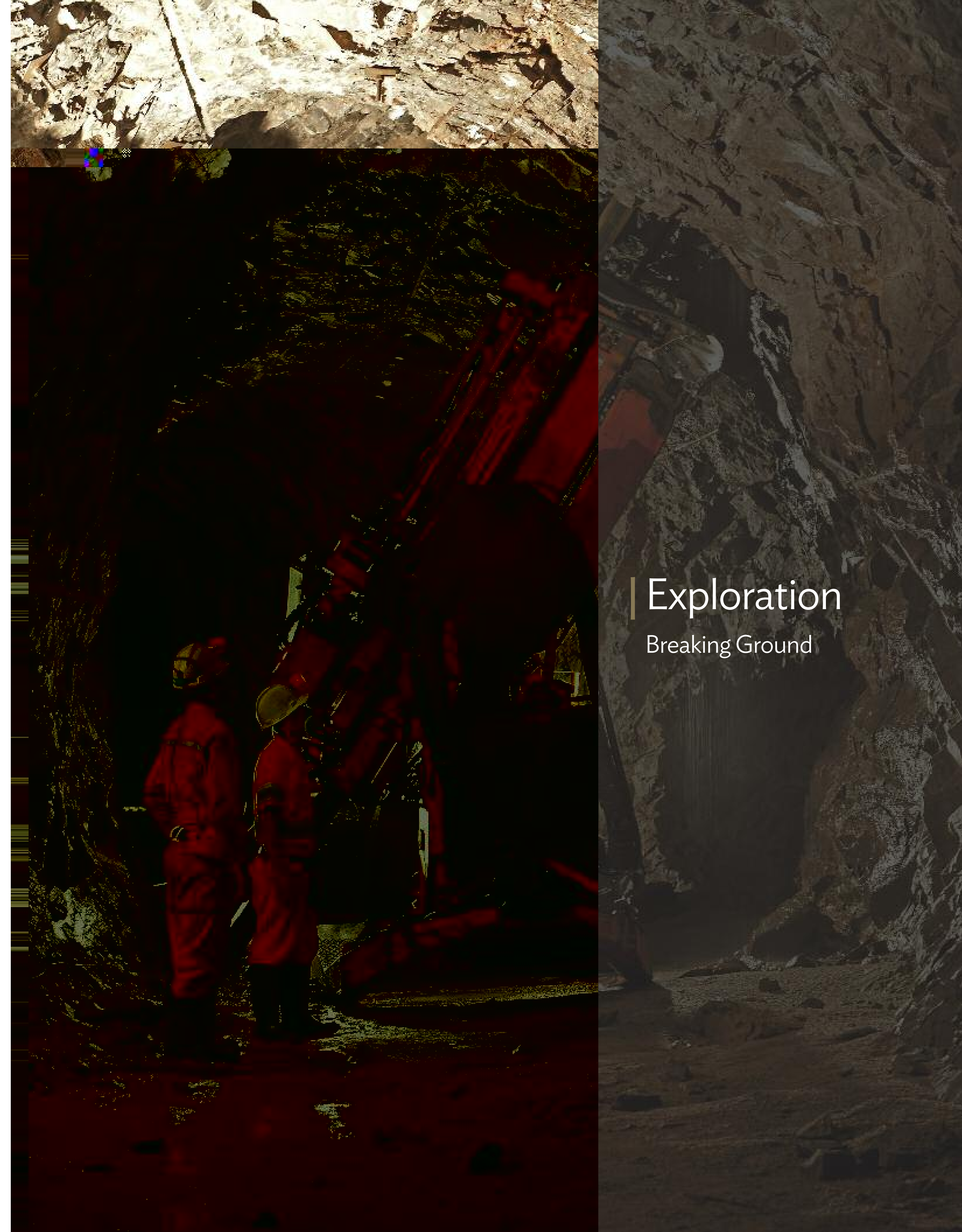
Yamana anticipates making a construction decision on the Jeronimo project in 2012, after completing a final feasibility study. Current estimates indicate pre-production capital would be in the order of approximately $400 million and annual production around 150,000-190,000 ounces, with costs at about $600 per ounce of gold and estimated recoveries of approximately 85 percent using flotation and pressure oxidation to treat the ore and concentrate. Jeronimo is located 50 kilometres southeast of El Salvador in northern Chile. Total mineral reserves increased by 17 percent in 2011 with Yamana's share increasing to 1.1 million ounces of gold. The Company's partner in Jeronimo is Codelco, the state-owned copper mining company.

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

Studies relating to the Suyai project will be initiated in 2012 for the purposes of evaluating the deposit as a high grade, low cost underground mine with off-site processing, tailings and waste facilities. The Company plans to present the conclusions to local officials and community leaders and continues to monitor mining developments in the province of Chubut.

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

In September 2011 Yamana concluded an agreement granting Minera Alumbrera (Yamana 12.5 percent interest) a 4-year option to acquire Yamana's 100 percent interest in the Agua Rica project, in return for cumulative payments of $310 million from Yamana's Minera Alumbrera partners, Xstrata Copper (50 percent) and Goldcorp Inc (37.5 percent), and other considerations. Agua Rica is an exceptionally large copper-gold-molybdenum-silver porphyry deposit located in Catamarca province in northwestern Argentina, 35 kilometres from the Alumbrera mine. Under the option agreement, Minera Alumbrera is managing the project and has commissioned an independent update of the previous feasibility study to investigate placing Agua Rica in production using the existing Alumbrera mine fleet and concentrator. Subject to positive results, the exercise of the option and the necessary approvals, a construction decision could be made in 2013. During the option period Minera Alumbrera is funding the feasibility study and all development costs.



Exploration

Breaking Ground

Exploration Program

Yamana is committed to exploration as the preferred means of replacing and increasing mineral reserves and mineral resources. The Company's programs target mineral reserve growth and mineral resource discovery and development at existing operations and development projects, and at new discoveries. Projects are advanced from the exploration phase to the development phase as quickly and efficiently as possible.

In 2011 Yamana spent approximately $122 million on exploration, 25 percent more than in 2010, and exceeded its prime exploration objective, which was to replace mineral reserves and mineral resources at all operations. Gold proven and probable mineral reserves increased ten percent over 2010. Gold equivalent proven and probable mineral reserves increased 11 percent. Measured and indicated resources were generally unchanged. Inferred mineral resources increased by 39 percent on a gold equivalent basis, due to large increases at the C1, Chapada, Fazenda Brasiliero, Mercedes, Gualcamayo, El Peñón and Pilar deposits.

In 2012, Yamana expects to spend $125 million on exploration: 45 percent in Chile, 35 percent in Brazil, ten percent in Argentina, and ten percent in Mexico and elsewhere. The program's prime aim is to increase mineral reserves and mineral resources across all regions in which it operates. It will accelerate the development of new discoveries such as Jordino and Maria Lazarus at Pilar, the extension of the Pampa Augusta Victoria vein system and definition of a new discovery at El Peñón, the expansion of high grade mineral resources at Jacobina, and the development of several greenfield projects. Drilling is planned for as many as six new projects compared to three new projects investigated in 2011.

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

Gold and copper mineralization has now been identified over a strike length of almost 12 kilometres at Chapada, as a result of the 2011 discovery of the Corpo Sul deposit, to the southwest of and on strike with the Chapada open pit. Mineralization at Corpo Sul has been identified to a depth of 200 metres, over at least 1.7 kilometres of strike length and the deposit remains open along strike and down dip. Further work at Corpo Sul in 2012 is expected to contribute significantly to mineral reserves. The 2011 exploration program also expanded and delineated the southern extension of the Suruca gold deposit, located six kilometres northeast of Chapada. Total gold mineral reserves at Chapada increased six percent in 2011 over 2010, while grade rose nine percent.

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

Mineral reserves and mineral resources were increased for the third consecutive year at the Jacobina mine in 2011, while mineral reserve grade has increased by 28 percent over the same period. The upgrade of resources to reserves in the higher grade Canavieiras and Morro do Vento deposits was instrumental in the success of the 2011 results, when total mineral reserves increased by 20 percent and mineral reserve grade increased by 10 percent. The objective of the 2012 exploration program is to expand the high grade resources in these two deposits while continuing an evaluation of increased production levels at the mine.

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

Total mineral reserves more than doubled at the Fazenda Brasileiro mine in 2011 as infill drilling, primarily in the CLX_2 and Canto deposits, upgraded mineral resources to mineral reserves. While measured and indicated mineral resources declined marginally, inferred mineral resources increased by 160 percent. The CLX_2 deposits have significant potential as sources of high grade ore for the mill. With further additions to mineral reserves and resources expected in 2012, an extension of mine life beyond the currently estimated four years is being evaluated.

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

In 2011, an upgrade of mineral resources to mineral reserves at the Lavrinha deposit which is located 1.5 kilometres west of the Ernesto deposit, and a slight increase in gold price assumptions resulted in an 11 percent increase in total mineral reserves at the Ernesto/Pau-a-Pique project. Measured and indicated, as well as inferred, mineral resources increased by 14 percent. The project is preparing for production to start in late 2012.

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

Total mineral reserves at C1 Santa Luz increased by 24 percent in 2011, as a result of exploration success down dip of the existing mineral resource and an increase from $750 to $950 per ounce in the gold price assumption that had not been changed since the completion of the feasibility study. Measured and indicated mineral resources declined modestly due to the conversion of most of the mineral resources to mineral reserves, while inferred mineral resources more than doubled, primarily because of a 77 percent increase in gold grades. C1 Santa Luz is on schedule to start production as an open pit mine in late 2012. The 2012 exploration program will continue investigating the C1 deposit at depth and as a possible underground mining operation.

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

While the Pilar mine is being readied for production to begin in 2013, exploration continues on the property, expanding the Jordino deposit down dip and along strike significantly in 2011. To date, Jordino, Ogo and Tres Buracos, the three main mineralized areas, have been outlined over a strike length of approximately four kilometres. Inferred mineral resources increased by over 130 percent in 2011. Mineral reserves were unchanged since the focus of the work was to expand the resource base and discover new mineralized zones that would support higher production levels. In 2012 the delineation of near-surface strike extensions of the Pilar deposit is expected to add rapidly to the mineral resource base.

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

Exploration around the El Peñón mine, Yamana's largest producer, accounted for 25 percent of the Company's exploration expenditures in 2011. The effort produced a 20 percent increase in total gold equivalent mineral reserves, as a result of exploration successes at Bonanza and Al Este and the inclusion of initial reserves from the Pampa August Victoria (PAV) vein system, discovered 30 kilometres north of the mine in 2009. The high grade Victoria zone within PAV has initial open pit potential. Exploration in 2012 will focus on the extensions of PAV and follow up promising exploration results at the southern end of the Dorada and Providencia areas in the El Peñón block and in the Abundancia and Esmeralda areas in the North Block.

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

Total gold equivalent mineral reserves at Minera Florida increased by 28 percent in 2011, in large part because of the inclusion of historic tailings that are to be re-processed beginning in April 2012. The tailings will add approximately 40,000 gold equivalent ounces per year to production for five years. New mineral resources outlined in the main core contributed to a 46 percent increase in measured and indicated mineral resources. Near-mine exploration in 2011 focused on delineating extensions to the orebodies in the Portezuelo, El Robie and Tribuna zones. In 2012 exploration will begin on the newly acquired Mila claims, located five kilometres south of the current mining operation.

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

The discovery of two large sulphide breccia bodies added significantly to inferred resources at the Gualcamayo mine in 2011. The breccias are similar to and lie southwest of the QDD Lower West deposit, which is being prepared for underground mining to begin in 2013. The discovery mineralization remains open to the southwest and down dip, and will be the focus of Gualcamayo's $11 million 2012 exploration program. While total mineral reserves declined by nine percent in 2011, measured and indicated resources increased by 20 percent over 2010, and inferred mineral resources increased by 444 percent.

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

As the Mercedes gold-silver mine was starting up in late 2011, exploration was continuing to confirm the potential of this operation. Total gold equivalent proven and probable mineral reserves increased by 22 percent in 2011, primarily from the Barrancas, Lagunas Norte and Diluvio vein structures. Measured and indicated mineral resources were replaced, and inferred mineral resources increased by 14 percent. The objective of the 2012 program will be to extend the Diluvio and Mercedes vein systems.

Note: Refer to pages 138-142 for complete information relating to mineral reserves and mineral resources for all Yamana mines and projects as at December 31, 2011. Changes in mineral reserves and mineral resources from 2010 to 2011 are discussed in a February 22, 2012 press release available at www.yamana.com.

CSR

Breaking Boundaries








Corporate social responsibility is a cardinal component of how Yamana operates. Our objective is to meet and exceed our corporate social responsibility goals, ensuring that health and safety always come first and safeguarding our environment and community relationships. In 2011 our corporate integrated management system, in place since 2006, was reviewed and improved. The system governs all of our activities in safety, health, environment and community relations. Based on best practices and international standards, it includes risk assessment, identification of all legal and contractual requirements, definition of Company objectives and targets and procedures to ensure that all operations are in compliance with our policies and programs.

Yamana Gold is Breaking Boundaries.

2011 Corporate Social Responsibility Highlights

Health and Safety

Yamana established Nine Golden Rules to demonstrate the importance of occupational health and make employees aware that violation of these rules will not be tolerated by the Company. • An alcohol awareness campaign was launched, and will be expanded to cover the impact of drugs in 2012. • A safety alert program was conducted at all operations. • Campaigns at Minera Florida and El Peñón emphasized the prevention of accidents involving hands. • Fazenda Brasileiro developed an educational program relating to the prevention of cancer, diabetes and sexually transmitted diseases.

Environment

A new energy efficiency committee was formed to identify energy consumption reduction opportunities. • Decreases in consumption included: diesel oil nine percent, electric energy three percent, freshwater 27 percent, and non-mineral solid waste generation eight percent. • Environmental construction licences were issued for the C1 Santa Luz, Ernesto/Pau-a-Pique and Pilar projects in Brazil.

Community Relations

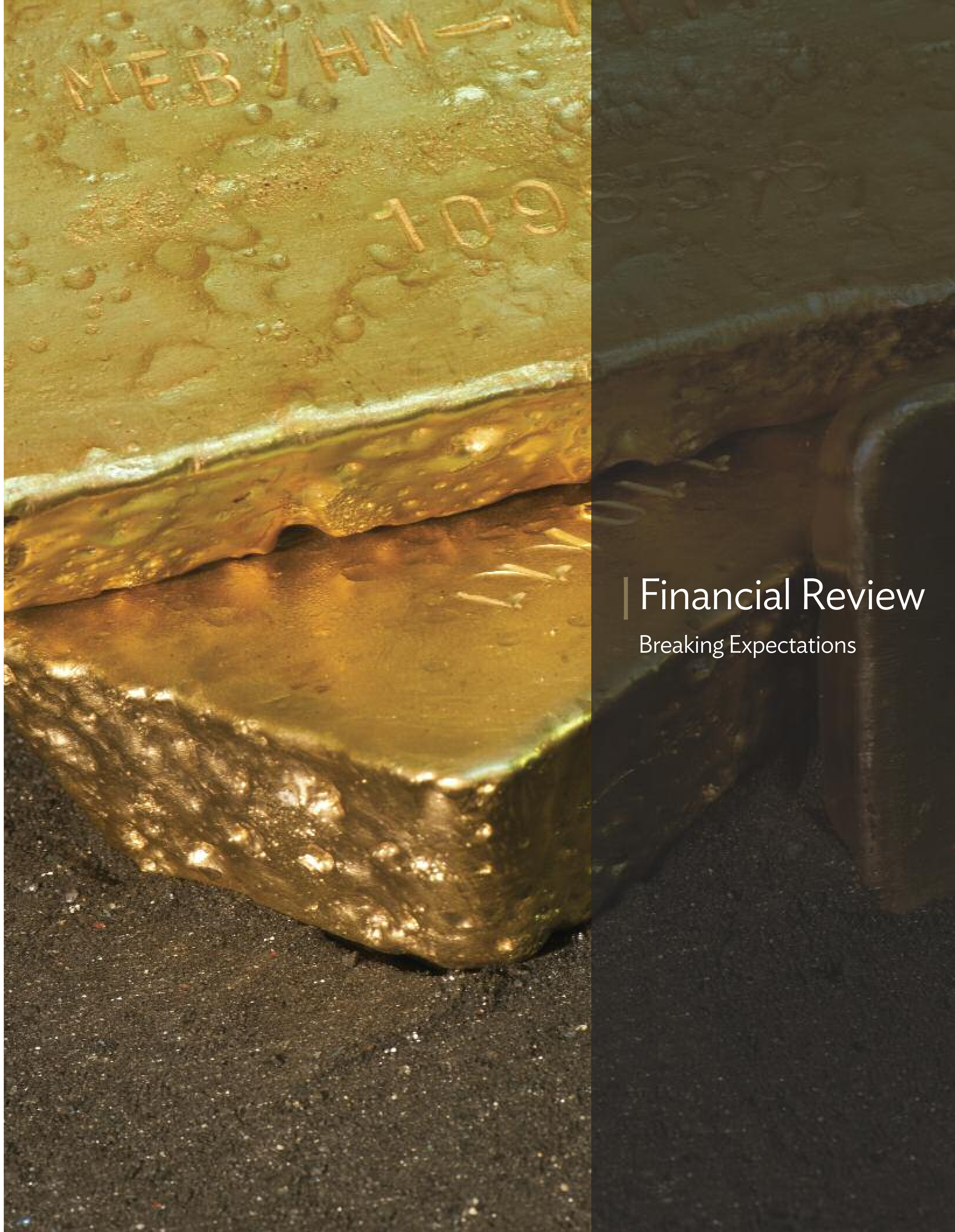
Forty-seven community meetings were held to discuss matters of mutual interest. • Through the Open Doors program, the mines hosted 95 site visits attended by over 1,700 people. • Yamana increased its support for the Partnership Seminar Program which now contributes up to 85 percent of the resources required by local organizations to launch a variety of projects benefiting their communities; 104 projects were supported in 2011. • The Integration Program, which facilitates access to available services for residents of communities around Yamana's mines, supported 47 initiatives in the areas of health, citizenship, environment and quality of life.

Full details of Yamana's 2011 corporate social responsibility program will be contained in the 2011 sustainability report, to be published in mid-2012.




The Yamana Management System – YMS

Yamana has a responsibility to all its stakeholders to build and adhere to a strong corporate social responsibility 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. It was developed on best practices and international standards, namely: the ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management System, SA 8000 Social Accountability Standard, and the International Cyanide Management Code. The Yamana Management System also helps to define corporate goals related to the reduction of natural resource consumption, zero accident targets and certifications. In 2011, standards were revised and new procedures were added to improve and integrate all existing systems. A corporate cross audit has also been implemented to improve efficiencies of the management system at all mine sites.



Financial Review

Breaking Expectations

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Management's Discussion & Analysis of Operations & Financial Condition

(All figures are in United States Dollars unless otherwise specified and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"))

Cautionary notes regarding forward-looking statements, including estimates of Measured, Indicated and Inferred Mineral Resources and regarding Mineral Reserves and Mineral Resources follow 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, Mexico and Colombia.

The Company plans to continue to build on its current production base through existing operating mine expansions, throughput increases, development of new mines, advancement of its exploration properties and by targeting other gold consolidation opportunities with a primary focus in the Americas. *Note 34(a) "Related Parties"* to the accompanying consolidated financial statements lists Yamana's significant subsidiaries with 100% equity interest. Yamana does not have any material off-balance sheet arrangements.

Yamana 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, 2011

- Record-setting results for most financial metrics including:
  - Revenues of $2.2 billion, an increase of 29% over 2010.
  - Net earnings of $548.3 million representing an increase of 18% over 2010 after deducting an after-tax unrealized loss on the write-down of its investment securities portfolio of $81.0 million.
  - Adjusted earnings* of $712.9 million an increase of 59% over 2010, representing basic and diluted adjusted earnings per share* of $0.96 compared to $0.61 per share in 2010.
  - Mine operating earnings of $1.1 billion, a 46% increase from 2010.
  - Cash flows from operating activities after changes in non-cash working capital of $1.2 billion, representing an increase of 80%, compared with 2010.
  - Cash flows generated from operations before changes in non-cash working capital of $1.3 billion, representing an increase of 48%, compared with 2010.
- Cash and cash equivalents at December 31, 2011 were $550.4 million, a $219.9 million increase from the beginning of the year, after debt repayments during the year totaling $55.0 million and total dividend payments of $100.1 million, more than double the dividends paid in 2010.
- Increase in the Company's annual dividend rate to $0.20 per share or $0.05 per share per quarter.

Three months ended December 31, 2011

- Revenues of $568.8 million, an increase of 6% over the same quarter of 2010.
- Net earnings of $89.6 million or $0.12 basic and diluted earnings per share were lower than the comparative quarter in 2010 after deducting an after-tax unrealized loss on the write-down of its investment securities portfolio of $81.0 million.
- Adjusted earnings of $184.2 million or $0.25 basic and diluted adjusted earnings per share, representing an increase of 8% over the same quarter of 2010.
- Record mine operating earnings of $296.8 million, a 9% increase over the same quarter of 2010.
- Cash flows from operations after changes in non-cash working capital of $338.9 million, representing an increase of 35%, compared with the same quarter of 2010.

- Cash flows generated from operating activities before changes in non-cash working capital of $320.4 million, representing an increase of 12%, compared with the same quarter of 2010.

**A non-GAAP measure – Refer to Section 15*

Operational

Twelve months ended December 31, 2011

- Record total production of 1,102,296 gold equivalent ounces ("GEO") from continuing operations was 5% higher than 2010.
- Record commercial production of 1,093,858 GEO which was 4% higher than production from continuing operations in 2010.
- Attributable production of operating mines is summarized as follows:

For the years ended December 31, (In GEO)	2011	2010
Chapada	135,347	135,613
El Peñón	475,586	427,934
Gualcamayo	158,847	135,140
Jacobina	121,675	122,160
Minera Florida	102,738	105,604
Fazenda Brasileiro	55,163	70,084
Alumbrera (12.5%)	44,502	50,656
Mercedes (commissioning production)	8,438	-

- Production of 9.3 million silver ounces which, for presentation purposes only, is treated as GEO (assuming a gold equivalent ratio of 50:1).
- Year-over-year increase in GEO production from the Company's largest gold mines: Gualcamayo and El Peñón of 18% and 11%, respectively, compared with 2010.
- By-product cash costs of $50 per GEO*.
- Co-product cash costs of $463 per GEO*.
- Production of 166.1 million pounds of copper contained in concentrate from Chapada, which was 11% higher than 2010 with co-product cash costs per pound of copper* of $1.29.

Three months ended December 31, 2011

- Total production of 276,918 GEO for the quarter including Mercedes.
- Commercial production of 268,480 GEO.
- Attributable production from operating mines is summarized as follows:

For the three months ended December 31, (In GEO)	2011	2010
Chapada	34,313	36,965
El Peñón	115,043	113,800
Gualcamayo	40,676	36,239
Jacobina	31,983	33,718
Minera Florida	23,151	32,048
Fazenda Brasileiro	15,568	19,852
Alumbrera (12.5%)	7,746	14,061
Mercedes (commissioning production)	8,438	-

- Production of 2.3 million silver ounces which, for presentation purposes only, is treated as GEO (assuming a gold equivalent ratio of 50:1).
- Quarter-over-quarter increase in GEO production from the Company's largest gold mines: Gualcamayo and El Peñón of 12% and 1% respectively, compared with the same quarter of 2010.
- By-product cash costs of $174 per GEO*.
- Co-product cash costs of $486 per GEO*.

- Production of 45.4 million pounds of copper contained in concentrate from Chapada, representing an increase of 14% over the same quarter of 2010 with co-product cash costs per pound of copper* of $1.20.
- Mercedes, Mexico – Subsequent to the year end, Mercedes reached commercial production as of February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors.

**A non-GAAP measure – Refer to Section 15*

Construction, Development and Exploration

- Construction Projects – Construction is progressing to planned start-up of operations with C1 Santa Luz and Ernesto/Pau-a-Pique scheduled for the end of 2012 with current physical advancement of approximately 60% and 75% complete, respectively and at Pilar for mid-2013 with current physical advancement of approximately 25%.
- Jacobina, Brazil – Successful infill drilling at Canavieiras and Morro do Vento resulted in measured and indicated mineral resource increases of approximately 392,000 ounces of gold in 2.2 million tonnes at 3.83 g/t and 81,000 gold ounces in 814,584 tonnes at 3.09 g/t, respectively representing potential additional mine life of more than three years. The gold grade at Canavieiras averaged approximately 3.83 g/t which improved the average grade of global mineral resources and mineral reserves.
- El Peñón, Chile – Total gold equivalent mineral reserves increased by 20% to 3.5 million GEO supporting an increased mine life and a higher sustainable production level of 440,000 GEO per year. Infill drilling upgraded the previously defined mineral resources to mineral reserves and identified higher grade areas. The 2012 exploration program at El Peñón will focus on the extension of Pampa Augusta Victoria and areas within the North Block as well as more recent discoveries. This effort is expected to result in continued increases in mineral resources in 2012.
- Chapada, Brazil – Feasibility Study of Suruca oxide ore, a satellite deposit, was completed in December 2011, which supports average annual production of 49,000 gold ounces for five years beginning in 2013. Corpo Sul is a new discovery made during 2011. It is expected that further work at Corpo Sul will significantly contribute to 2012 growth of mineral reserves. The strategic plan of the Company is to ensure sustainable production at Chapada of 150,000 gold ounces and 135 million pounds of copper for 2013 and onwards for at least five years from the main Chapada pit, Suruca and Corpo Sul.
- The Company's total mineral reserves on a GEO basis increased by 11% over the previous year; total measured and indicated mineral resources modestly declined primarily from the conversion of mineral resources to mineral reserves and inferred mineral resources increased by 39% over 2010.

3. OUTLOOK AND STRATEGY

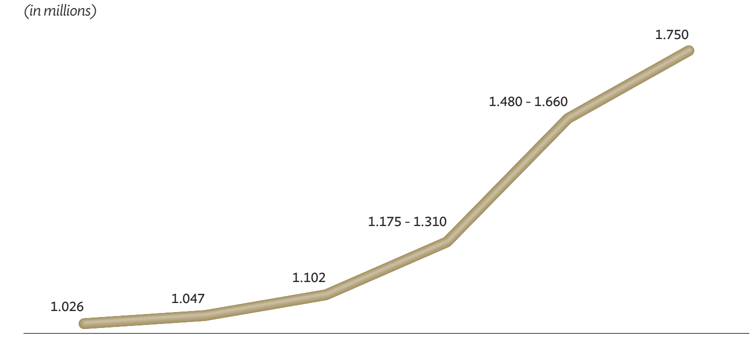
The Company is focused on operational predictability and reliability with a concentrated effort in increasing cash flows, containing costs and expanding margins to maximize shareholder value. The Company continues on a steady path of organic growth through expanding current, near-term and in-development production plans, developing new projects and advancing its exploration properties.

Production in 2012 is expected to be in the range of 1.2 to 1.3 million gold equivalent ounces ("GEO"). This will represent an increase from 2011 production of approximately 13%, most of which will come from Mercedes as its production ramps up, as well as the Minera Florida expansion which will add to production starting in March 2012. C1 Santa Luz and Ernesto/Pau-a-Pique are also expected to start production by the end of 2012.

Production in 2013 is expected to increase by 43% from 2011 levels, to a range of 1.5 to 1.7 million GEO, most of which will come from a full year of production from C1 Santa Luz and Ernesto/Pau-a-Pique, the start-up of Pilar and the Gualcamayo expansion.

Total Actual and Estimated GEO Production from Operations

(in millions)



** Estimated production*

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
Ernesto/Pau-a-Pique (i)	100,000 gold ounces	Late-2012
Pilar	140,000-150,000 gold ounces	Mid-2013

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

Estimated production on a mine-by-mine basis for 2012 and 2013 is detailed below:

Estimated Production (GEO)	2012E	2013E
Chapada	110,000 – 120,000	140,000 – 160,000
El Peñón (i)	430,000 – 455,000	435,000 – 455,000
Gualcamayo	155,000 – 180,000	180,000 – 190,000
Jacobina	130,000 – 145,000	130,000 – 140,000
Minera Florida (i)	135,000 – 150,000	140,000 – 155,000
Mercedes (i)	105,000 – 120,000	125,000 – 135,000
Fazenda Brasileiro	50,000 – 60,000	50,000 – 60,000
Alumbrera (12.5%)	40,000 – 50,000	40,000 – 50,000
Development Projects	20,000 – 30,000	240,000 – 315,000
Total GEO	1,175,000 – 1,310,000	1,480,000 – 1,660,000
Total Copper (M lbs, Chapada)	140 – 155	120 – 135

(i) *Silver production is reported as GEO at a ratio of 50:1.*

Silver production is expected to be consistent at between eight to nine million ounces in each of 2012 and 2013. Silver production is reported as a gold equivalent.

Copper production is expected to be in the range of 140 to 155 million pounds in 2012 and 120 to 135 million pounds in 2013. These estimates reflect the production from Chapada and do not include the attributable production from the Company's 12.5% interest in Alumbrera.

By 2014, production is targeted to be at a sustainable level of approximately 1.75 million GEO. This includes production from the existing mines and development projects for which construction decisions have been made. Planned sustainable production of over 1.75 million GEO in 2014 and thereafter will be permitted in part due to the following opportunities:

- Development plan for Chapada to incorporate Corpo Sul which is expected to primarily sustain current production grades and levels for both copper and gold.
- Production at El Peñón increasing to a sustainable 440,000 GEO per year as development work is completed at newly discovered ore bodies.
- Full ramp up of Gualcamayo's expansions to be completed mid-2013, which should increase sustainable production to over 200,000 gold ounces per year beginning in 2014.
- Evaluation of milling higher grade ore at Gualcamayo subject to mineral resource increases into 2012 and 2013, in relation to which a scoping study is expected to be completed in mid-2012.
- Development of higher grade areas at Jacobina increasing production to above 140,000 gold ounces per year beginning in 2014.
- Increasing Mercedes production to a sustainable level of 140,000 GEO beginning in 2014 resulting mostly from a throughput increase to up to 1,800 tonnes per day.
- Increasing Pilar production to 140,000-150,000 gold ounces beginning in 2014 mostly due to an increase in plant capacity and processing ore from nearby Caiamar which is higher grade.

Current exploration and early development projects will potentially add to this production level and will be included once construction decisions have been made. These projects include: Jeronimo, Agua Rica and Suyai.

Cash costs *(a non-GAAP measure – see Section 15)* for 2012 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 were estimated using the following copper price and exchange rates:

	2012	2013	2014
Copper – $/pound	4.00	4.00	4.00
Brazil – Reais/$	1.80	1.80	1.80
Argentina – Pesos/$	4.50	4.75	4.75
Chile – Pesos/$	500.00	500.00	500.00

Development capital to be spent in 2012, including $65 million carried forward from 2011 and excluding capitalized exploration, is expected to be $665 million. This includes amounts for new projects for which capital was not committed in 2011. Development capital will decline into 2013 and the following years as the Company's development projects are completed.

For 2012, sustaining capital is expected to be $340 million across all operations and is expected to decline after current sustaining development projects are completed in 2014.

The Company is also contemplating certain initiatives that will result in improved recoveries, reduced costs and/or mine life extension at various operations. These projects are currently being evaluated with final decisions still pending. The most significant impact projects are at El Peñón, Chapada and Pilar.

The Company expects to spend approximately $125 million on exploration in 2012, a continuation of the successful 2011 program. Yamana's 2012 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. The Company remains committed to the development of a pool of talented geoscientists in sustaining its exploration performance.

In addition to $1.1 billion of available cash and undrawn credit available at the end of 2011, the expected robust cash flows from operations under the current and intermediate-term pricing conditions for gold will enable the Company to fully fund its growth, reward shareholders through dividends and accelerate capital spending to enhance the Company's production growth profile.

4. SUMMARY OF FINANCIAL AND OPERATING STATISTICS

4.1 Three-Year Annual Financial Statistics

Twelve months ended December 31, (in thousands of United States Dollars; unless otherwise noted)	2011	2010	2009(vi)
Revenues (i)	$ 2,173,325	$ 1,686,811	$ 1,183,314
Cost of sales excluding depletion, depreciation and amortization	(716,692)	(631,063)	(479,847)
Gross margin	1,456,633	1,055,748	703,467
Depletion, depreciation and amortization	(356,759)	(301,912)	(233,687)
Mine operating earnings	1,099,874	753,836	469,780
Equity earnings, expenses and income tax expense	(458,980)	(298,678)	(258,009)
Impairment of investment in available-for-sale securities	(92,600)	-	-
Earnings from continuing operations	548,294	455,158	211,771
Earnings from discontinued operations (ii)	-	11,329	(19,140)
Net earnings	$ 548,294	$ 466,487	$ 192,631
Adjusted earnings (iii)	$ 712,896	$ 448,203	$ 346,131
Earnings per share – basic and diluted	$ 0.74	$ 0.63	$ 0.26
Adjusted earnings per share (iii) – basic and diluted	$ 0.96	$ 0.61	$ 0.47
Cash flows from operating activities of continuing operations	$ 1,225,782	$ 681,331	$ 528,026
Cash flows generated from operations before changes			
in non-cash working capital items	$ 1,266,373	$ 856,827	$ 495,619
Cash flows to investing activities of continuing operations	$ (846,075)	$ (460,640)	$ (469,916)
Cash flows to financing activities of continuing operations	$ (142,678)	$ (68,870)	$ (64,957)
Capital expenditures	$ 822,223	$ 531,081	$ 498,757
Working capital	$ 608,021	$ 518,081	$ 260,337
Dividends declared per share	$ 0.15	$ 0.08	$ 0.04
Weighted average number of common shares outstanding	$ 744,600	$ 739,938	$ 733,093
Cash and cash equivalents	$ 550,438	$ 330,498	$ 170,070
Total assets	$10,769,940	$10,319,092	$ 9,707,260
Total long-term liabilities	$ 2,783,786	$ 2,838,324	$ 2,589,460
Total equity	$ 7,491,523	$ 7,086,271	$ 6,571,534
Average realized gold price per ounce (iv)	$ 1,567	$ 1,237	$ 980
Average realized copper price per pound (excluding derivative contracts) (iv)	$ 3.93	$ 3.37	$ 2.44
Average realized silver price per ounce (iv)	$ 35.19	$ 20.70	$ 14.89
Average market gold price per ounce (v)	$ 1,573	$ 1,225	$ 974
Average market copper price per pound (v)	$ 4.00	$ 3.42	$ 2.34
Average market silver price per ounce (v)	$ 35.32	$ 20.24	$ 14.7

(i) Revenues consist of sales net of sales taxes.

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

(iii) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

(iv) 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 only for the comparative periods.

(v) Source of information: Bloomberg.

(vi) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

4.2 Three-Year Annual Operating Statistics

Twelve months ended December 31,	2011	2010	2009
Total Gold Equivalent Ounces (GEO) (i)			
BRAZIL			
Chapada	135,347	135,613	156,251
Jacobina	121,675	122,160	110,515
Fazenda Brasileiro	55,163	70,084	76,413
CHILE			
El Peñón (ii)	475,586	427,934	394,400
Minera Florida (ii)	102,738	105,604	91,877
ARGENTINA			
Gualcamayo	158,847	135,140	98,641
Alumbrera (iii)	44,502	50,656	52,750
Commercial GEO – continuing operations (i)	1,093,858	1,047,191	980,847
Commissioning GEO produced (i) (iv)	8,438	-	44,830
GEO – discontinued operations (i) (v)	-	43,287	175,338
Total GEO produced (i)	1,102,296	1,090,478	1,201,015
By-product Cash Costs per GEO (i) (vi)			
BRAZIL			
Chapada	$ (2,454)	$ (2,073)	$ (848)
Jacobina	643	535	476
Fazenda Brasileiro	937	628	453
CHILE			
El Peñón (ii)	400	428	353
Minera Florida (ii)	591	416	373
ARGENTINA			
Gualcamayo	441	506	301
Alumbrera (iii)	(1,448)	(1,404)	(703)
By-product cash costs per GEO produced (i) (vi)	$ 50	$ 50	$ 123
Co-product cash costs per GEO produced (i) (vi)	$ 463	$ 442	$ 357
Concentrate Production			
Chapada concentrate production (tonnes)	297,294	264,195	248,940
Chapada copper contained in concentrate production (millions of lbs)	166.1	149.4	144.0
Chapada co-product cash costs per lb of copper (vi)	$ 1.29	$ 1.17	$ 0.99
Alumbrera concentrate production (tonnes) (iii)	55,840	68,351	68,868
Alumbrera attributable copper contained in concentrate			
production (millions of lbs) (iii)	32.2	38.7	39.4
Alumbrera co-product cash costs per lb of copper (iii) (vi)	$ 1.82	$ 1.29	$ 1.49
Gold Equivalent Ounces Breakdown – Continuing Operations			
Total gold ounces produced (iv)	916,284	864,768	835,265
Commercial gold ounces produced	908,632	864,768	790,435
Commercial silver ounces produced (millions of ounces)	9.3	10.0	10.5
Sales			
Commercial gold sales – continuing operations (ounces)	906,985	862,053	769,636
Commissioning gold sales (ounces) (iv)	-	-	41,298
Gold sales – discontinued operations (ounces) (v)	-	47,932	164,651
Total gold sales (ounces)	906,985	909,985	975,585
Chapada concentrate sales (tonnes)	293,092	264,825	261,841
Chapada payable copper contained in concentrate sales (millions of lbs)	153.6	143.8	137.4
Silver sales (millions of ounces)	9.1	10.1	10.5

(i) Gold equivalent ounce calculations are based on an assumed gold to silver ratio of 50:1; for presentation purposes only. The assumed gold to silver ratio was 55:1 for 2010 and prior periods.

(ii) 2011 gold production: El Peñón – 306,184 ounces; Minera Florida – 86,914 ounces, and silver production: El Peñón – 8.5 million ounces; Mineral Florida – 0.8 million ounces. Silver production is treated as a gold equivalent.

(iii) Alumbrera represents a 12.5% interest.

(iv) Including commissioning gold ounces from Mercedes for 2011 and Gualcamayo for 2009 produced and sold.

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

(vi) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

4.3 Quarterly Financial Statistics

Three months ended December 31, (in thousands of United States Dollars; unless otherwise noted)	2011	2010
Revenues (i)	$ 568,754	$ 535,130
Cost of sales excluding depletion, depreciation and amortization	(178,384)	(178,341)
Gross margin	390,370	356,789
Depletion, depreciation and amortization	(93,611)	(83,657)
Mine operating earnings	296,759	273,132
Equity earnings, expenses and income tax expense	(114,560)	(147,563)
Impairment of investments in available-for-sale securities	(92,600)	-
Net earnings	$ 89,599	$ 125,569
Adjusted earnings (ii)	$ 184,242	$ 170,979
Earnings per share – basic and diluted	$ 0.12	$ 0.17
Adjusted earnings per share (ii) – basic and diluted	$ 0.25	$ 0.23
Cash flows from operating activities of continuing operations	$ 338,850	$ 250,506
Cash flows generated from operations before changes in non-cash working capital items	$ 320,434	$ 287,222
Cash flows to investing activities of continuing operations	$ (315,505)	$ (147,192)
Cash flows to financing activities of continuing operations	$ (38,415)	$ (54,199)
Working capital	$ 608,021	$ 518,081
Dividends declared per share	$ 0.05	$ 0.04
Weighted average number of common shares outstanding	$ 745,669	$ 741,207
Cash and cash equivalents	$ 550,438	$ 330,498
Total assets	$10,769,940	$10,319,092
Total long-term liabilities	$ 2,783,786	$ 2,838,324
Total equity	$ 7,491,523	$ 7,086,271
Average realized gold price per ounce (iii)	$ 1,670	$ 1,374
Average realized copper price per pound (excluding derivative contracts) (iii)	$ 3.36	$ 3.81
Average realized silver price per ounce (iii)	$ 31.29	$ 28.20
Average market gold price per ounce (iv)	$ 1,683	$ 1,367
Average market copper price per pound (iv)	$ 3.41	$ 3.92
Average market silver price per ounce (iv)	$ 31.84	$ 26.50

(i) Revenues consist of sales net of sales taxes.

(ii) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

(iii) 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.

(iv) Source of information: Bloomberg.

4.4 Quarterly Operating Statistics

Three months ended December 31,	2011	2010
Gold Equivalent Ounces (GEO) (i)		
BRAZIL		
Chapada	34,313	36,965
Jacobina	31,983	33,718
Fazenda Brasileiro	15,568	19,852
CHILE		
El Peñón (ii)	115,043	113,800
Minera Florida (ii)	23,151	32,048
ARGENTINA		
Gualcamayo	40,676	36,239
Alumbrera (iii)	7,746	14,061
Total commercial GEO production (i)	268,480	286,683
Commissioning GEO – Mercedes (i)	8,438	-
Total GEO production (i)	276,918	286,683
By-product Cash Costs per GEO (i) (iv)		
BRAZIL		
Chapada	$ (1,715)	$ (2,863)
Jacobina	646	495
Fazenda Brasileiro	915	705
CHILE		
El Peñón (ii)	413	421
Minera Florida (ii)	706	479
ARGENTINA		
Gualcamayo	424	662
Alumbrera (iii)	(1,351)	(1,556)
By-product cash costs per GEO produced (i) (iv)	$ 174	$ (34)
Co-product cash costs per GEO produced (i) (iv)	$ 486	$ 465
Concentrate Production		
Chapada concentrate production (tonnes)	81,396	69,869
Chapada copper contained in concentrate production (millions of lbs)	45.4	39.9
Chapada co-product cash costs per pound of copper (iv)	$ 1.20	$ 1.20
Alumbrera concentrate production (tonnes) (iii)	10,691	16,422
Alumbrera attributable copper contained in concentrate production (millions of lbs) (iii)	6.2	9.3
Alumbrera co-product cash costs per lb of copper (iii) (iv)	$ 2.59	$ 1.37
Gold Equivalent Ounces Breakdown		
Total gold ounces produced	231,670	243,407
Silver ounces produced (millions of ounces)	2.3	2.4
Sales		
Total gold sales (ounces)	228,539	234,708
Chapada concentrate sales (tonnes)	81,436	74,009
Chapada payable copper contained in concentrate sales (millions of lbs)	43.6	39.6
Silver sales (millions of ounces)	2.2	2.4

(i) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average historical gold to silver ratio (50:1) which is used and presented solely for quarter-over-quarter comparative purposes only. The assumed gold to silver ratio was 55:1 for 2010 and prior periods.

(ii) 2011 fourth quarter gold production: El Peñón – 75,407 ounces; Minera Florida – 18,326 ounces, and silver production: El Peñón – 2.0 million ounces; Mineral Florida – 0.2 million ounces. Silver production is treated as a gold equivalent.

(iii) Alumbrera represents a 12.5% interest.

(iv) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

5. OVERVIEW OF ANNUAL RESULTS

5.1 Overview of Annual Financial Results

Years ended December 31, (in thousands of United States Dollars; unless otherwise noted)	2011	2010	2009 (v)
Revenues (i)	$2,173,325	$1,686,811	$1,183,314
Cost of sales excluding depletion, depreciation and amortization	(716,692)	(631,063)	(479,847)
Gross margin	1,456,633	1,055,748	703,467
Depletion, depreciation and amortization	(356,759)	(301,912)	(233,687)
Mine operating earnings	1,099,874	753,836	469,780
Other expenses (iv)	(228,109)	(219,616)	(152,523)
Equity earnings from associate	39,019	49,264	31,073
Impairment of investment in available-for-sale securities	(92,600)	-	-
Earnings from continuing operations before income taxes	818,184	583,484	348,330
Income tax expense	(269,890)	(128,326)	(136,559)
Earnings from continuing operations	548,294	455,158	211,771
Earnings from discontinued operations (ii)	-	11,329	(19,140)
Net earnings	$ 548,294	$ 466,487	$ 192,631
Earnings adjustments (iii):			
Non-cash unrealized foreign exchange losses (gains)	58,284	(46,539)	(36,672)
Non-cash unrealized gains on derivatives	(1,125)	(1,948)	112,519
Share-based payments and other compensation	20,554	12,053	23,275
Deferred income tax (recovery) expense on translation of intercompany debt	(6,256)	3,680	51,578
Non-recurring deferred income tax adjustments	-	-	35,826
Impairment of investment in available-for-sale securities	92,600	-	-
Other non-recurring losses	18,118	16,602	8,301
Adjusted earnings before income tax effect	730,469	450,335	387,458
Income tax effect of adjustments	(17,573)	(2,132)	(41,327)
Adjusted earnings (iii)	$ 712,896	$ 448,203	$ 346,131
Earnings per share – basic and diluted	$ 0.74	$ 0.63	$ 0.26
Adjusted earnings per share (iii) – basic and diluted	$ 0.96	$ 0.61	$ 0.47

(i) Revenues consist of sales net of sales taxes.

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

(iii) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

(iv) Other expenses include general and administrative, exploration, other operating expenses and net finance expense.

(v) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

Precious metal prices continued to climb during 2011 with gold prices increasing to new record highs amidst continued risk aversion by investors seeking gold as a safe haven. The average market prices for gold and silver in 2011 were up by 28% and 75%, respectively, compared with 2010. Additionally, demand for copper continued a steady climb for most of 2011 increasing prices by 17% from 2010. Record metal prices in combination with record production for the year contributed to record-setting financial results for the Company despite an unrealized non-cash loss on the Company's investment portfolio of $81.0 million on an after-tax basis.

Record adjusted earnings of $712.9 million or $0.96 per share for the year, a 59% increase compared with adjusted earnings of $448.2 million or $0.61 per share for 2010. Higher adjusted earnings were mainly due to increased revenues as a result of more favourable realized prices for gold, copper and silver, and increased production from continuing operations offset by higher other expenses and higher income tax expense compared to 2011.

Net earnings for the year were $548.3 million compared with net earnings of $466.5 million in 2010 despite an unrealized non-cash loss on the Company's investment portfolio of $81.0 million on an after-tax basis ($92.6 million on a pre-tax basis). Basic earnings per share were $0.74 compared with $0.63 per share for 2010. Higher net earnings were mainly due the same contributing factors as adjusted earnings and negatively impacted by an unrealized non-cash impairment loss on investment in available-for-sale securities and higher unrealized foreign exchange losses.

Mine operating earnings of $1.1 billion for the year, compared with $753.8 million in 2010, represents a 46% increase from 2010. Year-over-year, revenues increased by 29% while cost of sales excluding depletion, depreciation and amortization only increased by 14%, evident by the gross margin increase, as the Company reaps from the benefits of higher metal prices, higher volume of sales and cost-containment initiatives implemented during the year despite an environment of rising mining industry inflationary pressures and strengthening of Brazilian Reais, Chilean and Mexican pesos. The combination of these favourable outcomes contributed to record mine operating earnings for the year.

Revenues for the year were $2.2 billion compared to $1,686.8 million; an increase of 29% and are comprised of the following:

Years ended December 31, (in thousands of United States Dollars; unless otherwise noted)	Quantity Sold	Realized Price	2011	2010
Gold (i)	862,321 oz	$ 1,567	$1,351,428	$1,005,956
Silver	9,141,302 oz	$ 35.19	321,666	209,766
Total precious metals	1,045,147 GEO		1,673,094	1,215,722
Copper (i)	153,627,653 lbs	$ 3.93	603,423	482,016
Gross revenues			$2,276,517	$1,697,738
(Deduct) Add :				
- Treatment and refining charges of gold and copper concentrate			$ (31,122)	$ (31,707)
- Sales taxes and royalties			(40,480)	(24,334)
- Metal price adjustments related to concentrate revenues			(38,974)	41,206
- Other adjustments			7,384	3,908
Revenues			$2,173,325	$1,686,811

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

Cost of sales excluding depletion, depreciation and amortization for the year was $716.7 million compared with $631.1 million in 2010. The following table provides a reconciliation of the co-product cash costs to the cost of sales excluding depletion, depreciation and amortization for the year:

Years ended December 31, (in thousands of United States Dollars; unless otherwise noted)	Gold Ounces or Pounds of Copper Produced	Co-product Cash Cost per Unit	2011	2010
Chapada – Gold	135,347 oz	$ 319	$ 43,218	$ 44,356
Chapada – Copper	166,098,966 lbs	1.29	215,010	175,194
El Peñón (GEO) (i)	475,586 oz	400	190,072	183,201
Jacobina	121,675 oz	643	78,270	65,367
Gualcamayo	158,847 oz	441	70,030	68,368
Minera Florida (GEO) (i)	102,738 oz	591	60,711	43,950
Fazenda Brasileiro	55,163 oz	937	51,682	44,042
Co-product cash cost of sales (ii)			$ 708,993	$ 624,478
(Deduct) Add:				
- Inventory and other non-cash adjustments			7,057	11,781
- Chapada concentrate treatment and refining charges			(31,122)	(31,707)
- Other commercial costs			21,778	12,204
- Overseas freight for Chapada concentrate			9,986	14,307
Cost of sales excluding depletion, depreciation and amortization			$ 716,692	$ 631,063

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

(ii) A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis of Operations and Financial Condition.

Depletion, depreciation and amortization and ("DDA") expense for the quarter was $356.8 million, an increase from $301.9 million in 2010. DDA is highly impacted by fixed asset acquisitions supporting expansionary projects and by the relative portion of fixed assets depreciating on a time basis versus a unit of production basis.

Other expenses for the year were $228.1 increasing from $219.6 in 2010 mainly due to higher general and administrative expenses and other operating expenses from the impact of the Company's growing operations partially being offset by lower exploration costs and net finance expense. Net finance expense of $34.2 million decreased compared with net finance expense of $48.0 million in 2010 mainly due to lower financing costs and lower interest expense from continued repayment of long-term debt offset by foreign exchange losses. The Company has also capitalized higher interest expense in the current year compared with 2010 as construction and development projects ramped up.

Equity earnings from associate of $39.0 million for the year decreased compared with $49.3 million in 2010 due to lower earnings attributable to the Company from its 12.5% interest in Minera Alumbrera Limited mainly due to lower sales, higher operating costs from lower gold and copper grades and an unfavourable concentrate pricing adjustments recorded in the fourth quarter resulting from the downward trend of the copper price from the third quarter of the year.

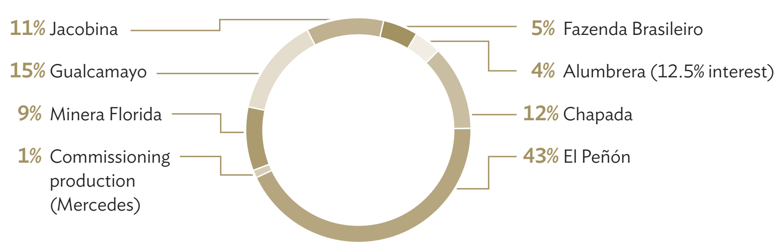
Income tax expense for the year was $269.9 increasing from $128.3 in 2010 mainly due to higher net earnings for the year and the impact of foreign exchange on non-monetary assets in Brazil and Argentina.

5.2 Overview of Annual Operating Results

In 2011, production of gold equivalent ounces ("GEO") totaled 1,102,296 GEO compared with 1,047,191 GEO in 2010, representing a year-to-year increase of 5% including the commissioning GEO from Mercedes.

Copper production of 166.1 million pounds from the Chapada Mine for the year increased by 11% over production of 149.4 million pounds in 2010. Tonnage of copper concentrate production at Chapada also increased by 13% over the prior year. Additionally, 32.2 million pounds of copper produced from Alumbrera were attributable to the Company in 2011, compared to 38.7 million pounds in 2010.

Total 2011 Production from Operations – GEO by Mine



By-product cash costs (a non-GAAP measure, see Section 15) of continuing operations on commercial production of 1,093,858 GEO were $50 per GEO comparable with $50 per GEO in 2010 (2009: $123 per GEO). By-product cash costs per GEO were consistent to last year reflecting continuing effective cost constraint and consistent by-product credits on higher sale volume of copper.

Average co-product cash costs (a non-GAAP measure, see Section 15) of continuing operations on commercial production of 1,093,858 GEO for the year were $463 per GEO. This compares to co-product cash costs of continuing operations of $442 per GEO for the year ended December 31, 2010 (2009: $357 per GEO).

Co-product cash costs per pound of copper (a non-GAAP measure, see Section 15) were $1.29 for the year from Chapada, compared with $1.17 for the year ended December 31, 2010 (2009: $0.99 per pound). Co-product cash costs for the year, including the Company's interest in the Alumbrera Mine, were $1.38 per pound, compared with $1.20 for 2010 (2009: $1.10 per pound).

The Company's proven and probable mineral reserves were 18.6 million GEO (contained gold – 17.0 million ounces; contained silver 82.9 million ounces) as at December 31, 2011, which represents an 11% increase over the comparative year. Most of the Company's mines showed an increase in mineral reserves after depletion of mined GEO with most notable increases at Mercedes, El Peñón, Jacobina, Chapada, Minera Florida, Fazenda Brasileiro, C1 Santa Luz, Ernesto/Pau-a-Pique and Jeronimo. Measured and Indicated mineral resources modestly decreased by 3% to 13.6 million GEO from 2010 mainly due to conversion to mineral reserves. Total inferred mineral resources increased to 10.3 million GEO, which represents an increase of 39% over 2010 as a result of new discoveries at Chapada, Gualcamayo, Fazenda Brasileiro, C1 Santa Luz and significant extensions to known deposits at Pilar, El Peñón and Mercedes. Refer to Section 9 – "Mineral Reserve and Mineral Resource Estimates" for a detailed discussion on the Company's mineral reserve and mineral resource estimates and metal price assumptions. Complete information relating to mineral reserves and mineral resources is also contained in a mineral reserve and mineral resource table which indicates complete information on tonnage and grade. This mineral reserve and mineral resource table accompanies the 2011 annual report and is also available on the Company's website, www.yamana.com.

6. OVERVIEW OF QUARTERLY RESULTS

6.1 Overview of Quarterly Financial Results

Three months ended December 31, (in thousands of United States Dollars; unless otherwise noted)	2011	2010
Revenues (i)	$ 568,754	$ 535,130
Cost of sales excluding depletion, depreciation and amortization	(178,384)	(178,341)
Gross margin	390,370	356,789
Depletion, depreciation and amortization	(93,611)	(83,657)
Mine operating earnings	296,759	273,132
Other expenses (iii)	(52,264)	(67,037)
Equity earnings from associate	1,269	19,124
Impairment of investment in available-for-sale securities	(92,600)	-
Earnings from operations before income taxes	153,164	225,219
Income tax expense	(63,565)	(99,650)
Net earnings	$ 89,599	$ 125,569
Earnings adjustments (ii):		
Non-cash unrealized foreign exchange losses	1,694	37,274
Non-cash unrealized (gains) losses on derivatives	(449)	506
Share-based payments	6,656	2,810
Deferred income tax expense on translation of intercompany debt	26	1,751
Impairment of investment in available-for-sale securities	92,600	-
Other non-recurring losses (gains)	7,140	4,044
Adjusted earnings before income tax effect	197,266	171,954
Income tax effect of adjustments	(13,024)	(975)
Adjusted earnings (ii)	$ 184,242	$ 170,979
Earnings per share – basic and diluted	$ 0.12	$ 0.17
Adjusted earnings per share (ii) – basic and diluted	$ 0.25	$ 0.23

(i) Revenues consist of sales net of sales taxes.

(ii) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

(iii) Other expenses include general and administrative, exploration, other operating expenses and net finance expense.

Higher demand for precious metals continued during the quarter with double-digit price gains relative to the comparative quarter as the average price of gold and silver increased by 23% and 20%, respectively. Average copper prices were $3.41 per pound which is 13% lower compared to the same quarter of 2010.

Adjusted earnings were $184.2 million or $0.25 per share in the fourth quarter of 2011 compared with $171.0 million or $0.23 per share in the same quarter of 2010 representing an increase of 8%. Higher adjusted earnings were mainly due to record-high mine operating earnings as a result of more favourable gold and silver realized prices as well as higher concentrate sales volume, partly offset by lower equity earnings from associate.

Net earnings for the quarter were $89.6 million or $0.12 per share on a basic and diluted basis compared with net earnings of $125.6 million or basic and diluted earnings per share of $0.17 for the fourth quarter of 2010. Despite contribution from record-high mine operating earnings, net earnings were lower as a result of an after-tax $81.0 million unrealized non-cash impairment loss on investments in available-for-sale securities recorded in the quarter. The accumulated loss was previously recorded in other comprehensive income ("OCI") and has been reclassified to the Consolidated Statement of Operations for the quarter. This loss is unrealized and non-recurring, and does not impact or relate to the Company's ability to generate operating cash flows or profit from its operations. As such, the unrealized loss has been excluded from the calculation of adjusted earnings and adjusted earnings per share. The Company will recognize a gain on any value of these investments above the level at which they have been written down upon disposition.

Revenues of $568.8 million in the fourth quarter were 6% higher compared with $535.1 million in the same quarter of 2010 mainly due to higher realized prices for gold and silver and increased sales of copper pounds. Higher revenues also contributed to record mine operating earnings of $296.8 million in the quarter, compared with $273.1 million in the fourth quarter of 2010.

Revenues for the quarter are comprised of the following:

Three months ended December 31, (in thousands of United States Dollars; unless otherwise noted)	Quantity Sold	Realized Price	2011	2010
Gold (i)	218,831 oz	$ 1,670	$ 365,374	$ 304,713
Silver	2,197,580 oz	$ 31.29	68,756	67,603
Total Precious Metals	262,782 GEO		434,130	372,316
Copper (i)	43,635,304 lbs	$ 3.36	146,817	150,964
Gross Revenues			$ 580,947	$ 523,280
Add (deduct):				
- Treatment and refining charges of gold and copper concentrate			$ (8,776)	$ (9,495)
- Sales taxes			(9,327)	(7,196)
- Metal price adjustments related to concentrate revenues			4,702	27,033
- Other adjustments			1,208	1,508
Revenues			$ 568,754	$ 535,130

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

Cost of sales excluding depletion, depreciation and amortization for the quarter was $178.4 million compared with $178.3 million in the fourth quarter of 2010. The following table provides a reconciliation of the co-product cash costs to the cost of sales excluding depletion, depreciation and amortization for the quarter:

Three months ended December 31, (in thousands of United States Dollars; unless otherwise noted)	Gold Ounces or Pounds of Copper Produced	Co-product Cash Cost per Unit	2011	2010
Chapada – Gold	34,313 oz	$ 320	$ 10,990	$ 11,922
Chapada – Copper	45,457,664 lbs	1.20	54,732	47,793
El Peñón (GEO) (i)	115,043 oz	413	47,499	47,959
Jacobina	31,983 oz	646	20,652	16,693
Gualcamayo	40,676 oz	424	17,227	23,982
Minera Florida (GEO) (i)	23,151 oz	706	16,345	15,355
Fazenda Brasileiro	15,568 oz	915	14,239	14,003
Co-product cash cost of sales (ii)			$ 181,684	$ 177,707
Add (deduct):				
- Inventory and other non-cash adjustments			(2,506)	2,659
- Chapada concentrate treatment and refining charges			(8,776)	(9,495)
- Other commercial costs			7,244	3,413
- Overseas freight for Chapada concentrate			738	4,057
Cost of sales excluding depletion, depreciation and amortization			$ 178,384	$ 178,341

(i) Silver ounces reported are gold equivalent ounces for El Peñón and Minera Florida.
(ii) A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis of Operations and Financial Condition.

Depletion, depreciation and amortization and ("DDA") expense for the quarter was $93.6 million, an increase from $83.7 million in the fourth quarter of 2010. DDA per quarter is highly impacted by fixed asset acquisitions.

Other expenses for the year were $52.3 decreasing from $67.0 in 2010 mainly due to lower exploration expenses, lower other operating expenses as a result of reduction in provisions and lower net finance expense partially offset by higher general and administrative expenses. Net finance expense of $2.1 million decreased compared with net finance expense of $13.3 million in 2010 from higher capitalized interest and lower realized losses on derivatives.

Equity earnings from associates were $1.3 million for the quarter compared with $19.1 million in the fourth quarter of 2010. This was due to lower earnings attributable to the Company from its 12.5% interest in Minera Alumbrera Limited as a result of lower sales and higher operating costs relative to the comparative quarter of 2010.

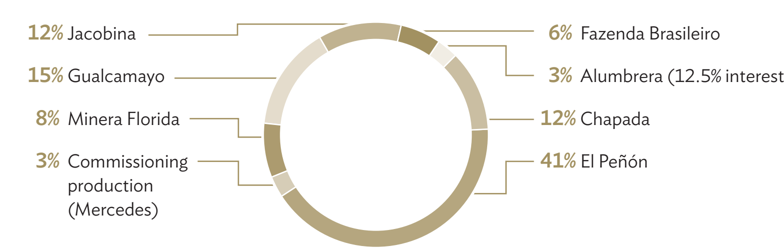
Income tax expense for the quarter was $63.6 million decreasing from $99.7 million in 2010 mainly due to a smaller foreign exchange loss in comparison to the fourth quarter of 2010 and a reversal of a tax contingency during the quarter with no comparable prior period balance.

6.2 Overview of Quarterly Operating Results

Total production from operations was 276,918 GEO for the quarter, including the commissioning production from Mercedes and the Company's proportionate interest in production from the Alumbrera Mine, compared with production of 286,683 GEO for the comparative quarter ended December 31, 2010.

Copper production for the quarter ended December 31, 2011 was 45.4 million pounds from the Chapada Mine, compared with 39.9 million pounds for the fourth quarter 2010. Additionally, 6.2 million pounds of copper were produced from Alumbrera attributable to the Company, compared with 9.3 million pounds for the quarter ended December 31, 2010. Total copper production for the fourth quarter was 51.6 million pounds.

Production from Operations in the Fourth Quarter – GEO by Mine



By-product cash costs (a non-GAAP measure, see Section 15) were positive $174 per GEO on commercial production of 268,480 GEO, compared with *negative* $34 per GEO in the fourth quarter of 2010. Co-product cash costs (a non-GAAP measure, see Section 15) from continuing operations were $486 per GEO on commercial production of 268,480 GEO for the quarter compared with $465 per GEO for the fourth quarter of 2010.

Co-product cash costs per pound of copper (a non-GAAP measure, see Section 15) were $1.20 for the quarter from the Chapada Mine, unchanged from the fourth quarter in 2010. Co-product cash costs per pound of copper for the quarter including the Company's interest in the Alumbrera Mine were $1.37 per pound versus $1.23 per pound for the quarter ended December 31, 2010.

7. OPERATING MINES

CHAPADA MINE

Operating Statistics	Three months ended December 31, 2011	December 31, 2010	Years ended December 31, 2011	December 31, 2010	December 31, 2009
Production					
Concentrate (tonnes)	81,396	69,869	297,294	264,195	248,940
Gold contained in concentrate production (ounces)	34,313	36,965	135,347	135,613	156,251
Copper contained in concentrate (millions of pounds)	45.4	39.9	166.1	149.4	144.0
By-product cash costs per oz of gold produced (i)	$ (1,715)	$ (2,863)	$ (2,454)	$ (2,073)	$ (848)
Co-product cash costs per oz of gold produced (i)	$ 320	$ 323	$ 319	$ 327	$ 258
Co-product cash costs per lb of copper produced (i)	$ 1.20	$ 1.20	$ 1.29	$ 1.17	$ 0.99
Ore mined (tonnes)	6,210,285	5,228,059	22,084,779	21,482,527	16,998,887
Ore processed (tonnes)	5,559,778	4,757,679	20,581,385	19,195,578	17,307,429
Gold ore grade (g/t)	0.32	0.37	0.32	0.35	0.41
Copper ore grade (%)	0.43	0.44	0.42	0.41	0.43
Concentrate grade – gold (g/t)	13.11	16.46	14.16	15.97	19.63
Concentrate grade – copper (%)	25.33	25.92	25.34	25.65	26.24
Gold recovery rate (%)	60.5	64.9	63.8	62.3	69.0
Copper recovery rate (%)	86.7	86.2	87.4	86.5	88.0
Sales (ii)					
Concentrate (tonnes)	81,436	74,009	293,092	264,825	261,841
Payable gold contained in concentrate (ounces)	33,146	31,421	129,419	127,450	143,939
Payable copper contained in concentrate (millions of pounds)	43.6	39.6	153.6	143.8	137.4
Depletion, depreciation and amortization per gold ounce sold	$ 68	$ 75	$ 63	$ 67	$ 54
Depletion, depreciation and amortization per copper pound sold	$ 0.21	$ 0.18	$ 0.21	$ 0.18	$ 0.13

(i) *A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis.*

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

Chapada produced a total of 135,347 ounces of gold contained in concentrate in 2011 compared with 135,613 ounces of gold in concentrate in 2010. Chapada copper production of 166.1 million pounds in the year was 11% higher than the production of 149.4 million pounds of copper contained in concentrate in 2010.

By-product cash costs for the year were *negative* $2,454 compared with *negative* $2,073 per GEO for 2010. Increased sales of copper and higher copper prices were the main contributing factors to the increase in by-product credit.

Co-product cash costs for gold were $319 per ounce in 2011 compared with $327 per ounce in 2010. Lower co-product cash costs were primarily due to higher tonnage throughput positively impacting unit costs and improved recoveries partly offset by lower grades. Co-product cash costs for copper were $1.29 per pound in 2011 versus $1.17 per pound in 2010.

Chapada produced a total of 34,313 ounces of gold contained in concentrate in the fourth quarter compared with 36,965 ounces of gold in concentrate in the fourth quarter of 2010. Chapada copper production of 45.4 million pounds in the fourth quarter was 14% higher than the production of 39.9 million pounds of copper contained in concentrate during the comparable period in 2010. Lower production of gold in the quarter compared with the fourth quarter of 2010 was mainly due to lower feed grade and recovery, partly offset by increased tonnage of ore mined and processed as a result of the plant optimization initiatives undertaken since the end of 2010. Decrease in gold grade is in line with the life of mine plan.

By-product cash costs for the fourth quarter were *negative* $1,715 per ounce, compared with *negative* $2,863 per GEO for the same quarter of 2010. Lower credit to by-product cash costs reflects lower copper prices partly offset by higher copper sale volume compared to prior year, resulting in higher by-product cash costs.

Co-product cash costs for the quarter were $320 per gold ounce and $1.20 per pound of copper compared to $323 per gold ounce and $1.20 per pound of copper for the same quarter of 2010. Co-product cash costs per ounce of gold and per pound of copper remain largely unchanged in spite of lower feed grade and recovery for gold, reflecting effective cost control practices by the operation.

Chapada revenues for the quarter net of sales taxes and treatment and refining costs were $196.4 million (2010 – $209.3 million). Revenues included mark-to-market adjustments and final and provisional pricing settlements in the quarter of positive $4.7 million (2010 – positive $18.8 million).

In December 2011, the Company completed the feasibility study and basic engineering on the oxides at Suruca Project. Suruca is six kilometres northeast of Chapada mine. The deposit will support an additional average production of 49,000 gold ounces per year to Chapada's operations over an initial five years beginning in 2013.

The Company continues to evaluate the gold and copper production contribution to Chapada from Corpo Sul which is a recently discovered gold and copper mineralization at the southwest end of the orebody. A total of 30 drill holes were completed traced along a strike length of almost 7 kilometers during the fourth quarter of 2011. The mineral resource has higher average grade cores especially near the current Chapada pit which could provide opportunity for near-term higher than average mineral reserve grades.

Planned production from Chapada will decline in 2012 over 2011 levels, although will increase in terms of gold production in 2013 and in the years to follow, mostly as a result of the start-up of the oxide gold operation at Suruca and gold and copper production from Corpo Sul beginning in 2014. The Company's strategic plan is to ensure sustainable production from Chapada of 150,000 gold ounces and 135.0 million pounds of copper from 2013 and onwards for at least five years.

Total gold mineral reserves for Chapada increased by 6% compared to 2010 with consecutive increases in mineral reserves over the last two years.

EL PEÑÓN

Operating Statistics	Three months ended December 31, 2011	December 31, 2010	Years ended December 31, 2011	December 31, 2010	December 31, 2009
Production					
Gold equivalent (ounces)	115,043	113,800	475,586	427,934	394,400
Gold production (ounces)	75,407	74,785	306,184	256,530	215,846
Silver production (ounces)	1,981,806	2,145,809	8,470,112	9,427,208	9,820,475
Cash costs per gold equivalent ounce produced (i)	$ 413	$ 421	$ 400	$ 428	$ 353
Ore mined (tonnes)	326,915	333,243	1,307,351	1,301,877	1,314,759
Ore processed (tonnes)	363,796	366,424	1,452,090	1,522,366	1,271,594
Gold ore grade (g/t)	6.91	6.94	7.05	5.74	5.78
Silver ore grade (g/t)	200.2	229.2	215.9	228.5	276.3
Gold recovery rate (%)	93.1	91.3	93.0	91.2	91.2
Silver recovery rate (%)	83.9	79.5	84.0	84.1	86.9
Sales					
Gold sales (ounces)	75,886	75,219	304,530	258,301	219,764
Silver sales (ounces)	2,014,420	2,155,113	8,453,857	9,535,012	10,034,160
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 344	$ 334	$ 321	$ 318	$ 277

(i) *A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis.*

Annual production at El Peñón was 475,586 GEO in 2011, representing a year-over-year increase of 11% in GEO compared with production of 2010, which was the transition year to owner-mining. Since conversion to owner-mining in early 2010, operational dilution has decreased and feed grade has improved. This, combined with increased capacity, has led to increased GEO production. Production for the year of 475,586 GEO consisted of 306,184 ounces of gold and 8.5 million ounces of silver, compared with 427,934 GEO, which consisted of 256,530 ounces of gold and 9.4 million ounces of silver produced in 2010. Production of gold has increased consecutively year over year since 2009.

Cash costs were $400 per GEO compared with $428 per GEO in 2010. Improvement of operational reliability and cost management was the main contributing factor to more than offset the negative effect of a higher exchange rate for the Chilean Peso resulting in lower cash costs in 2011.

El Peñón produced 115,043 GEO during the fourth quarter of 2011. Production for the quarter consisted of 75,407 ounces of gold and 2.0 million ounces of silver, compared with 113,800 GEO, which consisted of 74,785 ounces of gold and 2.1 million ounces of silver produced in the fourth quarter of 2010, primarily due to higher recoveries.

Cash costs were $413 per GEO in the quarter ended December 31, 2011, representing a 2% improvement, compared with $421 per GEO in the fourth quarter in 2010. Favourable exchange rate of the United States Dollar versus the Chilean Peso, operational reliability and cost management improvements allowed mine management to mitigate the adverse impact of mining inflation.

El Peñón has a long track record of replacement of ounces of mineral resource expansion. During the fourth quarter of 2011, 251 drill holes were completed totaling over 66 kilometres with the majority in areas of the North Block to extend and define the Al Este, Abundancia and Esmeralda targets, the Fortuna area where infill drilling extended the deposit to depth and at Pampa Augusta Victoria to better define the Victoria vein to depth and parallel structures to the east. Infill drilling upgraded the previously defined mineral resources to mineral reserves and identified higher grade areas. Total mineral reserves on a GEO basis for El Peñón increased by 20% compared to 2010 with consecutive increases in mineral reserves on a GEO basis over the last two years.

Continuous exploration effort on high grade at El Peñón is expected to return significant near surface gold and silver values, improve production, provide mining flexibility for a sustainable production level of at least 440,000 GEO per year and ultimately increase mine life.

GUALCAMAYO

	Three months ended		*Years ended*		
Operating Statistics	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2009
Production					
Total Gold production (ounces)	40,676	36,239	158,847	135,140	143,471
Commercial Gold production (ounces)	40,676	36,239	158,847	135,140	98,641
Commissioning gold production (ounces)	-	-	-	-	44,830
Cash costs per ounce produced (i)	$ 424	$ 662	$ 441	$ 506	$ 301
Ore mined (tonnes)	1,883,622	2,283,577	7,580,950	8,845,992	3,294,175
Ore processed (tonnes)	1,955,094	1,818,571	7,578,156	7,528,690	3,370,057
Gold Grade (g/t)	0.99	0.89	0.97	0.82	1.19
Gold Recovery rate (%)	65.4	69.5	68.4	67.8	76.6
Sales					
Gold sales (ounces)	40,908	36,649	160,326	141,734	88,555
Depletion, depreciation and amortization per gold ounce sold	$ 389	$ 314	$ 370	$ 277	$ 228

(i) *A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis.*

Gualcamayo produced 158,847 ounces of gold in 2011 compared with 135,140 ounces produced in 2010, representing an 18% year-over-year increase. Production increased primarily as a result of mining higher grade benches.

Cash costs for the year were $441 compared with $506 per ounce in 2010.

Gold production of 40,676 ounces in the fourth quarter compared with 36,239 ounces produced in the fourth quarter of 2010, represents a 12% quarter-over-quarter improvement. Production increased mainly due to higher grade and higher tonnage processed partly offset by lower recovery. Management continues to work on recovery improvement.

Cash costs were $424 per ounce in the quarter ended December 31, 2011, representing a 36% improvement, compared with $662 per ounce in the fourth quarter of 2010, which was adversely affected by the necessary stoppage of conveyor belts and the plant for the expansion of capacity; as a result, ore was transported by truck while the conveyor belts were down and that contributed to higher cash costs in the fourth quarter of 2010.

Development of QDD Lower West advanced to 33% of the overall physical progress, with tunnel advance and equipment and material procurement. Project completion remains on schedule. Brownfield exploration for the fourth quarter of 2011 was focused on increasing mineral resources in the QDD Lower area, which will continue to be the main target in the first half of 2012. Exploration efforts during 2011 at Gualcamayo began late in the year due to limited access to the orebody during the first half of the year. Gualcamayo is expected to contribute more meaningfully to Company mineral reserve and mineral resource growth going forward.

Full ramp-up of Gualcamayo's expansions to be completed by mid-2013 are expected to increase sustainable production to over 200,000 gold ounces per year beginning in 2014.

JACOBINA

	Three months ended		*Years ended*		
Operating Statistics	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2009
Production					
Gold production (ounces)	31,983	33,718	121,675	122,160	110,515
Cash costs per ounce produced (i)	$ 646	$ 495	$ 643	$ 535	$ 476
Ore mined (tonnes)	529,452	542,055	2,148,473	2,158,097	2,004,936
Ore processed (tonnes)	527,537	542,055	2,148,275	2,158,096	1,996,989
Gold Grade (g/t)	2.03	2.06	1.89	1.89	1.88
Gold Recovery rate (%)	93.4	94.1	93.3	93.2	91.7
Sales					
Gold sales (ounces)	32,904	33,530	123,323	121,405	111,906
Depletion, depreciation and amortization per gold ounce sold	$ 394	$ 343	$ 390	$ 338	$ 316

(i) *A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis.*

Jacobina produced 121,675 ounces of gold in 2011, compared with production of 122,160 ounces of gold in 2010. The decrease in production was mainly due to lower tonnage of ore processed.

Cash costs were $643 per ounce in 2011 compared with $535 per ounce in 2010.

Gold production at Jacobina was 31,983 ounces in the fourth quarter, compared with 33,718 ounces in the fourth quarter of 2010. The decrease in production was primarily a result of lower tonnage of ore processed and lower feed grade and recovery. Increased mine gallery reinforcement work also negatively affected production.

Cash costs were $646 per ounce of gold for the fourth quarter compared with $495 per ounce of gold in the fourth quarter of 2010 mainly due to mining inflation pressure, increase in hauling distance and increased secondary development. Additionally, more effort was undertaken on mine development during the quarter resulting in lower production and higher cash costs in the short term. Costs are expected to decrease in 2012.

The Company continues to focus on upgrading the current mineral resources to mineral reserves at Canavieiras and Morro do Vento and improving overall mineral reserve grade for the mine. Additional drilling during the fourth quarter was completed to upgrade inferred mineral resources to measured and indicated mineral reserves at both Canavieiras and Morro Do Vento. Successful infill drilling at Canavieiras and Morro do Vento resulted in measured and indicated mineral resource increases of approximately 392,000 ounces of gold in 2.2 million tonnes at 3.83 g/t and 81,000 gold ounces in 814,584 tonnes at 3.09 g/t, respectively representing potential additional mine life of more than three years. The gold grade at Canavieiras averaged approximately 3.83 g/t which improved the average grade of global mineral resources and mineral reserves. Mining of higher grade areas could increase average annual production at Jacobina to 140,000 gold ounces beginning in 2014. Production increases from higher grade and new gold ounces from new areas will utilize the existing processing capacity and hence should result in significant cash cost per ounce improvements.

Total gold mineral reserves for Jacobina increased by 20% compared to 2010 with consecutive increases in mineral reserves since acquisition of 69%. Measured and Indicated gold mineral resources have also increased since 2010 by 44%.

MINERA FLORIDA

Operating Statistics	Three months ended December 31, 2011	December 31, 2010	Years ended December 31, 2011	December 31, 2010	December 31, 2009
Production					
Gold equivalent (ounces)	23,151	32,048	102,738	105,604	91,877
Gold production (ounces)	18,326	27,787	86,914	94,585	80,019
Silver production (ounces)	241,208	234,339	791,173	606,071	652,192
Cash costs per gold equivalent ounce produced (i)	$ 706	$ 479	$ 591	$ 416	$ 373
Ore mined (tonnes)	191,206	200,106	848,373	761,386	718,603
Ore processed (tonnes)	207,147	214,859	920,388	779,836	723,061
Gold grade (g/t)	3.37	4.68	3.50	4.41	4.21
Silver ore grade (g/t)	50.3	45.1	38.4	33.4	40.9
Gold recovery rate (%)	83.5	84.7	84.0	83.7	82.3
Silver recovery rate (%)	68.9	70.6	68.3	67.8	68.9
Sales					
Gold sales (ounces)	19,556	26,116	87,816	91,907	75,396
Silver sales (ounces)	183,160	242,468	687,445	600,156	461,567
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 447	$ 332	$ 430	$ 365	$ 344

(i) *A cautionary note regarding non-GAAP measures is included in Section 13 of this Management's Discussion and Analysis.*

Annual production at Minera Florida totaled 102,738 GEO in 2011 compared with 105,604 GEO in 2010. Tonnes of ore processed increased by 18% in 2011 from 2010 levels. The combined impact of higher tonnage and higher silver feed grade resulted in an increase in silver production of 31%. Gold production decreased year over year as a result of lower gold feed grade.

Cash costs were $591 per GEO in 2011 compared with $416 per GEO in 2010.

Production of zinc, which is accounted for as a by-product, was 6,958 tonnes in 2011 versus 6,289 tonnes in 2010.

Minera Florida produced a total of 23,151 GEO in the quarter, representing a decrease of 28%, compared with 32,048 GEO in the fourth quarter of 2010, mainly as a result of a strike-related work stoppage at the mine. Operations returned to normal by year-end and a two-year collective bargaining agreement was signed.

Gold grade for the quarter was 3.37 g/t which was lower than the 4.68 g/t for the fourth quarter of 2010. In 2012 and years to follow, mine grade is expected to be consistent with mineral reserve grade and process efficiency will be augmented by low-cost historical tailings material. In 2012 production is expected to be in excess of 135,000 GEO with the start of production from the tailings re-treatment project.

In addition, the mine produced 1,586 tonnes of zinc in the three-month period ended December 31, 2011 compared with 1,519 tonnes of zinc produced in the fourth quarter of 2010. Zinc is accounted for as a by-product credit to cash costs.

Cash costs for the fourth quarter were $706 per GEO compared with $479 per GEO in the same quarter in 2010 primarily as a result of the work stoppage and to a lesser extent, mining inflation, higher energy costs and lower gold feed grades. In 2012, cash costs are expected to return to historical levels.

The Company's expansion project at Minera Florida is designed to increase annual production by approximately 40,000 GEO per year for five years through the re-treatment of tailings. The construction of the project continues to advance and is expected to be completed in March with first production expected in April. Overall costs are expected to improve with the addition of tailings production given the lack of mining costs associated with the tailings products.

Near-mine exploration at Minera Florida focused on the Portezuelo, El Roble and Tribuna sectors to delineate the extension of the orebodies. Total GEO mineral reserves for Minera Florida increased by 28% compared to 2010 with consecutive increases in mineral reserves over the last 2 years. Mine development has advanced as planned in areas such as Tribuna, Maqui Clavo I, which is expected to maintain and ensure future production levels.

MERCEDES

The Mercedes mine, located in Sonora, Mexico, is Yamana's newest mine and represents the first of four new mines to begin production during 2012 and 2013.

With mine development and plant commissioning well advanced and a sufficient stockpile having been created during the mine development period, a first gold pour occurred in mid-November 2011, marking the formal start-up of commissioning production at the mine, which was originally planned for the middle of 2012.

Commissioning period production was 8,438 gold equivalent ounces ("GEO") since the first gold pour in the fourth quarter. Mining is at a rate consistent with the original plan and the plant is ramping up to the rate of 1,500 tonnes per day as contemplated in the feasibility study. At the end of the quarter, approximately 100,000 tonnes of ore were stockpiled, inventories in circuit and in process were approximately 2,900 GEO. Commissioning activities continue to advance as planned; production for the month of January 2012 was 8,959 GEO, representing the second consecutive monthly production in excess of 8,000 GEO. Subsequent to the year end, Mercedes reached commercial production as of February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors. In its assessment, management reviewed achievement of milestones at a sustainable level including but not limited to a significant portion of planned capacity, production levels, grades and recovery rates, achievement of mechanical completion and operating effectiveness, obtaining necessary permits and production inputs and positive and sustainable cash flows.

Production is initially planned at 120,000 GEO per year although the Company is evaluating the potential to increase throughput to 1,800 tonnes per day through modest plant modifications and optimizations. With increased plant capacity along with the additional ore from Barrancas, and as accelerated underground development work advances during 2012, the Company expects production to increase to over 130,000 GEO in 2013.

To date, there have been over 11,000 metres of underground development completed, including the start of development of the Barrancas zone with the higher grade Lagunas Norte vein, one of the newest discoveries at the mine. Development of the vein structure in the Barrancas zone was not included in the original mine plan and represents a significant opportunity to increase production.

A total of 24 holes covering over 5 kilometres were completed in the fourth quarter of 2011. Drilling was focused on the area between the Diluvio and Lupita deposits and as infill on the outcropping Rey de Oro deposit located to the east of Diluvio. The Rey de Oro zone has now been delineated along a strike length of 350 metres, a dip length of 130 metres (starting at the surface) and a width of between 20 to 70 metres.

The updated mineral reserve and mineral resource estimates for Mercedes of 1.0 million GEO of proven and probable mineral reserves and 204,000 GEO of measured and indicated mineral resources in 1.9 million tonnes at 3.36 g/t and inferred mineral resources of 561,000 GEO in 7.3 million tonnes at 2.38 g/t, include the new ounces from the additional vein structure in the Barrancas zone, and the more recently discovered Diluvio zone of the Lupita vein structure.

OTHER MINES

The following table presents key operating data for the other continuing mining operations and investment in associate:

	Three months ended		*Years ended*		
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2009
FAZENDA BRASILEIRO					
Production					
Gold production (ounces)	15,568	19,852	55,163	70,084	76,413
Cash costs per ounce produced (i)	$ 915	$ 705	$ 937	$ 628	$ 453
Ore mined (tonnes)	265,108	259,832	983,848	1,105,340	1,155,247
Ore processed (tonnes)	234,767	275,184	936,459	1,110,204	1,179,595
Gold Grade (g/t)	2.33	2.53	2.07	2.22	2.21
Gold recovery rate (%)	88.1	89.4	88.4	88.6	91.0
Sales					
Gold sales (ounces)	16,430	18,822	56,907	72,316	77,458
Depletion, depreciation and amortization per gold ounce sold	$ 189	$ 145	$ 231	$ 167	$ 155
ALUMBRERA (12.5% interest)					
Production					
Concentrate (tonnes)	10,691	16,422	55,840	68,351	68,868
Gold production (ounces)	634	1,312	3,516	5,617	6,954
Gold production in concentrate (ounces)	7,112	12,749	40,986	45,039	45,796
Total gold produced	7,746	14,061	44,502	50,656	52,750
Copper contained in concentrate (millions of pounds)	6.2	9.3	32.2	38.7	39.4
By-product cash costs per ounce produced (i)	$ (1,351)	$ (1,556)	$ (1,448)	$ (1,404)	$ (703)
Co-product cash costs per ounce of gold produced (i)	$ 450	$ 244	$ 283	$ 257	$ 372
Co-product cash costs per pound of copper produced (i)	$ 2.59	$ 1.37	$ 1.82	$ 1.29	$ 1.49
Ore mined (tonnes)	1,007,916	646,736	2,778,430	3,127,873	3,662,997
Ore processed (tonnes)	1,176,148	1,160,601	4,775,130	4,509,332	4,691,705
Gold ore grade (g/t)	0.30	0.50	0.42	0.46	0.49
Copper ore grade (%)	0.30	0.40	0.40	0.50	0.46
Concentrate grade – gold (g/t)	20.65	24.18	22.78	20.66	20.88
Concentrate grade – copper (%)	26.25	25.60	26.11	25.60	25.90
Gold recovery rate (%)	68.3	76.0	69.4	73.0	70.4
Copper recovery rate (%)	78.9	81.0	77.2	82.0	82.7
Sales					
Concentrate (tonnes)	13,762	16,971	56,913	68,056	59,949
Gold sales (ounces)	9,010	11,805	40,996	43,314	45,363
Gold doré sales (ounces)	699	1,146	3,668	5,626	7,255
Total gold sales (ounces)	9,709	12,951	44,664	48,940	52,618
Payable copper contained in concentrate (millions of pounds)	7.7	9.0	31.5	37.0	38.2

(i) *A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis.*

FAZENDA BRASILEIRO

The Fazenda Brasileiro Mine produced 55,163 ounces of gold in 2011 compared to 70,084 ounces of gold in 2010.

Production at Fazenda Brasileiro was 15,568 ounces of gold in the quarter ended December 31, 2011. This compares to 19,852 ounces of gold in the fourth quarter of 2010. Cash costs for the fourth quarter were $915 per ounce compared with $705 per ounce for the same period in 2010. Grade for the quarter was 2.33 g/t compared to 2.53 g/t for the comparative quarter last year, representing an expected decline in grade of 8%, which impacted cash costs.

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 eight years. The mine continues to further outline exploration potential and mineral resource additions are expected in 2012.

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. Both infill and extension drilling confirm the continuity of mineralization in both areas. In 2011, the Company continued to develop the high-grade mineral reserves at CLX_2, improve mine fleet costs using road trucks and with a focus on increasing mineral reserves and mineral resources. The Company is evaluating the possible extension of mine life. Total gold mineral reserves for Fazenda Brasileiro increased by 104% compared to 2010.

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 Mine of $1.3 million and $39.0 million for the three-month and year ended December 31, 2011, compared with $19.1 million and $49.3 million reported for the respective periods of 2010. Lower earnings for the year ended December 31, 2011 was due to lower production and higher operating costs. Both production and unit costs were impacted by lower grades for gold and copper. Additionally, earnings for the quarter were impacted by unfavourable concentrate pricing adjustments resulting from the downward trend of the copper price from the third quarter to the year end. The Company received cash distributions of $44.1 million during the three-months and $71.5 million for the year ended December 31, 2011, compared with $24.1 million and $61.5 million for the comparative periods in 2010, respectively.

Attributable production from Alumbrera was 7,746 ounces of gold and 6.2 million pounds of copper for the quarter. This compares with attributable production of 14,061 ounces of gold and 9.3 million pounds of copper for the fourth quarter of 2010. Lower gold and copper production was mainly due to lower head grades from the ore mined and stockpile and lower recoveries partially offset by higher tonnage throughput.

In the first quarter of 2011, the Company announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that facilitates the integration of Agua Rica, which is currently 100% owned by Yamana, into Minera Alumbrera ("MAA").

On September 1, 2011, Xstrata, Goldcorp and the Company announced that they reached a definitive agreement providing MAA the exclusive option to acquire Yamana's 100% interest in the Agua Rica project. Under the terms of the agreement, MAA holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments by Xstrata and Goldcorp of $110 million, of which $30 million has been received by the Company. During the option period, MAA will manage the Agua Rica project and fund a feasibility study and all development costs. MAA can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive $150 million and a further $50 million on commencement of commercial production. The Company would also retain the right to a deferred payment related to 65% of the payable gold production from Agua Rica to a maximum of 2.3 million ounces.

The respective ownership interests in MAA, i.e. Xstrata (50%), Goldcorp (37.5%) and Yamana (12.5%), would remain unchanged and include the Agua Rica project. The integration of Agua Rica with Alumbrera provides the greatest value potential for the Company and the best opportunity for the development of Agua Rica in the Catamarca province of Argentina.

8. CONSTRUCTION, DEVELOPMENT AND EXPLORATION

CONSTRUCTION AND DEVELOPMENT

All construction projects are on schedule. All permits have been received. Detailed engineering has or is currently advancing and long-lead time equipment has been ordered for the various projects. Mine development is also advancing on schedule with accelerated development of newly discovered higher grade areas at Mercedes.

The following summary highlights key updates from the construction and development projects at the Company.

BRAZIL

Ernesto/Pau-a-Pique

Construction progress is on schedule with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As of December 31, 2011, physical advancement continued and was approximately 75% complete. During the fourth quarter, mine development, civil works and electromechanical works continued as expected and detailed engineering was completed. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years expected to be approximately 120,000 gold ounces.

C1 Santa Luz

Construction progress is on schedule with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As of December 31, 2011, physical advancement of the project was approximately 60% complete. During the fourth quarter, earthworks were completed and civil works and erection works continued as planned. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years to exceed 130,000 gold ounces.

Pilar

Construction progress is on schedule with commissioning and start-up of production expected by mid-2013 with commercial production expected by the end of 2013. As of December 31, 2011, detailed engineering and earthworks were approximately 85% complete, advancing physical progress to approximately 25%. Annual production from the mine is estimated to be 120,000 ounces of gold. The project is being built with 30% additional capacity to that contemplated in the feasibility study in anticipation of significant mineral resource growth. Development of Caiamar, a high-grade satellite deposit located 38 kilometres west of Pilar, is expected to contribute to production and utilization of this excess capacity at Pilar thereby increasing production to a minimum of 140,000 gold ounces per year once in full production, as early as 2014.

Mineral resource development and work on a feasibility study continued at Caiamar throughout the year. The ore from this deposit can be processed at Pilar with the higher grades offsetting the additional transportation costs.

ARGENTINA

Agua Rica

On September 1, Xstrata, Goldcorp and the Company announced that they reached a definitive agreement providing Minera Alumbrera ("MAA") the exclusive option to acquire the Company's 100% interest in the Agua Rica project, which represents a significant step toward advancing the plan to integrate Agua Rica into MAA. Under the direction of Xstrata, operator of MAA, MAA has initiated an update to the feasibility study with respect to the integration of its operations and those of Minera Agua Rica.

Suyai

Development of various studies relating to Suyai will be launched during 2012. The studies are expected to lead to the evaluation of Suyai as a high grade, low cost underground mine with off-site processing, tailings and waste facilities. The Company has been invited to present this new concept for Suyai to local officials and community leaders.

CHILE

Jeronimo

Following the delivery of the first mineral reserve estimate at Jeronimo in early 2011, a pre-feasibility study of Jeronimo was completed by the end of the year.

The pre-feasibility study estimated that cash costs will be approximately $600 per gold ounce and that pre-production capital will be approximately $310 million. The initial results indicated increased production and recovery levels reaching approximately 85% under a base case scenario when utilizing a combined flotation and pressure oxidation process. Additional studies were undertaken, which have since been completed and form the basis of the feasibility study now being completed. The studies were designed to provide greater certainty through extensively testing metallurgical results, opportunities for improving recoveries beyond 85% and scaling the plant to requirements through pilot testing. These results and advanced engineering work will be detailed within the feasibility study expected before mid-2012. With the increase in certainty from pilot testing and metallurgy, a 17% increase in gold mineral reserves, potential by-product credits and other optimizations, the Company expects a positive impact on the economics of the project.

The Company anticipates making a construction decision in 2012 and is advancing the construction of Jeronimo whether or not it consolidates its 57% stake in the project. Jeronimo's annual gold production is expected to be approximately 150,000 ounces per year, with production in the early years of approximately 190,000 ounces.

EXPLORATION

The Company's 2011 exploration program focused on increasing mineral reserves and mineral resources within its near-mine and regional brownfield exploration programs as well as continuing to explore greenfield targets elsewhere in the Americas. The Company is largely focused on developing its future based on its exploration successes and organic growth.

Yamana expects to spend approximately $125 million on exploration in 2012 continuing to build on its successful record of replacing and increasing mineral reserves and mineral resources. The exploration program will focus on increasing the Company's mineral reserves and mineral resources, accelerating the development of new discoveries such as Jordino and Maria Lazarus at Pilar, the extension of Pampa Augusta Victoria and definition of a new discovery at El Peñón, the expansion of high grade mineral resources at Jacobina and the development of several greenfield projects.

The following is a summary of the exploration expenditures for the current year and comparative years:

Years ended December 31, (in millions of United States Dollars)	2011	2010	2009
Exploration capitalized (i)	$ 89.6	$ 58.6	$ 45.2
Exploration expensed (ii)	32.4	39.2	20.4
Total exploration	$ 122.0	$ 97.8	$ 65.6

(i) Capitalized exploration costs are reflected in the Consolidated Balance Sheet, property, plant and equipment as part of the additions to depletable producing property for near-mine exploration, assets under construction and tangible exploration and evaluation assets.

(ii) Expensed exploration costs are reported in the Consolidated Statements of Operations.

As of the end of 2011, a total of 16 projects have been explored with comprehensive drill programs and a total of approximately 422,000 metres of drilling was completed. Included in the individual mine operation descriptions are the exploration results for the fourth quarter of 2011 for each respective mine.

9. 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 mineral reserve reports are reviewed by Evandro Cintra, Senior Vice President Technical Services, who is a qualified person. The Company's mineral resources reports are reviewed by Darcy Marud, Senior Vice President Exploration 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 2011 annual report.

On a gold equivalent basis, the Company's proven and probable mineral reserves were 18.6 million gold equivalent ounces ("GEO") for the year ending December 31, 2011, an increase of 11% from 2010 (2010 – 16.8 million GEO) after having mined approximately 1.4 million contained GEO (production before recoveries). This is comprised of 17.0 million ounces of proven and probable gold mineral reserves and 82.9 million ounces of proven and probable silver mineral reserves. The Company's total gold proven and probable mineral reserves increased to 17.0 million ounces from 15.6 million ounces, which represents a 10% increase over the previous year. Average gold grade increased by 9% with notable contributions from Chapada, Jacobina and Gualcamayo. Proven and probable copper mineral reserves were 2.6 billion pounds of copper at an average grade of 0.30% including Alumbrera.

Measured and Indicated mineral resources on a gold equivalent basis were 13.6 million GEO (contained gold – 13.2 million ounces; contained silver – 23.4 million ounces) as at December 31, 2011, compared with Measured and Indicated mineral resources of 14.1 million GEO (contained gold – 13.6 million ounces; contained silver – 27.8 million ounces) in 2010. Measured and Indicated mineral resources modestly decreased by 3% from 2010 mainly due to the conversion to mineral reserves. Total inferred mineral resources increased to 10.3 million GEO (contained gold – 9.1 million ounces; contained silver – 63.4 million ounces), which represents an increase of 39% over 2010 as a result of new discoveries at Chapada, Gualcamayo, Fazenda Brasileiro, C1 Santa Luz and significant extensions to known deposits at Pilar, El Peñón and Mercedes.

Mineral reserves and mineral resources were calculated for most projects based on a gold price of $950 per ounce (2010 – $900 per ounce, 2009 – $825 per ounce), a silver price of $20 per ounce (2010 – $15 per ounce, 2009 – $14 per ounce), and a copper price of $2.50 per pound (2010 – $2.5 per pound, 2009 – $2.25 per pound). Please refer to the mineral reserve and mineral resource table contained in the Company's 2011 annual report and the Company's website for a complete listing of metal-price assumptions used in the calculation of mineral reserves and mineral resources by project.

The most notable changes are detailed below:

El Peñón, Chile

Total gold equivalent mineral reserves increased by 20% to 3.5 million GEO supporting an increased mine life and a higher sustainable production level of 440,000 GEO per year. The Company has increased GEO mineral reserves for two consecutive years since 2009. In 2011, gold equivalent mineral reserve tonnage increased by 33% at an average grade of 9.7 g/t. This increase includes a portion of the Pampa Augusta Victoria ("PAV") vein system which is 'open pittable' as it is near surface and easily accessible. The 2012 exploration program at El Peñón will focus on the extension of PAV and areas within the North Block as well as more recent discoveries. This effort is expected to result in continued increases in mineral resources in 2012.

Chapada, Brazil

Total gold mineral reserves increased by 6% to 3.3 million ounces at an average grade of 0.25 g/t, a 9% increase from 2010. The increases are largely attributed to the inclusion of portions of the Suruca and Corpo Sul mineral resources upgrading to mineral reserves. Measured and indicated mineral resources declined slightly but with a modest increase in grade. This was expected given the exploration focus in 2011 was to upgrade mineral resources to mineral reserves and further exploration of Corpo Sul. Gold mineral reserves have increased cumulatively by 54% since 2009. Inferred mineral resources increased by 193% to 1.2 million GEO in 359.0 million tonnes of mineral resources at 0.10 g/t.

A feasibility study was completed for Suruca in late 2011 which outlines average annual gold production of 49,000 ounces over an initial five years beginning in 2013. Corpo Sul is a new discovery made during 2011. It is expected that further work at Corpo Sul will significantly contribute to 2012 growth of mineral reserves.

Jacobina, Brazil

Total proven and probable gold mineral reserves increased by 20% to 2.0 million ounces. Since acquisition of the mine, the Company has increased gold mineral reserves cumulatively by 64% representing a five-year consecutive increase. As at December 2011 mineral reserve grade increased by 10% to 2.74 g/t as the higher grade Canavieiras and Morro do Vento deposits were upgraded to mineral reserves. Since 2009, mineral reserve grade has increased by 28% from 2.14 g/t to 2.74 g/t. Measured and indicated mineral resources increased by 44% to 2.4 million ounces in 27.6 million tonnes of mineral resources at 2.70 g/t. These results warrant the Company's continuing evaluation of higher production levels at Jacobina related to the higher grade mineral reserves. This is the third year of consecutive quality improvements and increases in mineral reserves and mineral resources at Jacobina.

Gualcamayo, Argentina

Total mineral reserves were depleted by 9%. Measured and indicated mineral resources increased by 20% to 1.1 million ounces in 33.6 million tonnes of mineral resources at 1.04 g/t. Inferred mineral resources increased by 444% to 626,000 ounces in 10.3 million tonnes of mineral resources at 1.9 g/t. The mineral resource increases are a result of exploration south west of the QDD Lower West (QDDLW) deposit which intersected two large bodies of sulphide breccia similar to QDDLW. These are potentially an extension of QDDLW, sub-parallel bodies or feeders to the QDDLW. This mineralization remains open to the south west and down dip. Exploration in 2012 will focus on expanding these new discoveries and linking them with QDDLW.

Minera Florida, Chile

Total proven and probable gold equivalent mineral reserves increased by 28% to 968,000 GEO from 2010 and increased by 38% over the last two consecutive years. The 2011 increase includes the historic tailings that were upgraded to mineral reserves as a result of the impending start-up of the Minera Florida expansion in which the tailings will be processed. The tailings represent 5.7 million tonnes of mineral reserves averaging 1.35 gold equivalent g/t for 245,000 GEO. This expansion will produce approximately 40,000 GEO's per year with first production expected in April, 2012. Measured and indicated mineral resources increased by 46% to 584,000 GEO at an average gold equivalent grade of 6.5 g/t which includes new mineral resources within the main core.

Fazenda Brasileiro, Brazil

Total mineral reserves increased by 104% to 359,000 ounces at an average grade of 2.4 g/t as some mineral resources were upgraded to mineral reserves, primarily from CLX_2 and Canto in addition to the remodelling of some existing mineral reserves. Measured and indicated mineral resources modestly declined as mineral resources were converted to mineral reserves through infill drilling and inferred mineral resources increased by 160% to 525,000 ounces in 4.7 million tonnes of mineral resources at 3.45 g/t. The Company has been mining at Fazenda Brasileiro for seven years after acquiring the mine in 2003 with only 2.5 years of mine life remaining based on known mineral reserves.

Mercedes, Mexico

Total proven and probable mineral reserves increased by 22% to 1.0 million GEO as a result of the increase in GEO mineral reserves, primarily from the Barrancas, Lagunas Norte and Diluvio vein structures.

C1 Santa Luz, Brazil

Total mineral reserves increased by 24% to 1.5 million ounces as a result of exploration success down dip of the existing mineral resource in addition to the increase in the gold price assumption that had not been changed since the completion of the feasibility study. Measured and indicated mineral resources modestly declined due to the conversion of most of the mineral resources to mineral reserves. Inferred mineral resources increased by 107% to 476,000 ounces in 5.9 million tonnes of mineral resources, most of the increase was grade driven as gold grades improved by 77% to 2.53 g/t.

Ernesto/Pau-a-Pique, Brazil

Total mineral reserves increased by 11% to 791,000 ounces. Measured and indicated mineral resources increased by 14% on 2.3 million tonnes of mineral resources at 1.92 g/t to 141,000 ounces and inferred mineral resources also increased by 14% in 4.9 million tonnes of mineral resources at 1.87 g/t to 293,000 ounces. These increases can be attributed to the upgrade of mineral resources at the Lavrinha deposit to mineral reserves and the slight increase in the gold price assumptions.

Pilar, Brazil

Inferred mineral resources increased by over 200% to 1.1 million ounces in 8.2 million tonnes of mineral resources at 4.06 g/t which reflects a significant increase in grade. These mineral resource increases are attributed to exploration success down dip at Jordino and along strike to the north. The mineral reserve was unchanged from 2010 year end as the focus of the 2011 exploration program was the expansion of the total mineral resource base and discovery of new mineralized zones to support higher production levels at Pilar.

Jeronimo, Chile

Total attributable mineral reserves increased by 17% to 1.1 million gold ounces from the initial mineral reserve declared in 2010. On a 100% basis, the project has 1.9 million gold ounces in mineral reserves and 246,000 gold ounces of measured and indicated mineral resources.

During 2011, the Company completed a pre-feasibility study. The final feasibility study is expected to be delivered before mid-year 2012. The Company is completing some additional metallurgical testing and advanced engineering that are expected to increase certainty of feasibility results and have potential to increase production and recovery levels. The Company anticipates making a construction decision on Jeronimo in 2012.

The Company's mineral reserves and mineral resources as at December 31, 2011 are summarized in the following table. 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 2011 annual report are also available on the Company's website, www.yamana.com.

	Gold (in 000's ounces)		Silver (in 000's ounces)		GEO (in 000's GEO)		Copper (in million pounds)	
Mine/Project	2011	2010	2011	2010	2011	2010	2011	2010
Proven & Probable Mineral Reserves								
Chapada	3,317	3,134	-	-	3,317	3,134	2,310	2,149
El Peñón	2,202	2,003	66,511	51,863	3,532	2,946	-	-
Jacobina	2,005	1,672	-	-	2,005	1,672	-	-
Gualcamayo	2,194	2,416	-	-	2,194	2,416	-	-
Minera Florida	842	668	6,330	4,774	969	755	-	-
Fazenda Brasileiro	359	176	-	-	359	176	-	-
Mercedes	964	794	10,099	8,386	1,036	854	-	-
Ernesto/Pau-a-Pique	791	710	-	-	791	710	-	-
C1 Santa Luz	1,465	1,184	-	-	1,465	1,184	-	-
Pilar	1,440	1,439	-	-	1,440	1,439	-	-
Jeronimo	1,082	928	-	-	1,082	928	-	-
Alumbrera (12.5%)	376	442	-	-	376	442	259	304
Total Proven & Probable Mineral Reserves	17,038	15,565	82,940	65,023	18,566	16,656	2,569	2,453
Measured & Indicated Mineral Resources								
Chapada	2,190	2,523	3,775	-	2,266	2,523	986	1,385
El Peñón	447	758	11,384	20,266	675	1,126	-	-
Jacobina	2,391	1,663	-	-	2,391	1,663	-	-
Gualcamayo	1,119	931	-	-	1,119	931	-	-
Minera Florida	529	372	2,763	1,610	584	401	-	-
Fazenda Brasileiro	153	472	-	-	153	472	-	-
Mercedes	188	188	1,939	2,363	202	205	-	-
Ernesto/Pau-a-Pique	141	124	-	-	141	124	-	-
C1 Santa Luz	582	1,213	-	-	582	1,213	-	-
Pilar	267	224	-	-	267	224	-	-
Jeronimo	139	94	-	-	139	94	-	-
La Pepa	2,760	2,760	-	-	2,760	2,760	-	-
Suyai	2,286	2,286	3,523	3,523	2,356	2,350	-	-
Total Measured & Indicated Mineral Resources	13,192	13,608	23,384	27,762	13,635	14,086	986	1,385
Inferred Mineral Resources								
Chapada	1,182	404	982	-	1,202	404	1,218	392
El Peñón	1,107	1,161	46,458	36,911	2,036	1,832	-	-
Jacobina	1,362	1,293	-	-	1,362	1,293	-	-
Gualcamayo	626	115	-	-	626	115	-	-
Minera Florida	591	534	4,884	5,329	689	631	-	-
Fazenda Brasileiro	525	202	-	-	525	202	-	-
Mercedes	509	468	7,257	3,554	561	493	-	-
Ernesto/Pau-a-Pique	293	257	-	-	293	257	-	-
C1 Santa Luz	476	230	-	-	476	230	-	-
Pilar	1,065	448	-	-	1,065	448	-	-
Jeronimo	161	219	-	-	161	219	-	-
La Pepa	620	620	-	-	620	620	-	-
Suyai	274	274	575	575	286	284	-	-
Amancaya	351	351	3,270	3,270	416	410	-	-
Total Inferred Mineral Resources	9,142	6,576	63,426	49,639	10,318	7,438	1,218	392

10. LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL COMMITMENTS

LIQUIDITY

Consistent with the Company's overall capital management strategy, the Company continues to have sufficient liquidity and capital resources to pursue its growth strategies, meet its ongoing obligations and future contractual commitments while creating shareholder value. Factors that could impact the Company's liquidity are monitored regularly and include but are not limited to the market prices 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.

In the near term, the Company expects its liquidity to remain strong as it maintains low levels of debt-to-equity and expected cash flow from operations is positively impacted by higher forecast production levels and stable metal prices. As at December 31, 2011, the Company has met all of the externally imposed capital requirements. (Refer to *Note 27* "Capital Management" to the accompanying consolidated financial statements.)

The following is a summary of liquidity and capital resources balances:

As at December 31, (in thousands of United States Dollars)	2011	2010
Cash	$ 550,438	$ 330,498
Trade and other receivables	$ 206,101	$ 212,945
Long-term debt	$ (431,769)	$ (486,550)
Working capital (i)	$ 608,021	$ 518,081

(i) Working capital is defined as the excess of current assets over current liabilities

Cash and cash equivalents as at December 31, 2011 increased by 67% to $550.4 million compared to $330.5 million as at December 31, 2010. Cash and cash equivalents comprise cash at bank and bank term deposits mainly generated from operating cash inflows.

The Company has $391.5 million of cash and short-term investments overseas as of December 31, 2011. The funds are not restricted from transfer to the corporate office but the Company does not intend to repatriate those funds in the foreseeable future. The Company will accrue and pay taxes as required if the funds are repatriated. The presidential decree announced by the government of Argentina in 2011 requires repatriation of all export revenues to Argentina but states that there is no restriction on the use or transfer of funds subsequent to the repatriation. The Company has concluded that the decree will have only a modest impact on Yamana's movement of funds in and out of the country mostly relating to an increase in immaterial transaction fees.

Trade and other receivables at the end of the year were $206.1 million decreasing from $212.9 million as at December 31, 2010. Gold sales are made at spot prices and receivables are settled in less than a month. Copper concentrate sales are made in accordance with certain smelter off-take agreements whereby provisional payments of approximately 90% are received within 1 to 4 weeks after shipping. Final assays and payment related to these sales are received approximately 2 to 3 months thereafter.

Long-term debt at the end of the year was $431.8 million compared with $486.6 million as at December 31, 2010 representing an 11% decrease. Debt repayments during the year totaled $55.0 million.

Working capital was $608.0 million as at December 31, 2011, compared to $518.1 million as at December 31, 2010. The 17% increase in working capital was mainly attributable to a high cash balance as a result of higher prices for metals and increased volume of sales.

For the years ended December 31, (in thousands of United States Dollars)	2011	2010
Cash flows from operating activities of continuing operations	$1,225,782	$ 681,331
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	$1,266,373	$ 856,827
Cash flows from financing activities of continuing operations	$ (142,678)	$ (68,870)
Cash flows to investing activities of continuing operations	$ (846,075)	$ (460,640)

Operating Cash Flows of Continuing Operations

Cash flows from operations after taking into effect changes in working capital items for the year ended December 31, 2011 were $1.2 billion, compared to inflows of $681.3 million for the same period ended December 31, 2010 from continuing operations.

Cash flows generated from operations before changes in non-cash working capital items for the year ended December 31, 2011 were $1.3 billion compared to $856.8 million for the same period ended December 31, 2010 from continuing operations. The increase of 48% is mainly attributed to increases in revenues.

Changes in non-cash working capital items for the year ended December 31, 2011 period were cash outflows of $40.6 million compared to outflows of $175.7 million for 2010, the 77% decrease was mainly due to the favourable effect of the change of trade and other receivables and trade and other payables.

Financing Activities of Continuing Operations

Cash outflows to financing activities for the year ended December 31, 2011 were $142.7 million compared to cash outflows of $68.9 million for 2010 from continuing operations due to the following:

- increase of dividends paid by $51.8 million;
- increase of net long-term debt repayment of $10.0 million for a total debt repayment of $55.0 million in 2011 compared to $45.0 million in 2010;
- net decrease of $40.5 million received from the exercise of options and warrants; and
- net decrease of $28.5 million paid for financing and other charges.

Investing Activities of Continuing Operations

Cash outflows to investing activities were $846.1 million (December 31, 2010 – $460.6 million) for the year ended December 31, 2011 of which approximately $822.2 million relates to expenditures on property, plant and equipment, increasing by 71% compared with $482.0 million spent in 2010. Higher outflows on acquisition of property, plant and equipment reflected increased expenditures on the construction of new mines and expansion of existing assets.

The following is a summary of capital expenditures by mine:

	Three months ended December 31,	*For the years ended December 31,*		
(in thousands of United States Dollars)	2011	2011	2010	2009
BRAZIL				
Chapada	$ 24,659	$ 65,946	$ 64,549	$ 112,501
Jacobina	19,242	64,212	53,298	51,661
Fazenda Brasileiro	11,172	34,679	22,536	15,463
Ernesto/Pau-a-Pique (i)	25,385	70,206	10,715	437
C1 Santa Luz (i)	17,379	59,682	15,920	1,303
Pilar (i)	37,246	78,444	27,059	25,454
CHILE				
El Peñón (ii)	32,539	117,181	145,176	105,942
Minera Florida	38,510	99,307	67,512	40,442
Jeronimo	3,626	9,670	2,567	-
ARGENTINA				
Gualcamayo	31,426	66,644	40,787	121,996
Agua Rica	220	8,444	8,047	3,932
Suyai	942	14,062	-	-
MEXICO AND OTHER				
Mercedes (i)	30,983	119,736	65,835	16,333
Other	8,062	14,010	7,080	3,293
Total capital expenditures (i)	$ 281,391	$ 822,223	$ 531,081	$ 498,757

(i) Net of movement in accounts payable.

(ii) Capital expenditures for 2010 included the purchase cost of Constructora Gardilcic Ltda. and Constructora TCG Ltda. of $49.1 million to convert El Peñón into an owner-mining operation.

CAPITAL RESOURCES

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 Company is authorized to issue an unlimited number of common shares at no par value and a maximum of eight million first preference shares. There are no first preference shares issued or outstanding. As of February 21, 2012, the total number of shares outstanding were 745.8 million, the total number of stock options outstanding were 1.5 million, the total number of DSUs outstanding were 1.6 million and the total number of RSUs outstanding were 1.9 million.

During the year, the Company increased its annual dividend to $0.20 per share or $0.05 per share per quarter. Total dividend payments of $100.1 million, were more than double the dividends paid of $48.3 million in 2010.

The following table summarizes the common shares and options outstanding as at December 31, 2011:

	Actual	Weighted average (i)	
(in thousands)	Outstanding as at December 31, 2011	Twelve months ended, December 31, 2011	Three months ended, December 31, 2011
Common shares	745,774	744,600	745,669
Options	1,532	756	650
	747,306	745,356	746,319

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

CONTRACTUAL COMMITMENTS

Day-to-day mining, expansionary and sustaining capital expenditures as well as 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, future operating cash flows and available credit facilities which provide access to additional funds.

As at December 31, 2011, the Company is contractually committed to the following:

(in thousands of United States Dollars)	Within 1 year	Between 1 to 3 years	Between 3 to 5 years	After 5 years	Total
Mine operating/construction and service contracts and other	$ 321,706	$ 230,267	$ 14,208	$ 8,167	$ 574,348
Long-term debt principal repayments (i)	-	182,632	73,500	181,500	437,632
Decommissioning, Restoration and Similar Liabilities (ii)	10,926	18,209	29,936	211,698	270,769
	$ 332,632	$ 431,108	$ 117,644	$ 401,365	$1,282,749

(i) Excludes interest expense.

(ii) The decommissioning, restoration and similar liabilities (hereinafter referred to as decommissioning liabilities) relate to reclamation and closure costs relating to the Company's mine operations and projects under development. The Company accrues decommissioning liabilities at their fair value determined as the discounted future cash expenditures. Significant management judgements and estimates are made when estimating reclamation and closure costs which are 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. Decommissioning liabilities of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos, Mexican Pesos and United States Dollars. Decommissioning liabilities other than United-States-Dollar denominated are 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. Refer to Note 19, Decommissioning, restoration and similar liabilities to the Consolidated Financial Statements.

11. INCOME TAXES

The Company recorded an income tax expense of $269.9 million for the year ($128.3 million for 2010). The income tax provision reflects a current income tax expense of $266.0 million ($136.5 million for 2010) and a deferred income tax expense of $3.8 million (recovery of $8.2 million for 2010). The effective tax rate for the year was 32.9% (22.0% 2010). The expense reflects the taxes incurred in the Company's Brazilian, Chilean and Argentinean mines.

The effective tax rate excluding equity earnings, write-down on available for sale securities, foreign exchange on non-monetary assets and revaluations is 27.2% for the year (30.7% for 2010). These items are adjusted to normalize the effects of IFRS on the tax provision.

The consolidated balance sheet reflects recoverable tax installments in the amount of $5.4 million ($31.5 million for 2010) and an income tax liability of $129.5 million ($81.8 million for 2010). Additionally, the balance sheet reflects a deferred tax asset of $156.8 million ($183.1 million for 2010) and a deferred tax liability of $2.0 billion ($2.0 billion for 2010).

The income tax provision is subject to a number of factors including the allocation of income between different countries, different tax rates in the various jurisdictions, the non-recognition of tax assets, foreign currency exchange rate movements, changes in tax laws and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors, as discussed above, it is expected that the Company's effective tax rate will fluctuate in future periods.

The Company has elected, under IFRS, to record foreign exchange and interest and penalties in the income tax expense, therefore, due to foreign exchange differences, the tax rate will fluctuate during the year with the change in the Brazilian Real and Argentinean Peso. Refer to *Note 29* to the consolidated financial statements for a breakdown of the foreign exchange and interest and penalties charged to the income tax expense.

The Company has approximately $220.6 million of tax losses available for carry forward in Brazil. Approximately 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 deferred 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. Deferred tax liabilities relating to the operating mines will reverse as the assets are depreciated or depleted. The deferred 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 deferred tax liabilities relate to:

(in thousands of United States Dollars)	
Gualcamayo	$ 363,675
Agua Rica	$ 428,381
El Peñón	$ 138,200
Exploration Potential	$ 855,023

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.

The Company's combined Canadian federal and provincial statutory tax rate was 28.3% (2010 – 31.0%). 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 29* to the consolidated financial statements.

12. ECONOMIC TRENDS, RISKS AND UNCERTAINTIES

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the nature of the business, global economic trends as well as local social, political, environmental and economic conditions in the various geographical areas of operation. As such, the Company is subject to several financial and operational risks that could have a significant impact on its profitability and levels of operating cash flows.

The Company assesses and minimizes these risks by adhering to its internal risk management protocols which include the application of high operating standards empowering individuals and establishing processes to be able to identify, assess, report and monitor risk at all levels of the organization. Through careful management and planning of its facilities, hiring qualified personnel and developing a skilled workforce through training and development programs, the Company is able to generate shareholder value in a safe, resilient and responsible manner.

Below is a summary of the principal risks and related uncertainties facing the Company. Readers are also encouraged to read and consider the risk factors more particularly described in the Company's Annual Information Form for the period ended December 31, 2011. 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.

Commodity Risk

The mining industry is highly dependent on commodity prices which are the result of the economic interplay of supply and demand. The profitability of the Company is directly related to the market prices of gold and copper and to a lesser extent, silver. A decline in the market prices for these metals could negatively impact the Company's future operations. As at December 31, 2011, the Company's exposure to commodity price is limited to the accounts receivable associated with provisional pricing of metal concentrate sales particularly copper. A 10% change in the price of copper has an $18.5 million before tax effect on profit or loss.

Gold Price Three-Year Trend *(Bloomberg: USD per ounce of Gold)*

For the year ended December 31, 2011, spot gold prices averaged $1,573 per ounce, or 28% higher, compared with $1,225 per ounce from the comparative period of 2010.

Most notably in 2011 was the strong growth in physical bar and coin demand. This offset a decrease in investment demand from exchange traded funds ("ETFs") in 2011. However, ETF demand is expected to remain supportive of gold prices in 2012 due to global macroeconomic concerns. China and India were the dominant purchasers of gold in 2011 and are expected to remain so prospectively.

Gold prices continue to be driven by positive market fundamentals. An uncertain global environment paired with low-growth economic recovery continues to make gold a safe investment relative to stocks and fluctuating currencies. Constrained long-term mine supply and a steady investment demand from ETFs are supportive of gold prices. Furthermore, central bank purchases are also underpinning higher prices. In light of 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.

The Company has not hedged any of its gold sales.

Copper Price Three-Year Trend *(Bloomberg: USD per pound of Copper)*

For the year ended December 31, 2011, spot copper prices averaged $4.00 per pound, representing an increase of 17% compared with $3.42 per pound from the same period in 2010.

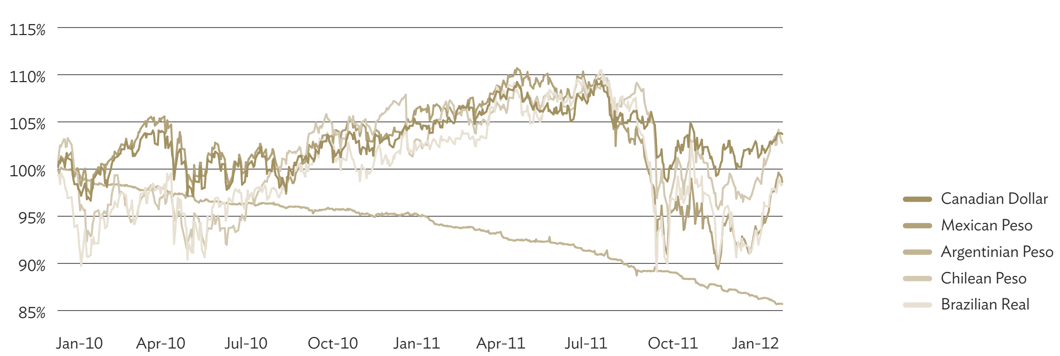
Strong copper prices are primarily being driven by positive supply demand fundamentals as flat supply growth is unbalanced with demand from emerging markets, mainly China. Towards the end of the year, copper prices softened due to global growth uncertainties and concerns over the European debt crisis. Copper prices rebounded subsequent to the year-end on the heels of the US Federal Reserve announcement that it will likely keep interest rates low until 2014 in an effort to jump-start economic growth. Based on positive fundamentals, the Company expects copper prices to remain above historical levels in the near to mid-term.

The Company has forward contracts to economically hedge against the risk of declining copper prices for a portion of its forecast copper concentrate sales.

Currency Risk

Conducting exploration, development and production operations in Latin America exposes the Company to currency risk. The Company's revenues are denominated in United States Dollars (USD). However, the Company's operating expenses are incurred in United States Dollars, Brazilian Reais (BRL), Chilean Pesos (CLP), Argentine Pesos (ARG) and to a lesser extent in Canadian Dollars (CAD) and Mexican Pesos (MXN). Accordingly, fluctuations in the exchange rates can significantly impact the results of operations. As at December 31, 2011 on a 10% change in the price of BRL, CLP and ARG denominated monetary items has a $15.9 million, $5.9 million, $3.8 million pre-tax effect on profit or loss, respectively.

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



(Source: Bloomberg)

Three months ended December 31,	2011	2010	
Average Exchange Rate			
USD-CAD	1.0196	1.0136	0.6%
USD-BRL	1.7993	1.7021	5.7%
USD-ARG	4.2442	3.9715	6.9%
USD-CLP	506.8475	485.8691	4.3%
USD-MXN	13.5150	12.4303	8.7%

Twelve months ended December 31,	2011	2010	
Average Exchange Rate			
USD-CAD	0.9882	1.0308	-4.1%
USD-BRL	1.6742	1.7675	-5.3%
USD-ARG	4.1170	3.9205	5.0%
USD-CLP	481.7631	519.3067	-7.2%
USD-MXN	12.3727	12.6251	-2.0%

As at December 31,	2011	2010		2009	
Period-end Exchange Rate					
USD-CAD	1.0213	0.9999	2.1%	1.0491	-2.7%
USD-BRL	1.8758	1.6660	12.6%	1.7343	7.5%
USD-ARG	4.3000	3.9713	8.3%	3.8142	11.3%
USD-CLP	519.5500	461.9820	12.5%	499.7680	3.8%
USD-MXN	13.9357	12.3401	12.9%	13.0914	6.1%

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 924.3million Reais at an average rate of 2.06 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 2014.

The Company also entered into forward contracts to economically hedge against the risk of an increase in the value of the Mexican Pesos versus the United States Dollar. Currency contracts totaling 464.5 million Pesos at an average rate of 13.32 Pesos to the United States Dollar have been designated against forecast Pesos 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 2015.

The currency hedge has been accounted for as a cash flow hedge with the effective portion taken to other comprehensive income and the ineffective portion taken to income.

The following table summarizes the details of the currency hedging program as at December 31, 2011:

(Quantities in thousands)	Brazilian Real				Mexican Peso		
Year of Settlement	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at December 31, 2011	Year of Settlement	Mexican Peso Notional Amount	Contract Fixed Rate	Market rate as at December 31, 2011
2012	309,344	2.1917	1.8758	2012	87,500	13.3200	13.9357
2013	292,032	2.0260	1.8758	2013	156,000	13.3200	13.9357
2014	322,800	1.9877	1.8758	2014	156,000	13.3200	13.9357
2015	-	-	-	2015	65,000	13.3200	13.9357
	924,176	2.0643	1.8758		464,500	13.3200	13.9357

Interest Rate Risk

The Company is exposed to interest rate risk on its variable rate debt. Monetary policy by central banks in the countries in which the Company operates have maintained interest rates relatively low to avoid a relapse of the credit crisis and incentivize economic growth.

As at December 31, 2011, the Company has a total of $63.2 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 interest rate hedge has been accounted for as cash flow hedge with the effective portion of changes in the fair value of the interest rate swaps being 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 has been recorded in current earnings.

At December 31, 2011, the Company's long-term debt was carried at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

Credit Risk

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 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 Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 through the implementation of its Capital Management Policy by spreading the maturity dates of derivatives over time, managing its capital expenditures and operation cash flows, and by maintaining adequate lines of credit.

Investment Risk

Investment risk is the risk that a financial instrument's value will deviate from the expected returns as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. Although the factors that affect investment risk are outside the Company's control, the Company mitigates investment risk by limiting its investment exposure in terms of total funds to be invested and by being selective of high quality investments.

Foreign Operations and Political Risk

The Company holds mining and exploration properties in Brazil, Argentina, Chile, Mexico and Colombia exposing it to the socioeconomic conditions as well as the laws governing the mining industry in those countries. Inherent risks with conducting foreign operations include, but are not limited to, high rates of inflation; military repression; war or civil war; social and labour unrest; organized crime and hostage taking which cannot be timely predicted and could have a material adverse effect on the Company's operations and profitability. The governments in those countries are currently generally supportive of the mining industry but changes in government laws and regulations including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological compliance, expropriation of property and shifts in the political stability of the country could adversely affect the Company's exploration, development and production initiatives in these countries.

Consistent with its risk management protocol, 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.

Health, Safety and Environmental Risk

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death and or material damage to the environment and Company assets. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. Yamana has rigorous procedures in place to manage health and safety protocols in order to reduce the risk of occurrence and the severity of any accident and is continually investing time and resources to enhance health and safety at all operations.

The Company's operations 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.

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 may 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 its high operating standards as dictated by the Yamana Management System.

The Company has insurance policies in place to cover accidents and business interruption and regularly monitors the adequacy of such policies.

Energy Risk

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. Furthermore, the Company's operations are continually improved to reduce input costs and maximize output.

13. 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 judgement rejecting the claim. The plaintiff appealed this judgement 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 judgement at appellate courts. There have not been any significant developments on this matter during the current year.

14. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements for the current year represent the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as discussed in *Note 35,* Transition to IFRS to the consolidated financial statements. The significant accounting policies applied and recent accounting pronouncements are described in *Note 4* and *Note 5* to the Company's annual consolidated financial statements, respectively.

In preparing the consolidated financial statements in accordance with the IFRS, 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 on the Company's consolidated financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

a) Critical Judgements in the Application of Accounting Policies

Information about critical judgements and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the fourth quarter, the Company recognized an unrealized, non-cash impairment loss on certain equity investments in the amount of $81.0 million on an after-tax basis ($92.6 million on a pre-tax basis).

- Capitalization of exploration and evaluation costs
  Management has determined that exploration and evaluation costs incurred during the year for the respective operating mines, Pilar and other exploration interests have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the year, the Company capitalized a total of $89.6 million (2010 – $58.6 million) of exploration expenditures.

- Determination of economic viability of a project
  Management has determined that costs associated with projects under construction or developments including C1 Santa Luz, Ernesto/Pau-a-Pique, Pilar and Mercedes have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

- Commencement of commercial/operating level production
  During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc., whether the necessary permits are in place to allow continuous operations.

- Deferral of stripping costs
  In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company. As at December 31, 2011, a cumulative total of $94.2 million (2010 – $51.6 million) of stripping costs have been capitalized.

- Determination of significant influence
  Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, operating involvement, etc.

b) Key Sources of Estimation Uncertainty in the Application of Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

- Revenue recognition
  Revenue from the sale of concentrate to independent smelters 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 may be 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 high 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 assay, the provisional sales quantities are adjusted as well.

- Mineral reserve estimates
  The figures for mineral reserves and mineral 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 mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. 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.

- Impairment of mining interests and goodwill
  While assessing whether any indications of impairment exist for mining interests and goodwill, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests and goodwill. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and/or goodwill.

- Asset lives, depletion/depreciation rates for property, plant and equipment and mineral interests
  Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Inventory valuation
  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 the mill circuits and 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.

- Accounting for acquisitions
  The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date).

- Contingencies
  Refer to *Note 33, Contingencies* to the Consolidated Financial Statements.

15. 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"* to supplement its financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRS"). The term IFRS and generally accepted accounting principles ("GAAP") are used interchangeably throughout this MD&A, except that 2009 financial data is presented in accordance with previous Canadian GAAP.

The Company believes that these measures, together with measures determined in accordance with IFRS, 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 IFRS, 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 IFRS.

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 IFRS 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 IFRS.

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 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. The GEO 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.

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 pound 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 years ended December 31,	2011	2010	2009 (iv)	2011	2010	2009 (iv)
Cost of sales (i) (iii)	$ 716,692	$ 631,063	$ 479,847	$ 683	$ 633	$ 517
Adjustments:						
Copper contained in concentrate related cash costs (excluding related TCRC's) (ii)	(188,570)	(149,070)	(118,322)	(179)	(150)	(127)
Treatment and refining costs ("TCRC") related to Chapada gold	4,682	5,583	5,862	4	6	6
Inventory movements and adjustments	(7,056)	(11,781)	(18,277)	(7)	(11)	(20)
Commercial selling costs	(31,764)	(26,511)	(18,816)	(30)	(27)	(20)
Total GEO co-product cash costs (excluding Alumbrera)	$ 493,984	$ 449,284	$ 330,294	$ 471	$ 451	$ 356
Minera Alumbrera (12.5% interest) GEO cash costs	12,587	13,043	19,667	283	257	372
Total GEO co-product cash costs (iii)	$ 506,571	$ 462,327	$ 349,961	$ 463	$ 442	$ 357
Commercial GEO produced excluding Alumbrera	1,049,356	996,535	928,097			
Commercial GEO produced including Alumbrera	1,093,858	1,047,191	980,847			

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
For the three months ended December 31,	2011	2010	2011	2010
Cost of sales (i) (iii)	$ 178,384	$ 178,341	$ 684	$ 654
Adjustments:				
Copper contained in concentrate related cash costs (excluding related TCRC's) (ii)	(47,214)	(39,979)	(181)	(147)
Treatment and refining costs ("TCRC") related to Chapada gold	1,259	1,681	5	6
Inventory movements and adjustments	2,506	(2,659)	10	(10)
Commercial selling costs	(7,982)	(7,470)	(31)	(27)
Total GEO co-product cash costs (excluding Alumbrera)	$ 126,953	$ 129,914	$ 487	$ 476
Minera Alumbrera (12.5% interest) GEO cash costs	3,482	3,431	450	244
Total GEO co-product cash costs (iii)	$ 130,435	$ 133,345	$ 486	$ 465
Commercial GEO produced excluding Alumbrera	260,734	272,621		
Commercial GEO produced including Alumbrera	268,480	286,683		

(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 80/75% copper and 20/25% 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 for the comparative period.

(iv) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

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 years ended December 31,	2011	2010	2009 (iv)	2011	2010	2009 (iv)
Cost of sales (i) (iii)	$ 716,692	$ 631,063	$ 479,847	$ 4.31	$ 4.23	$ 3.33
Adjustments:						
GEO related cash costs (excluding related TCRC's) (ii)	(489,302)	(443,702)	(324,433)	(2.95)	(2.97)	(2.25)
Treatment and refining costs ("TCRC") related to Chapada copper	26,440	26,124	24,555	0.16	0.17	0.17
Inventory movements and adjustments	(7,057)	(11,781)	(18,277)	(0.04)	(0.08)	(0.13)
Commercial selling costs	(31,764)	(26,511)	(18,816)	(0.19)	(0.18)	(0.13)
Total copper co-product cash costs (excluding Alumbrera)	$ 215,009	$ 175,193	$ 142,876	$ 1.29	$ 1.17	$ 0.99
Minera Alumbrera (12.5% interest) copper cash costs	58,534	50,017	59,308	1.82	1.29	1.50
Total copper co-product cash costs (iii)	$ 273,543	$ 225,210	$ 202,184	$ 1.38	$ 1.20	$ 1.10
Copper produced excluding Alumbrera (millions of lbs)	166.1	149.4	144.0			
Copper produced including Alumbrera (millions of lbs)	198.3	188.1	183.4			

Copper	In thousands of United States Dollars		United States Dollars per pound of copper	
For the three months ended December 31,	2011	2010	2011	2010
Copper				
Cost of sales (i) (iii)	$ 178,384	$ 178,341	$ 3.92	$ 4.47
Adjustments:				
GEO related cash costs (excluding related TCRC's) (ii)	(125,694)	(128,232)	(2.77)	(3.21)
Treatment and refining costs ("TCRC") related to Chapada copper	7,517	7,814	0.17	0.20
Inventory movements and adjustments	2,506	(2,659)	0.06	(0.07)
Commercial selling costs	(7,982)	(7,470)	(0.18)	(0.19)
Total copper co-product cash costs (excluding Alumbrera)	$ 54,731	$ 47,794	$ 1.20	$ 1.20
Minera Alumbrera (12.5% interest) copper cash costs	15,984	12,654	2.59	1.37
Total copper co-product cash costs (iii)	$ 70,715	$ 60,448	$ 1.37	$ 1.23
Copper produced excluding Alumbrera (millions of lbs)	45.4	39.9		
Copper produced including Alumbrera (millions of lbs)	51.6	49.2		

(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 80/75% copper and 20/25% 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 for the comparative period.

(iv) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

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 years ended December 31,	2011	2010	2009 (iv)	2011	2010	2009 (iv)
Cost of sales (i)	$ 716,692	$ 631,063	$ 479,847	$ 683	$ 633	$ 517
Adjustments:						
Chapada treatment and refining costs related to gold and copper	31,122	31,707	30,417	30	32	33
Inventory movements and adjustments	(7,057)	(11,781)	(18,277)	(7)	(12)	(20)
Commercial selling costs	(31,764)	(26,511)	(18,816)	(30)	(27)	(20)
Chapada copper revenue including copper pricing adjustment	(590,354)	(500,728)	(315,324)	(563)	(502)	(340)
Total GEO by-product cash costs (excluding Alumbrera)	$ 118,639	$ 123,750	$ 157,847	$ 113	$ 124	$ 170
Minera Alumbrera (12.5% interest) by-product cash costs	(64,434)	(71,105)	(37,070)	(1,448)	(1,404)	(703)
Total GEO by-product cash costs (i)	$ 54,205	$ 52,645	$ 120,777	$ 50	$ 50	$ 123
Commercial GEO produced excluding Alumbrera	1,049,356	996,535	928,097			
Commercial GEO produced including Alumbrera	1,093,858	1,047,191	980,847			

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
For the three months ended December 31,	2011	2010	2011	2010
Cost of sales (i)	$ 178,384	$ 178,341	$ 684	$ 654
Adjustments:				
Chapada treatment and refining costs related to gold and copper	8,776	9,495	34	35
Inventory movements and adjustments	2,506	(2,659)	10	(10)
Commercial selling costs	(7,982)	(7,470)	(30)	(27)
Chapada copper revenue including copper pricing adjustment	(124,560)	(165,556)	(479)	(607)
Total GEO by-product cash costs (excluding Alumbrera)	$ 57,124	$ 12,151	$ 219	$ 45
Minera Alumbrera (12.5% interest) by-product cash costs	(10,466)	(21,881)	(1,351)	(1,556)
Total GEO by-product cash costs (i)	$ 46,658	$ (9,730)	$ 174	$ (34)
Commercial GEO produced excluding Alumbrera	260,734	272,621		
Commercial GEO produced including Alumbrera	268,480	286,683		

(i) Depletion, depreciation and amortization is excluded from both total cash costs and cost of sales from continuing operations for the comparative period.

(ii) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

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 IFRS, 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 IFRS, but rather should be evaluated in conjunction with such IFRS measures. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) share-based payments and other compensation, (b) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non-monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) unrealized (gains) losses on commodity derivatives, (e) impairment losses and reversals, (f) deferred income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (g) mark-to-market (gains) losses on share-purchase warrants, (h) 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 for the comparative period 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 IFRS, 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 IFRS, 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. Reconciliations of Adjusted Earnings to net earnings are provided in *Section 5 "Overview of Annual Results"* and *Section 6 "Overview of Quarterly Results"* for both the yearly and quarterly reconciliations, respectively.

Additional GAAP Measures

The Company uses other financial measures the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- *Gross margin* – represents the amount of revenues in excess of cost of sales excluding depletion, depreciation and amortization.
- *Mine operating earnings* – represents the amount of revenues in excess of cost of sales excluding depletion, depreciation and amortization and depletion, depreciation and amortization.
- *Operating earnings* – represents the amount of earnings before net finance income/expense and income tax expense.
- *Cash flows generated 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 described above do not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that their presentation provides useful information to investors because gross margin excludes the non-cash operating cost item (i.e. depreciation, depletion and amortization), Cash flows generated from operations before changes in non-cash working capital excludes the non-cash movement in working capital items, mine operating earnings excludes expenses not directly associate with commercial production and operating earnings excludes finance and tax related expenses and income/recoveries. These, in management's view, provide useful information of the Company's cash flows from operations and are considered to be meaningful in evaluating the Company's past financial performance or the future prospects.

16. SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY

(in thousands of United States Dollars, unless otherwise noted)	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Financial results (i)				
Revenues (ii)	$ 568,754	$ 555,211	$ 573,283	$ 476,077
Mine operating earnings	$ 296,759	$ 272,163	$ 292,488	$ 238,464
Net earnings	$ 89,599	$ 115,766	$ 194,681	$ 148,248
Adjusted earnings (iii)	$ 184,242	$ 190,265	$ 186,181	$ 152,208
Cash flows from operating activities of continuing operations	$ 338,850	$ 342,268	$ 315,766	$ 228,898
Cash flows generated from operations before changes in non-cash working capital items (iii)	$ 320,434	$ 330,522	$ 331,038	$ 284,379
Cash flows to investing activities of continuing operations	$ (315,505)	$ (213,409)	$ (207,716)	$ (109,445)
Cash flows (to) from financing activities of continuing operations	$ (38,415)	$ (57,848)	$ (53,528)	$ 7,113
Per share financial results				
Earnings per share				
Basic	$ 0.12	$ 0.16	$ 0.26	$ 0.20
Diluted	$ 0.12	$ 0.16	$ 0.26	$ 0.20
Adjusted earnings per share (iii)				
Basic	$ 0.25	$ 0.26	$ 0.25	$ 0.21
Diluted	$ 0.25	$ 0.26	$ 0.25	$ 0.21
Financial Position				
Cash and cash equivalents	$ 550,438	$ 570,489	$ 520,863	$ 460,430
Total assets	$10,769,940	$10,552,031	$10,588,801	$10,419,977
Total long-term liabilities	$ 2,783,786	$ 2,794,993	$ 2,835,027	$ 2,854,474
Production				
Commercial GEO – continuing operations (iv)	268,480	279,274	278,737	267,368
Commissioning GEO produced – continuing operations (iv)(v)	8,438	-	-	-
Total GEO produced (iv)	276,918	279,274	278,737	267,368
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera (iii)(iv)	$ 174	$ 94	$ (80)	$ 14
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera (iii)(iv)	$ 486	$ 468	$ 451	$ 449
Chapada concentrate production (tonnes)	81,396	74,312	72,350	69,236
Chapada copper contained in concentrate production (millions of lbs)	45.4	41.4	40.8	38.5
Chapada co-product cash costs per pound of copper	$ 1.20	$ 1.45	$ 1.32	$ 1.21
Alumbrera (12.5% interest) concentrate production (tonnes)	10,691	16,337	16,123	12,690
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lbs)	6.2	9.5	9.3	7.1
Alumbrera co-product cash costs per lb of copper (iii)	2.59	1.58	1.54	1.85
Gold Equivalent Ounces Breakdown – Continuing Operations				
Total gold ounces produced	231,670	230,986	232,138	221,489
Silver ounces produced (millions of ounces)	2.3	2.4	2.3	2.3
Sales				
Total gold sales (ounces)	228,539	226,157	232,743	219,547
Chapada concentrate sales (tonnes)	81,436	73,417	80,330	57,909
Chapada payable copper contained in concentrate sales (millions of lbs)	43.6	38.7	41.6	29.7
Silver sales (millions of ounces)	2.2	2.6	2.1	2.3
Average realized gold price per ounce (ii)	$ 1,670	$ 1,697	$ 1,509	$ 1,387
Average realized copper price per pound (excluding derivative contracts) (ii)	$ 3.36	$ 3.98	$ 4.22	$ 4.28
Average realized silver price per ounce (ii)	$ 31.29	$ 37.52	$ 37.76	$ 33.99

(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	$ 351,375	$ 346,341
Mine operating earnings	$ 273,132	$ 202,567	$ 146,988	$ 131,149
Earnings from continuing operations	$ 125,569	$ 141,740	$ 63,665	$ 124,184
Net earnings	$ 125,569	$ 139,244	$ 70,138	$ 131,536
Adjusted earnings (iii)	$ 170,979	$ 117,253	$ 84,047	$ 75,924
Cash flows from operating activities of continuing operations	$ 250,506	$ 162,281	$ 127,188	$ 141,356
Cash flows generated from operations before changes in non-cash working capital items (iii)	$ 287,222	$ 210,852	$ 194,282	$ 164,471
Cash flows to investing activities of continuing operations	$ (147,192)	$ (133,181)	$ (56,933)	$ (123,334)
Cash flows (to) from financing activities of continuing operations	$ (54,199)	$ (19,532)	$ (27,362)	$ 32,223
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.17	$ 0.19	$ 0.09	$ 0.17
Diluted	$ 0.17	$ 0.19	$ 0.09	$ 0.17
Earnings per share				
Basic	$ 0.17	$ 0.19	$ 0.09	$ 0.18
Diluted	$ 0.17	$ 0.19	$ 0.09	$ 0.18
Adjusted earnings per share (iii)				
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	$10,319,082	$10,083,956	$ 9,867,620	$ 9,785,771
Total long-term liabilities	$ 2,838,324	$ 2,811,820	$ 2,743,497	$ 2,747,153
Production				
Commercial GEO – continuing operations (iv)	286,682	267,409	253,264	239,836
GEO – discontinued operations (i) (iv)	-	-	10,052	33,236
Total GEO produced (iv)	286,682	267,409	263,316	273,072
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera (iii)(iv)	$ (34)	$ 58	$ 103	$ 86
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera (iii)(iv)	$ 465	$ 439	$ 434	$ 423
Chapada concentrate production (tonnes)	69,869	76,808	65,859	51,659
Chapada copper contained in concentrate production (millions of lbs)	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 lbs)	9.3	8.3	9.3	11.8
Alumbrera co-product cash costs per lb of copper (iii)	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
Chapada concentrate sales (tonnes)	74,009	81,127	57,895	51,795
Chapada payable copper contained in concentrate sales (millions of lbs)	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

(i) Results of São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with IFRS) 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) A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis of Operations and Financial Condition.

(iv) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio of 50:1, for presentation purposes only. The assumed gold to silver ratio was 55:1 for 2010 and prior periods.

(v) Including commissioning gold ounces from Mercedes for 2011.

17. 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 IFRS as issued by the IASB. 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, 2011 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 concluded that, as of December 31, 2011, 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 & Touche LLP, the Company's Independent Registered Chartered Accountants, have audited the consolidated financial statements of the Company for the year ended December 31, 2011, and have also issued a report on the internal controls over financial reporting based on the criteria established in the Internal *Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls

During the period ended December 31, 2011, 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 judgements 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, 2011 and December 31, 2010 and results of operations for the periods ended December 31, 2011 and December 31, 2010.

This Management's Discussion and Analysis has been prepared as of February 22, 2012. The audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB 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, 2011 and the most recent Annual Information Form for the year ended December 31, 2011 on file with the Securities Commissions of all of the provinces in Canada and the 2011 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, the Argentine Peso and the Mexican 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, 2011 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, 2011 and other continuous disclosure documents filed by the Company since January 1, 2012 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.

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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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 judgements. 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"

PETER MARRONE
Chairman and
Chief Executive Officer

"Charles B. Main"

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

February 22, 2012

Report of Independent Registered Chartered Accountants

To the board of directors and 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, 2011, December 31, 2010, and January 1, 2010 and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 judgement, 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, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2011, 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 22, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

"Deloitte & Touche LLP"

Independent Registered Chartered Accountants
February 22, 2012
Vancouver, Canada

Report of Independent Registered Chartered Accountants (cont'd)

To the board of directors and 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, 2011, 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, 2011, 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, 2011 of the Company and our report dated February 22, 2012 expressed an unqualified opinion on those financial statements.

"Deloitte & Touche LLP"

Independent Registered Chartered Accountants
February 22, 2012
Vancouver, Canada

Consolidated Statements of Operations

For the Years Ended December 31 (In thousands of United States Dollars except for shares and per share amounts)	2011	2010
		(Note 35)
Revenue	$2,173,325	$1,686,811
Cost of sales excluding depletion, depreciation and amortization (Note 24)	(716,692)	(631,063)
Gross margin	1,456,633	1,055,748
Depletion, depreciation and amortization	(356,759)	(301,912)
Mine operating earnings	1,099,874	753,836
Expenses		
General and administrative	(121,381)	(108,897)
Exploration	(32,398)	(39,184)
Equity earnings from associate (Note 12)	39,019	49,264
Other operating expenses	(40,152)	(23,587)
Operating earnings	944,962	631,432
Finance income (Note 26)	14,148	17,846
Finance expense (Note 26)	(48,326)	(65,794)
Net finance expense	(34,178)	(47,948)
Impairment of investment in available-for-sale securities (Note 13)	(92,600)	-
Earnings from continuing operations before taxes	818,184	583,484
Income tax expense (Note 29)	(269,890)	(128,326)
Earnings from continuing operations	548,294	455,158
Earnings from discontinued operations (Note 6(a))	-	11,329
Net earnings	$ 548,294	$ 466,487
Net earnings attributable to:		
Equity shareholders	$ 548,294	$ 466,487
Earnings per share from continuing operations		
Basic	$ 0.74	$ 0.62
Diluted	$ 0.74	$ 0.61
Net earnings per share		
Basic	$ 0.74	$ 0.63
Diluted	$ 0.74	$ 0.63
Weighted average number of shares outstanding (Note 20(b))		
Basic	744,600	739,938
Diluted	745,356	740,878

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31 (In thousands of United States Dollars)	2011	2010
		(Note 35)
Net earnings	$ 548,294	$ 466,487
Other comprehensive (loss) income, net of taxes (Note 21)	(71,774)	23,075
Total comprehensive income	476,520	489,562
Total comprehensive income attributable to:		
Equity shareholders	476,520	489,562

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31 (In thousands of United States Dollar)	2011	2010
Operating activities		
Earnings from continuing operations before taxes	$ 818,184	$ 583,484
Adjustments to reconcile earnings before taxes to net operating cash flows:		
Depletion, depreciation and amortization	356,759	301,912
Share-based payments (Note 22)	20,429	12,043
Decommissioning, restoration and similar liabilities paid (Note 19)	(4,281)	(4,264)
Equity earnings from associate (Note 12)	(39,019)	(49,264)
Cash distributions from associate (Note 12)	71,502	61,468
Finance income (Note 26)	(14,148)	(17,846)
Finance expense (Note 26)	48,326	65,794
Mark-to-market on sales of concentrate (Note 28(a))	40,381	(17,581)
Income taxes paid	(150,748)	(82,867)
Write-off of assets	4,395	994
Impairment of investment in available-for-sale-securities	92,600	-
Other operating expenses	21,993	2,954
Cash flows generated from operations before non-cash working capital	1,266,373	856,827
Net change in non-cash working capital (Note 30(b))	(40,591)	(175,496)
Cash flows from operating activities of continuing operations	$1,225,782	$ 681,331
Cash flows from operating activities of discontinued operations (Note 6(a))	$ -	$ 1,616
Investing activities		
Acquisition of property, plant and equipment (Note 11)	$ (822,223)	$ (481,972)
Proceeds from option on mineral property (Note 11)	30,000	-
Proceeds on disposition of mineral interests	6,434	69,855
Realized derivative proceeds (payments)	1,626	(5,230)
Business acquisitions and related transactions costs (Note 6)	-	(49,109)
Acquisition of available-for-sale securities	(25,443)	(4,392)
Acquisition of other long-term assets	(27,737)	-
Other assets	(8,732)	10,208
Cash flows to investing activities of continuing operations	$ (846,075)	$ (460,640)
Cash flows to investing activities of discontinued operations (Note 6(a))	$ -	$ (1,616)
Financing activities		
Issue of common shares upon exercise of options and warrants	$ 34,980	$ 75,485
Dividends paid (Note 20(c))	(100,108)	(48,267)
Interest and other finance expenses paid	(22,550)	(51,088)
Repayment of notes payable and long-term liabilities (Note 18)	(55,000)	(45,000)
Cash flows to financing activities of continuing operations	$ (142,678)	(68,870)
Effect of foreign exchange on non-United States Dollar denominated cash and cash equivalents	(17,089)	8,607
Increase in cash and cash equivalents	$ 219,940	$ 160,428
Cash and cash equivalents, beginning of year	330,498	170,070
Cash and cash equivalents, end of year	$ 550,438	$ 330,498
Cash and cash equivalents are comprised of the following:		
Cash at bank	$ 340,551	$ 275,242
Bank term deposits	$ 209,887	$ 55,256

Supplementary cash flow information (Note 30).

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

As at (In thousands of United States Dollars)	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 550,438	$ 330,498	$ 170,070
Trade and other receivables (Note 7)	206,101	212,945	102,126
Inventories (Note 8)	163,421	116,443	101,820
Other financial assets (Note 9)	9,629	49,865	14,110
Other assets (Note 10)	173,063	202,827	126,317
Assets held for sale (Note 6)	-	-	187,694
	1,102,652	912,578	702,137
Non-current assets:			
Property, plant and equipment (Note 11)	9,044,094	8,612,081	8,362,104
Investment in associates (Note 12)	169,102	201,585	213,789
Investments (Note 13)	81,353	102,958	56,366
Other financial assets (Note 9)	128,734	225,151	147,159
Deferred tax assets (Note 29(b))	156,785	183,120	152,365
Goodwill and intangibles (Note 14)	70,682	72,512	55,938
Other assets (Note 10)	16,538	9,107	19,293
Total assets	$10,769,940	$10,319,092	$ 9,709,151
LIABILITIES			
Current liabilities:			
Trade and other payables	$ 358,198	$ 301,335	$ 239,841
Income taxes payable	129,528	81,785	42,844
Other financial liabilities (Note 16)	1,545	3,996	22,548
Other provisions and liabilities (Note 17)	5,360	7,381	6,857
Liabilities held for sale (Note 6)	-	-	33,496
	494,631	394,497	345,586
Non-current liabilities:			
Long-term debt (Note 18)	431,769	486,550	529,450
Decommissioning, Restoration and Similar Liabilities (Note 19)	178,526	162,523	155,189
Deferred tax liabilities (Note 29(b))	2,000,848	2,041,819	1,967,122
Other provisions and liabilities (Note 17)	151,119	130,983	126,237
Other liabilities (Note 17)	21,524	16,449	14,033
Total liabilities	$ 3,278,417	$ 3,232,821	$ 3,137,617
EQUITY			
Share capital (Note 20)			
Issued and outstanding 745,774,300 common shares (December 31, 2010 – 741,362,131 shares)	6,209,136	6,151,423	6,062,906
Reserves	(5,280)	79,923	57,321
Retained earnings	1,240,867	808,125	404,507
Equity attributable to Yamana shareholders	$ 7,444,723	$ 7,039,471	$ 6,524,734
Non-controlling interest (Note 23)	46,800	46,800	46,800
Total equity	7,491,523	7,086,271	6,571,534
Total equity and liabilities	$10,769,940	$10,319,092	$ 9,709,151

Contractual commitments and contingencies (Notes 32 and 33).
The accompanying notes are an integral part of the financial statements.

Approved by the Board

"Peter Marrone"

PETER MARRONE
Director

"Patrick Mars"

PATRICK MARS
Director

Consolidated Statements of Changes in Equity

For the Years Ended December 31 *(In thousands of United States Dollars)*	Share capital	Equity reserve	Hedging reserve	Available-for-sale reserve	Total reserves	Retained earnings	Equity attributable to Yamana shareholders	Non-controlling interests	Total equity
Balance at January 1, 2010	$6,062,906	$ 30,669	$ 12,157	$ 14,495	$ 57,321	$ 404,507	$6,524,734	$ 46,800	$6,571,534
Net earnings	-	-	-	-	-	466,487	466,487	-	466,487
Other comprehensive income, net of income tax (Note 21(a))	-	-	25,433	(2,358)	23,075	-	23,075	-	23,075
Transactions with owners									
Exercise of stock options and share appreciation (Note 22(a))	3,885	(2,245)	-	-	(2,245)	-	1,640	-	1,640
Exercise of share purchase warrants	78,854	-	-	-	-	-	78,854	-	78,854
Issued on vesting of restricted share units (Note 22(c))	6,158	(6,091)	-	-	(6,091)	-	67	-	67
Share options and restricted share units (Note 22(a)(c))	-	7,863	-	-	7,863	-	7,863	-	7,863
Dividends (Note 20(c))	-	-	-	-	-	(62,869)	(62,869)	-	(62,869)
Reduction of deferred tax on share issue costs	(380)	-	-	-	-	-	(380)	-	(380)
Balance at December 31, 2010	$6,151,423	$ 30,196	$ 37,590	$ 12,137	$ 79,923	$ 808,125	$7,039,471	$ 46,800	$7,086,271
Net earnings	-	-	-	-	-	548,294	548,294	-	548,294
Other comprehensive income, net of income tax (Note 21(a))	-	-	(43,681)	(28,093)	(71,774)	-	(71,774)	-	(71,774)
Transactions with owners									
Exercise of stock options and share appreciation (Note 22(a))	50,422	(15,441)	-	-	(15,441)	-	34,981	-	34,981
Issued on vesting of restricted share units (Note 22(c))	7,291	(7,291)	-	-	(7,291)	-	-	-	-
Share options and restricted share units (Note 22(a)(c))	-	9,303	-	-	9,303	-	9,303	-	9,303
Dividends (Note 20(c))	-	-	-	-	-	(115,552)	(115,552)	-	(115,552)
Balance at December 31, 2011	$6,209,136	$ 16,767	$ (6,091)	$ (15,956)	$ (5,280)	1,240,867	$7,444,723	$ 46,800	$7,491,523

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011, December 31, 2010 and January 1, 2010
(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-listed 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.

Yamana Gold Inc. is a company domiciled in Canada. The address of the Company's registered office is 200 Bay Street, Suite 2200, RBC Plaza North Tower Toronto, Ontario, Canada, M5J 2J3. 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).

The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company, its subsidiaries *(Note 34(a))*, the Company's interest in its associate and its jointly controlled entity.

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. The Company seeks to manage the risks associated with its business, however many factors affecting the above risks are beyond the Company's control.

2. BASIS OF CONSOLIDATION AND PRESENTATION

(a) Statement of Compliance

These consolidated financial statements of the Company represent the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as discussed in *Note 35*.

These financial statements were authorized for issuance by the Board of Directors of the Company on February 22, 2012.

(b) Basis of Preparation and Presentation

The consolidated financial statements have been prepared on a going concern basis using historical cost except for the following material items in the consolidated balance sheet which are measured at fair value:

- Derivative financial instruments
- Financial instruments at fair value through profit or loss
- Available-for-sale financial assets
- Liabilities for cash-settled share-based payment arrangements

The consolidated financial statements are presented in United States Dollars, which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

(c) Basis of Consolidation

The accounting policies summarized in *Note 3* have been applied consistently in all material respects in preparing the consolidated financial statements.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. The Company's 56.7% interest in Agua De La Falda ("ADLF"), is consolidated and the non-controlling interest of the Company's partner is recorded *(Note 23)*. All inter-company transactions and balances are eliminated on consolidation.

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement. The consolidated financial statements include the Company's proportionate share of its 50% interest in Aguas Frias S.A.'s assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that control ceases. A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

An associate is an entity over which the Company's ownership and rights arising from its equity investment provide the Company with the ability to exercise significant influence and 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. Where the Company transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the associate. Balances outstanding between the Company and associates are not eliminated in the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currency Translation

The Company's mining operations operate primarily within an economic environment where the functional currency is the United States Dollar. Transactions in foreign currencies are translated to functional currency at exchange rates in effect at the dates of the transactions. 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. Foreign exchange gains and losses and interest and penalties related to tax, if any, are reported within the income tax expense line.

(b) Cash and Cash Equivalents

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

(c) Inventories

Inventories consisting of product inventories, work-in-process (metal-in-circuit and gold-in-process) and ore stockpiles are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal price based on prevailing and long-term metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Work-in-process (metal-in-circuit and gold-in-process) represents inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of work-in-process inventories include estimates of metal contained and recoverable in the ore stacked on leach pads, the amount of metal stacked in the mill circuits that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to decline in selling prices or the costs of completion or the estimated costs to be incurred to make the sale have increased, the Company could be required to write-down the recorded value of its work-in-process inventories to net realizable value.

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.

Inventories of materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. 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.

(d) Property, Plant and Equipment

i. *Land, Building, Plant and Equipment*

Land, building, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The cost is comprised of the asset's purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

The depreciable amount of building, plant and equipment is recorded on a straight-line basis over the lesser of mine life or estimated useful life of the asset to the residual value of the asset. Each part of an item of building, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if their useful lives differ. Useful lives of building, 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
Land	Not depreciated	

The Company reviews the useful life, depreciation method, residual value and carrying value of its building, plant and equipment at each reporting date. Where the carrying value is estimated to exceed the estimated recoverable amount, a provision for impairment is measured and recorded based on the higher of fair value less costs to sell or the asset's value in use.

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

ii. *Exploration, Evaluation Assets and Depletable Producing Properties*

Acquisition costs of mineral properties, direct exploration and development expenditures, and pre-stripping costs are capitalized at cost. 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 deferred stripping when multiple pits exist within a mining complex 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 under *assets under construction.*
- In circumstances where the access to ore body is improved to benefit future period production, the Company capitalize the stripping costs and amortize the costs over the component of the ore body for which access has been improved.
- In circumstances where the expenditures relate 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 a current period expense.

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 meet the definition of an asset. 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.

Depletion of mining properties and amortization of preproduction and development costs are calculated and recorded on the unit-of-production basis over the proven and probable reserves of the mine or the portion of mineralization expected to be classified as reserves that directly benefit from the specific stripping activity.

The Company reviews and evaluates its mining interests for impairment, and subsequent reversal of impairment, at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Refer to (i) "Impairment of Assets and Goodwill" for detail of the policy.

iii. *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 at which a mine and plant has completed the commissioning and has 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, production levels, grades and recovery rates are achieved at a sustainable level.
- Achievement of mechanical completion and operating effectiveness.
- Significant milestones such as obtaining necessary permits and production inputs are achieved to allow continuous and sustainable operations.
- Positive and sustainable cash flows.

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Borrowing 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.

Once the mining project has been established as commercially feasible, expenditure other than that on land, buildings, plant and equipment is transferred to depletable producing properties together with any amounts transferred from exploration and evaluation assets.

iv. *Option Agreements Relating to Mineral Properties*

Option payments made by an interested acquirer prior to the acquirer's decision to exercise the purchase option are deferred until the sale and transfer of the assets are assured. If the option payments are not reimbursable to the acquirer, the option payments are recorded as a reduction of the value of the asset. If the option payments are reimbursable, such amounts are recorded as a liability until the final resolution of the sale.

(e) Borrowing Costs

Interest on borrowings related to qualifying assets including construction or development projects is capitalized until substantially all activities that are necessary to make the asset ready for its intended use are complete. This is usually signaled by the Company's declaration of commercial production commencing at the mine. All other borrowing costs are charged to earnings in the period incurred.

(f) 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 fair value through profit or loss, available-for-sale, or other financial liabilities.

Fair Value Through Profit or Loss ("FVTPL")

Financial assets and financial liabilities which are classified as FVTPL are measured at fair value with changes in those fair values recognized as finance income/expense. Other financial liabilities are measured at amortized cost and are amortized using the effective interest method. At the end of each reporting period, the Company determines if there is objective evidence that an impairment loss on financial assets measured at amortized costs has been incurred. If objective evidence that impairment loss for such assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss.

Available-For-Sale ("AFS")

AFS 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"). Realized gains and losses are recorded in earnings when investments mature or are sold and are calculated using the carrying amount of securities sold. AFS financial assets are reviewed quarterly for possible significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the fact and circumstances of the financial assets, the market price of actively traded securities, as well as the severity of loss, the financial position and near-term prospects of the investment, credit risk of the counterparties, the length of time the fair value has been below costs, both positive and negative evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook. When a decline in the fair value of an available-for-sale investment has been recognized in OCI and there is objective evidence that the asset is impaired after management's review, any cumulative losses that had been recognized in OCI are reclassified as an impairment loss in the Consolidated Statement of Operations. The reclassification adjustment is calculated as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized, if applicable. Impairment losses recognized in the Consolidated Statement of Operations for an investment are subject to reversal, except for an equity instrument classified as available-for-sale.

Derivative instruments

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 finance income/expense with the exception of derivatives designated as effective cash flow hedges.

For cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is reported as an unrealized gain (loss) on derivatives contracts as finance income/expense in the Statement of Operations.

i. *Commodity Derivatives*

The Company enters into commodity derivatives including forward contracts 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 quantities 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 IAS 39, 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.

ii. *Currency Derivatives*

The Company, from time to time, may enter into currency forward contracts to manage the foreign exchange exposure of the operating and capital expenditures associated with its international operations. The Company tests the hedge effectiveness quarterly. Effective unrealized changes in fair value are recorded in OCI. Ineffective changes in fair value are recorded in earnings. At settlement, the fair value amount settled is recognized as follows:

- Amount related to hedging of operating expenditures – add to cost of sales to offset the foreign exchange effect recorded by the mines.
- Amount related to hedging of capital expenditures – add to capitalized purchases of goods or services to offset the foreign exchange recorded by the mines or development projects.

iii. *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 OCI. Ineffective changes in fair value are recorded in profit or loss. At settlement, the fair value amount settled is recognized as interest expense.

iv. *Termination of Hedge Accounting*

Hedge accounting is discontinued prospectively when:

- the hedge instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting; and
- the Company evokes the designation.

The Company considers derecognition of a cash flow hedge when the related forecast transaction is no longer expected to occur. If the Company evokes the designation, the cumulative gain or loss on the hedging instrument that has been recognized in OCI from the period when the hedge was effective remains separately in equity until the forecast transaction occurs or is no longer expected to occur. Otherwise, the cumulative gain or loss on the hedge instrument that has been recognized in OCI from the period when the hedge was effective is reclassified from equity to profit or loss.

(g) Revenue Recognition

Revenue from the sale of precious metals is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured. 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.

Concentrate revenue from smelters is recorded at the time the risks and rewards of ownership pass to the buyer and are provisionally priced, that is, the price is set at a specified future date after shipment based on market prices. Revenue on provisionally priced sales is recognized based on estimates of the fair value of consideration receivable predicated on forward market prices. At each reporting date, the provisionally priced metal is fair valued based on forward selling price for the remaining quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, for which there is an active and freely traded commodity market such as London Metals Exchange and the value of product sold by the Company is directly linked to the form in which it is traded on that market. 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.

Revenues arising from the use by others of the Company's assets yielding interest, royalties and dividends are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company; and the amount of the revenue can be measured reliably, on the following bases:

- Interest is recognized using the effective interest method.
- Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Dividends are recognized when the shareholder's right to receive payment is established.

(h) Business Combinations

A business combination requires that the assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business as the Company considers other factors to determine whether the set of activities or assets is a business.

Business combinations are accounted for using the acquisition method whereby the identifiable assets acquired and the liabilities assumed are recorded at acquisition-date fair values; non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or present ownership instrument's proportionate share on the recognized amount of the acquiree's net identifiable assets.

The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition-date fair value of the net of the assets acquired and liabilities assumed, is recorded as goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the Consolidated Statement of Operations.

Should the consideration be contingent on future events, the preliminary cost of the acquisition recorded includes management's best estimate of the fair value of the contingent amounts expected to be payable. Provisional fair values allocated at the reporting date are finalized within one year of the acquisition date with retroactive restatement to the acquisition date as required.

(i) Assets and liabilities held for sale and Discontinued operations

A non-current asset or disposal group of assets and liabilities ("disposal group") is recorded at the lower of its carrying amount and fair value less costs to sell and classified as held for sale in the Consolidated Balance Sheet when it meets the relevant criteria. A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and meets the relevant criteria. For presentation and disclosure purposes, discontinued operations are segregated in the Consolidated Statement of Operations.

(j) Non-controlling Interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest's share of the carrying values of the subsidiaries. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired as at the date of acquisition and are presented immediately after the shareholder's equity section of the Consolidated Balance Sheet. 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. If the change in ownership does not result in loss of control, it is accounted for as an equity transaction.

(k) Impairment of Assets and Goodwill

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU to determine the amount of impairment loss. For exploration and evaluation assets, indication includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

The Company defines a CGU as an area of interest. An area of interest is an area of similar geology; an area of interest includes exploration tenements/licenses which are geographically close together, are managed by the same geological management group and have similar prospectivity. Areas of interest are defined by the geology/exploration team of the Company.

An area of interest may be categorized as project area of interest or exploration area of interest. A project area of interest represents an operating mine or a mine under construction and its nearby exploration properties, which are managed by the Company's operation group. An exploration area of interest represents a portfolio or pool of exploration properties which are not adjacent to an operating mine or a mine under construction; an exploration area of interest is managed by the Company's exploration group.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use (being the net present value of expected future cash flows of the relevant cash generating unit) and 2) fair value less costs to sell ("fair value"). The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with the accounting policies and internal control over financial reporting of the Company. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. The Company reviews the useful life, depreciation method and carrying value on a regular basis. Where the carrying value is estimated to exceed the estimated recoverable amount, a provision for impairment is recorded measured as the higher of fair value less costs to sell or the intangible's value in use.

The Company tests for impairment of goodwill and indefinite-life intangibles or intangible assets not yet available for use at least on an annual basis or upon the occurrence of a triggering event or circumstance that indicates impairment. For impairment testing, goodwill is allocated to the CGU that is expected to benefit from the synergies of the combination. An impairment loss recognized for goodwill is not reversed in a subsequent period.

(l) Decommissioning, Restoration and Similar Liabilities and Other Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning, restoration and similar liabilities are a type of provision 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 a decommissioning, restoration and similar liabilities. These include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. These estimated costs are provided for in the accounting period when the obligation from related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the present value of estimated future costs. The costs are estimated based on mine closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures that may occur upon decommissioning, restoration and similar liabilities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The amortization or 'unwinding' of the discount applied in establishing the present value of decommissioning, restoration and similar liabilities and other provisions is charged to the Consolidated Statement of Operations in each accounting period. The amortization of the discount is shown as a financing expense. The initial decommissioning, restoration and similar liabilities together with other movements in the provisions for decommissioning, restoration and similar liabilities, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalized within property, plant and equipment. The capitalized costs are amortized over the life of the mine on a unit-of-production basis.

(m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent it relates to items recognized directly in equity or in other comprehensive income, in which case the related taxes are recognized in equity or OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent they can be controlled and that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per Share

Earnings per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

(o) Share-Based Payments

The Company's share-based compensation plans are described in *Note 22*.

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

(p) Pension Plan

The Company has a defined contribution pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service.

Payments to the plan are recognized as an expense when employees have rendered service entitling them to the contributions.

(q) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company's primary format for reporting segment information is geographical segments, which are supplemented by information of individual mining operations. The Company's chief decision maker, comprised of the senior management team, performs its planning, decision making, cash flow management and other management activities on such segment structure and relies on a management team with its members positioned in the geographical regions where the Company's key mining operations are located. In determining the Company's segment structure, consideration is given to the similar operational, currency and political risks to which the mining operations within the same business and regulatory environment are exposed. Except for the Canada and Mexico and Other segments, each mine within a segment derives its revenues mainly from the sales of precious metals through specific channels and processes as coordinated and managed by the corresponding regional management group.

All operating segments' results are reviewed regularly by the Company's chief decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Company's chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's head office), head office expenses, and income tax assets and liabilities.

The Company is organized on the basis of five segments:

- Brazil: Chapada, Jacobina, Fazenda Brasileiro, development projects in the segment.
- Chile: El Peñón, Minera Florida, development projects in the segment.
- Argentina: Gualcamayo, development projects in the segment.
- Mexico and other: Mercedes and other development projects outside of the above segments.
- Canada: Corporate office.

(r) Transaction and Financing Costs

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

(s) Investment in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company is presumed to have significant influence if it holds, directly or indirectly, 20% or more of the voting power of the investee. If the Company holds less than 20% of the voting power, other relevant factors are examined by the Company to determine whether it has significant influence. The factors that may enable the exercise of significant influence include the proportion of seats on the board being assigned to the Company, nature of the business decisions that require unanimous consent of the directors, ability to influence the operating, strategic and financing decisions and the existing ownership composition vis-à-vis the Company's ability to exercise significant influence. The Company accounts for its investments in associates using the equity method. The Company accounts for its investment in Alumbrera of 12.5% using the equity method.

The equity method involves the recording of the initial investment at cost and the subsequent adjustments of the carrying value of the investment for the Company's proportionate share of the profit or loss and any other changes in the associate's net assets such as dividends.

The Company's proportionate share of the associate's profit or loss is based on its most recent financial statements. There is no difference in the associate's reporting period and that of the Company. Adjustments are made to align inconsistencies between our accounting policies and our associate's policies, if any, before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date and for any impairment losses recognized by the associate.

If our share of the associate's losses equals or exceeds our investment in the associate, recognition of further losses is discontinued. After our interest is reduced to zero, additional losses will be provided for and a liability recognized, only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, we resume recognizing our share of those profits only after our share of the profits equals the share of losses not recognized.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

a) Critical Judgements in the Application of Accounting Policies

Information about critical judgements and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the fourth quarter, the Company recognized an unrealized, non-cash impairment loss on certain equity investments in the amount of $81.0 million on an after-tax basis ($92.6 million on a pre-tax basis).

- Capitalization of exploration and evaluation costs
  Management has determined that exploration and evaluation costs incurred during the year for the respective operating mines, Pilar and other exploration interests have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the year, the Company capitalized a total of $89.6 million (2010 – $58.6 million) of exploration expenditures.

- Determination of economic viability of a project
  Management has determined that costs associated with projects under construction or developments including C1 Santa Luz, Ernesto/Pau-a-Pique, Pilar and Mercedes have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

- Commencement of commercial/operating level production
  During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc., whether the necessary permits are in place to allow continuous operations.

- Deferral of stripping costs
  In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company. As at December 31, 2011, a cumulative total of $94.2 million (2010 – $51.6 million) of stripping costs have been capitalized.

- Determination of significant influence
  Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, operating involvement, etc.

b) Key Sources of Estimation Uncertainty in the Application of Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

- Revenue recognition
  Revenue from the sale of concentrate to independent smelters 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 may be 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 high 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 assay, the provisional sales quantities are adjusted as well.

- Mineral reserve estimates
  The figures for mineral reserves and mineral 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 mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. 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.

- Impairment of mining interests and goodwill
  While assessing whether any indications of impairment exist for mining interests and goodwill, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests and goodwill. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and/or goodwill.

- Asset lives, depletion/depreciation rates for property, plant and equipment and mineral interests
  Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Inventory valuation
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 the mill circuits and 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.

- Accounting for acquisitions
The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date).

- Contingencies
Refer to *Note 33, Contingencies* to the Consolidated Financial Statements.

5. RECENT ACCOUNTING PRONOUCEMENTS

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2011. Pronouncements that are not applicable to the Company have been excluded from those described below.

(a) The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. The Company does not plan to early adopt the following standards. The Company is assessing the impact of the implementation of these standards on the Company's consolidated financial statements.

(i) Consolidated Financial Statements
IFRS 10 *Consolidated Financial Statements* ("IFRS 10") will replace existing guidance on consolidation in IAS 27 *Consolidated and Separate Financial Statements,* and SIC 12 *Consolidation – Special Purpose Entities.* The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.

(ii) Joint Arrangements
IFRS 11 *Joint Arrangements* ("IFRS 11") will replace IAS 31 *Interests in Joint Ventures,* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.* IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

(iii) Disclosure of Interests in Other Entities
IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgements and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.

(iv) Separate Financial Statements
IAS 27 *Separate Financial Statements* ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments.* The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 *Consolidated and Separate Financial Statements* that is replaced by IFRS 10.

(v) Investments in Associates and Joint Ventures
IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28 *Investments in Associates* does not include joint ventures.

(b) IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value 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, i.e. an exit price. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(c) IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the Consolidated Statement of Operations. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(d) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") was issued in October 2011 and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRIC 20 was issued to address the accounting for costs associated with waste removal in surface mining ("stripping costs"). The interpretation clarifies when production stripping should lead to the recognition of an asset and how the asset should be measured, both initially and in subsequent periods. The Company is currently in the process of assessing the impact of this standard on the Company's consolidated financial statements.

(e) IFRS 9 *Financial Instruments* was issued in November, 2009 with the intent to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in three phases. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

6. DISPOSITION AND ACQUISITION OF MINERAL INTERESTS

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

On July 17, 2009, the Company signed an agreement with Aura Minerals Inc. ("Aura") to sell three of the Company's non-core operating mines for total consideration of approximately $265.0 million in a combination of cash, shares, secured promissory notes and deferred cash consideration. One of the mines is in Honduras and two are in Brazil. The sale transaction was structured in two parts to accommodate jurisdiction-related regulatory requirements. The first disposition related to the sale of the San Andrés mine was completed on August 25, 2009 and there was a gain on sale of $5.7 million. The second disposition related to the sale of assets that encompassed the São Francisco and São Vicente Mines was completed on April 30, 2010. There was a gain of $5.4 million on this transaction.

On March 6, 2011, the Company agreed with Aura to restructure the debt and other amounts payable to the Company relating to certain promissory notes in the aggregate amount of $64.5 million plus the deferred consideration related to the sale of the abovementioned mines. Under the agreement, the Company received a combination of cash, shares of Aura and a net smelter return royalty equal to 1.5% on the sales from the San Andrés, São Francisco and São Vicente Mines for an amount of up to $16.0 million. The Company has derecognized the assets previously recorded on disposition of the mines and has recorded the assets received in consideration at their fair value. There was not a material gain or loss on the transaction.

The following are the results of operations for the years presented:

For the year ended	Total discontinued operations December 31, 2011	December 31, 2010
Revenues	$ -	$ 53,047
Operating earnings	-	7,406
Earnings before taxes	-	7,866
Gain on sale	-	5,429
Income tax expense	-	(1,966)
Earnings from discontinued operations attributable to equity shareholders	$ -	$ 11,329
Earnings per share from discontinued operations:		
Basic	$ -	$ 0.02
Diluted	$ -	$ 0.02
Cash flows of discontinued operations		
Operating activities	$ -	$ 1,616
Investing activities	$ -	$ (1,616)

(i) *Balances are up to April 2010, the date of disposition.*

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

As at	Total discontinued operations December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Trade and other receivables	$ -	$ -	$ 7,953
Inventories	-	-	44,085
Other current assets	-	-	1,586
Mining interests	-	-	134,070
Total assets	$ -	$ -	$ 187,694
Liabilities			
Trade and other payables	$ -	$ -	$ 13,937
Environmental rehabilitation provision	-	-	19,559
Total liabilities	$ -	$ -	$ 33,496

(b) Acquisition of Construction Gardilcic Ltda. and Constructor 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 El Peñón mine. Through purchasing this business, the Company is now owner-mining at 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 business combination 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 allocation of the consideration is $18.6 million of other identifiable intangibles, representing the intellectual property 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 purchase price allocation is as follows:

Inventory	$ 2,969
Property, plant and equipment, net	28,328
Other liabilities accrued	(1,000)
Other identifiable intangibles	18,534
Other assets	107
Net identifiable assets	$ 48,938

CG and CT were contractors servicing the El Peñón mine. The acquisition resulted in owner-mining, as a result, there is no separable revenue and earnings or loss from operations from CG and CT since the acquisition.

7. TRADE AND OTHER RECEIVABLES

	December 31, 2011	December 31, 2010 (Note 35)	January 1, 2010 (Note 35)
Financial assets			
Trade receivables (i)	$ 199,597	$ 210,345	$ 99,092
Other receivables	6,504	2,600	3,034
	$ 206,101	$ 212,945	$ 102,126

(i) *The average credit period of gold sales is less than 30 days. No interest is charged on trade receivables and they are neither impaired nor past due.*

8. INVENTORIES

	December 31, 2011	December 31, 2010 (Note 35)	January 1, 2010 (Note 35)
Product inventories	$ 26,278	$ 19,969	$ 26,372
Metal in circuit and gold in process	34,239	19,282	11,752
Ore stockpiles	43,935	21,290	20,303
Material and supplies	58,969	55,902	43,393
	$ 163,421	$ 116,443	$ 101,820

The amount of inventories recognized as an expense during the year ended December 31, 2011, is included in cost of sales of $716.7 million (2010 – $631.1million).

9. OTHER FINANCIAL ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Derivative related assets (Note 28(a))	$ 9,629	$ 44,183	$ 14,277
Note receivable (ii)	-	64,690	25,971
Long-term tax credits (i)	114,002	137,231	107,177
Deferred consideration receivable (ii)	10,000	25,000	-
Restricted cash (iii)	220	220	13,844
Other	4,512	3,692	-
	$ 138,363	$ 275,016	$ 161,269
Current	9,629	49,865	14,110
Non-current	128,734	225,151	147,159
	$ 138,363	$ 275,016	$ 161,269

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

(ii) *On March 6, 2011, the Company agreed with Aura to restructure the debt and other amounts payable to the Company relating to certain promissory notes in the aggregate amount of $64.5 million plus deferred purchase price consideration of $25.0 million related to the sale of the abovementioned mines. Under the restructuring agreement, the Company received a combination of cash, shares of Aura and a net smelter return royalty equal to 1.5% on the sales from the San Andrés, São Francisco and São Vicente Mines for an amount of up to $16.0 million. The Company recorded this net smelter return royalty at its estimated fair value of $10.0 million.*

(iii) *At December 31, 2011, the Company had restricted cash of $0.2 million (December 31, 2010 -$0.2 million; January 1, 2010 – $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.*

10. OTHER ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Advances and deposits	160,737	158,144	98,035
Income taxes recoverable	5,406	31,467	12,323
Other long-term advances	15,921	7,805	4,133
Other	7,537	14,518	31,119
	$ 189,601	$ 211,934	$ 145,610
Current	173,063	202,827	126,317
Non-current	16,538	9,107	19,293
	$ 189,601	$ 211,934	$ 145,610

11. PROPERTY, PLANT AND EQUIPMENT

	Depletable producing properties (iii)	Land, building, plant & equipment (i)	Assets under construction (ii)	Tangible exploration & evaluation assets (iv)	Total
Cost, January 1, 2010	$ 2,707,170	$ 999,001	$ 4,492	$ 5,278,605	$ 8,989,268
Additions	238,889	142,028	83,956	48,928	513,801
Transfers and other non-cash movements	23,785	57,077	6,057	(30,214)	56,705
Change in decommissioning, restoration & similar liabilities and effect of foreign currency exchange differences	(4,196)	-	-	-	(4,196)
Disposals	-	(16,270)	-	-	(16,270)
Cost, December 31, 2010	**$ 2,965,648**	**$ 1,181,836**	**$ 94,505**	**$ 5,297,319**	**$ 9,539,308**
Additions	207,418	160,834	312,773	141,198	822,223
Transfers and other non-cash movements	(32,413)	9,491	22,032	(48,301)	(49,191)
Change in decommissioning, restoration & similar liabilities and effect of foreign currency exchange differences	36,188	3	-	(63)	36,128
Disposals	(89)	(8,274)	(59)	(1,634)	(10,056)
Cost, December 31, 2011	**$ 3,176,752**	**$ 1,343,890**	**$ 429,251**	**$ 5,388,519**	**$10,338,412**
Accumulated depreciation and impairment, January 1, 2010	$ 440,015	$ 187,149	$ -	$ -	$ 627,164
Depreciation for the year	202,774	101,035	-	-	303,809
Reclassifications	3,775	728	-	-	4,503
Disposals	-	(8,249)	-	-	(8,249)
Accumulated depreciation and impairment, December 31, 2010	**$ 646,564**	**$ 280,663**	**$ -**	**$ -**	**$ 927,227**
Depreciation for the year	251,685	118,169	-	-	369,854
Impairment charges	-	764			764
Disposals	-	(3,151)	-	-	(3,151)
Transfers and other non-cash movements	-	(376)	-	-	(376)
Accumulated depreciation and impairment, December 31, 2011	**$ 898,249**	**$ 396,069**	**$ -**	**$ -**	**$ 1,294,318**
Carrying value, January 1, 2010	$ 2,267,155	$ 811,852	$ 4,492	$ 5,278,605	$ 8,362,104
Carrying value, December 31, 2010	$ 2,319,084	$ 901,173	$ 94,505	$ 5,297,319	$ 8,612,081
Carrying value, December 31, 2011	**$ 2,278,503**	**$ 947,821**	**$ 429,251**	**$ 5,388,519**	**$ 9,044,094**

(i) *Included in land, building, plant and equipment is $40.5 million of land properties which are not subject to depreciation (December 31, 2010 – $40.5 million; January 1, 2010 – $39.4 million).*

(ii) *During the year ended December 31, 2011, the Company capitalized $19.7 million of interest costs for assets under construction (December 31, 2010 – $4.3 million; January 1, 2010 – $16.7 million). A weighted average capitalization rate of 7.1% (December 31, 2010 – 7.0%, January 1, 2010 – 7.6%) was used to determine the amount of borrowing costs eligible for capitalization.*

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

	December 31, 2011	December 31, 2010
Balance, beginning of the year	$ 51,607	$ 13,995
Additions	45,342	38,615
Amortization	(2,757)	(1,003)
Balance, end of year	$ 94,192	$ 51,607

(iv) *In March 2011, the Company announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that would facilitate the integration of Agua Rica into Minera Alumbrera. Following the integration, Xstrata, Goldcorp and Yamana would own interests in the combined projects of 50%, 37.5% and 12.5% respectively, consistent with their current interest in Alumbrera. Subject to Xstrata and Goldcorp exercising their option to have Alumbrera acquire Agua Rica, which is 100% Yamana owned, the terms of the agreement provides for the Company to receive from Xstrata and Goldcorp a combination of initial payments of $110 million during the 36 months following execution of formal transaction documents, $150 million upon approval to proceed with construction and $50 million upon achieving commercial production. In addition, the Company would receive a deferred consideration revenue stream, which would allow Yamana to retain positive exposure to the majority of the significant gold resources at the Agua Rica project. The Company received a $30 million payment for the option in the period ended March 31, 2011 which has been recorded against the value of the mineral property.*

12. INVESTMENT IN ASSOCIATE

The Company holds a 12.5% indirect interest in the Bajo de la Alumbrera Mine, held by Minera Alumbrera Ltd. ("Alumbrera"). Although the investment is less than 20% of the outstanding shares of Alumbrera, other relevant factors have been examined by the Company to determine whether it has significant influence. Such factors include the proportion of seats on the board being assigned to the Company, nature of the business decisions that require unanimous consent of the directors, ability to influence the operating, strategic and financing decisions and the existing ownership composition vis-à-vis the Company's ability to exercise significant influence.

The investment in this associate is, accordingly, accounted using the equity method. Earnings of Alumbrera have been included in the earnings of the Company since acquisition.

Summarized financial information is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Total assets	$ 999,282	$1,223,238	$1,237,362
Total liabilities	404,576	623,607	620,259
Net assets	$ 594,706	$ 599,631	$ 617,103
Company's share of net assets of associate (12.5%)	$ 74,338	$ 74,954	$ 77,138

	December 31, 2011	December 31, 2010
Company's share of total revenues (12.5%) for the year	$ 190,273	$ 198,758
Company's share of earnings (12.5%) for the year	$ 39,019	$ 49,264

	December 31, 2011	December 31, 2010
Balance, beginning of the year (Note 35)	$ 201,585	$ 213,789
Equity in earnings	39,019	49,264
Cash distributions	(71,502)	(61,468)
Balance, end of year	$ 169,102	$ 201,585

13. INVESTMENTS

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Available-for-sale securities (a)	$ 81,353	$ 102,958	$ 46,239
Long-term investments	-	-	10,127
	$ 81,353	$ 102,958	$ 56,366

(a) *Available-for-sale Securities*

			December 31, 2011				December 31, 2010				January 1, 2010	
	% (i)	Cost	Fair Value	Cumulative losses in AOCI	% (i)	Cost	Fair Value	Cumulative gains in AOCI	% (i)	Cost	Fair Value	Cumulative gains in AOCI
Aura Minerals Inc.	19.2%	$158,777	$ 53,578	$(12,599)	11.3%	$ 80,292	$ 91,225	$ 10,933	5.5%	$ 26,532	$ 40,886	$ 14,354
Other		31,132	27,775	(3,357)		8,545	11,733	3,188		3,985	5,353	1,368
Total		$189,909	$ 81,353	$(15,956)		$ 88,837	$102,958	14,121		$ 30,517	$ 46,239	$ 15,722

(i) *% ownership on an undiluted basis.*

AFS financial assets are reviewed quarterly for possible significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the fact and circumstances of the financial assets, the market price of actively traded securities and other financial assets, the severity of loss, the financial position and near-term prospects of the investment, credit risk of the counterparties, the length of time the fair value has been below costs, both positive and negative evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook. As at December 31, 2011, after management's review and based on objective evidence, an impairment of $92.6 million was recognized which represents the difference between the carrying value and the fair market value, in the Consolidated Statement of Operations.

14. GOODWILL AND INTANGIBLES

	Goodwill (a)	Other intangibles (b)	Total
Cost, January 1, 2010	$ 55,000	$ 938	$ 55,938
Acquisition through business combinations (Note 6(b))	-	18,534	18,534
Cost, December 31, 2010 and 2011	$ 55,000	$ 19,472	$ 74,472
Amortization for 2010	-	(1,960)	(1,960)
Accumulated amortization and impairment, December 31, 2010	-	(1,960)	(1,960)
Amortization for 2011	-	(1,830)	(1,830)
Accumulated amortization and impairment, December 31, 2011	$ -	$ (3,790)	$ (3,790)
Carrying value, January 1, 2010	$ 55,000	$ 938	$ 55,938
Carrying value, December 31, 2010	$ 55,000	$ 17,512	$ 72,512
Carrying value, December 31, 2011	$ 55,000	$ 15,682	$ 70,682

(a) *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, 2011 relates to the acquisition of the gold producing Jacobina mine and related assets in Brazil in 2006. To date, the accumulated impairments 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 flows resulting from cost savings and revenue enhancements that can be realized from the Jacobina mine in Brazil.

In testing goodwill for impairment, the following are key assumptions applicable:

- Discount rate of 8.8% as determined by Jacobina's weighted average cost of capital,
- Long term gold price of $950 to $1,400 per ounce,
- Average future inflation index of 3.46% using the country-specific rate from a third-party pricing service.

The model used to determine impairment is based on management's best assumptions using material and practicable data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, the Company has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

(b) *Other Intangibles*

As of December 31, 2011, included in Other Intangibles, the Company had $14.7 million (December 31, 2010 – $16.6 million; January 1, 2010 – $nil) of identifiable intangibles, representing the intellectual property and other intangibles recognized in the acquisition of Constructora Gardilcic Ltda. and Constructora TCG Ltda.

15. TRADE AND OTHER PAYABLES

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Financial liabilities			
Trade payables (i)	$ 194,300	$ 185,151	$ 153,522
Other payables	163,898	116,184	86,319
	$ 358,198	$ 301,335	$ 239,841

(i) *No interest is charged on the trade payables for the first 60 days from the date of invoice. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.*

16. OTHER FINANCIAL LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Derivative related liabilities (Note 28(a))	$ 20,629	$ 4,803	$ 15,346
Share purchase warrants (Note 22(d))	-	143	9,053
Long -term withholding taxes (i)	81,252	91,827	91,172
Royalty payable (ii)	14,636	14,978	14,193
Severance accrual	13,529	11,193	8,340
Deferred Share Units liability (Note 22(b))	22,225	11,643	7,017
Other	393	392	3,664
	$ 152,664	$ 134,979	$ 148,785
Current	1,545	3,996	22,548
Non-current	151,119	130,983	126,237
	$ 152,664	$ 134,979	$ 148,785

(i) *The Company is subject to additional taxes in Chile on the repatriation of profits to its foreign shareholders. Total taxes in the amount of $81.3 million have been accrued on the assumption that the profits will be repatriated.*

(ii) *The Company has an agreement with Miramar Mining Corporation ("Miramar" acquired by Newmont Mining Corporation) for a Proceeds Interest of Cdn$15.4 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 all production from the Company's mining properties held at the time of Northern Orion entering into the agreement, or 50% of the net proceeds of disposition of any interest in the Agua Rica property until the Proceeds Interest of Cdn$15.4 million is paid.*

17. OTHER PROVISIONS AND LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
		(Note 35)	(Note 35)
Decommissioning, restoration and similar liabilities (Note 19)	$ 2,279	$ 4,767	$ 4,941
Provision for silicosis (i)	14,024	8,949	6,533
Other liabilities	10,581	10,114	9,416
	$ 26,884	$ 23,830	$ 20,890
Current	5,360	7,381	6,857
Non-current	21,524	16,449	14,033
	$ 26,884	$ 23,830	$ 20,890

(i) *Provision for silicosis consists of amounts accrued 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 amount and timing of any expected payments are uncertain as their determination is outside the control of the Company's management. The Company estimates this contingency to be about $14.0 million as at December 31, 2011 (December 31, 2010 – $8.9 million; January 1, 2010 – $6.5 million). The increase of $5.1 million in the year relates to an increase in the expected amount of future payment and also the impact of the foreign exchange rate of this Brazilian-Real denominated liability. There were no payments made during the year.*

18. LONG-TERM DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
$750 million revolving facility (a)	$ 162,947	$ 218,307	$ 261,477
$270 million senior debt notes (b)	268,822	268,243	267,973
Long-term portion (i)	$ 431,769	$ 486,550	$ 529,450

(i) *Balances are net of transaction costs of $5.9 million net of amortization (December 31, 2010 – $6.1 million; January 1, 2010 – $8.2 million).*

(a) The revolving facility has a credit limit of up to $750.0 million. The following summarizes the terms in respect to this facility as at December 31, 2011:

- The credit facility is unsecured and has a maturity date of June 16, 2014.
- 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 net total debt to rolling 12 months earnings before interest, taxes, depreciation and amortization. The effective interest rate at December 31, 2011 was 5.88%.
- Undrawn amounts are subject to a commitment fee of 0.50% to 0.81% per annum depending upon the Company's leverage ratio.

(b) The unsecured senior debt notes are the result of a private placement for a total of $270.0 million 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
2012	$ -	$ -
2013	-	-
2014	167,632	15,000
2015	-	-
2016	-	73,500
2017 and thereafter	-	181,500
	$ 167,632	$ 270,000

19. DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES

Balance, January 1, 2010 (i)	$ 160,130
Interest incurred in the current year for operating mines	7,562
Interest incurred in the current year for non-operating mines	2,210
Adjustments to decommissioning, restoration and similar liabilities during the year	(3,098)
Foreign exchange impact	4,750
Expenditures during the current year	(4,264)
Balance, December 31, 2010 (i)	$ 167,290
Interest incurred in the current year for operating mines	5,698
Interest incurred in the current year for non-operating mines	2,254
Adjustments to decommissioning, restoration and similar liabilities during the year	20,257
Foreign exchange impact	(10,413)
Expenditures during the current year	(4,281)
Balance, December 31, 2011 (i)	$ 180,805

(i) As at December 31, 2011, the balance included $2.3 million obligations (December 31, 2010: $4.8million; January 1, 2010: $4.9 million) which were classified as current.

The Decommissioning, Restoration and Similar Liabilities are calculated as the net present value of estimated undiscounted future cash flows, which total $270.8 million (December 31, 2010 – $262.3 million) using discount rates specific to the liabilities of 1.5% to 12.5% (December 31, 2010 – 2.8% to 9.1%). The settlement of the obligations will occur through to 2031. The Decommissioning, Restoration and Similar Liabilities of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos, Mexican Pesos and United States Dollars. The liabilities, other than those denominated in United States Dollar, 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 translation gains/losses are reflected in Property, Plant and Equipment.

20. SHARE CAPITAL

(a) Common Shares Issued and Outstanding:

The Company is authorized to issue an unlimited number of common shares at no par value and a maximum of eight million first preference shares. There are no first preference shares issued or outstanding as at December 31, 2011.

	2011		2010	
Issued and fully paid – 745,774,300 common shares (December 31, 2010 – 741,362,131 shares; January 1, 2010 – 733,411,458 shares):	Number of common shares (000's)	Amount	Number of common shares (000's)	Amount
Balance, beginning of year	741,362	$6,151,423	733,411	$6,062,906
Exercise of options and share appreciation rights (i)	3,742	50,422	271	3,885
Exercise of warrants	-	-	7,125	78,854
Issued on vesting of restricted share units (Note 22(c))	670	7,291	555	6,158
Reduction of deferred tax on share issue costs	-	-	-	(380)
Balance, end of year	745,774	$6,209,136	741,362	$6,151,423

(i) At December 31, 2011, the Company issued 3.7 million shares (December 31, 2010 – 0.3 million shares) to optionees on the exercise of their share options for cash proceeds of $35.0 million (December 31, 2010 – $1.6 million). Previously recognized stock-based compensation in the amount of $15.4 million (December 31, 2010 – $2.2 million) on the options exercised was added to share capital with a corresponding decrease to contributed surplus.

(b) Earnings per Share

	2011	2010
Weighted average number of common shares	744,600	739,938
Weighted average number of dilutive stock options	756	940
Dilutive weighted average number of common shares	745,356	740,878

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, 2011 were $nil (December 31, 2010 – 0.08 million) and $nil (December 31, 2010 – 4.9 million), respectively.

(c) Dividends Paid and Declared

	2011	2010
Dividends paid during the year	$ 100,108	$ 48,267
Dividend declared in respect of the year	$ 115,552	$ 62,869
Dividend paid during the year (per share)	$ 0.13	$ 0.07
Dividend declared in respect of the year (per share)	$ 0.15	$ 0.08

21. OTHER COMPREHENSIVE INCOME AND RESERVES

(a) Other Comprehensive Income

	2011	2010 (Note 35)
Net change in unrealized losses on available-for-sale securities:		
Change in fair value	$ (123,008)	$ (1,710)
Tax recovery (expense)	1,984	(916)
Reclassification of loss recorded in earnings	92,931	323
Tax expense	-	(55)
Net change in fair value of hedging instruments (Note 28(a))		
Change in fair value	(60,169)	38,094
Tax recovery (expense)	16,488	(12,661)
Other comprehensive (loss) income	$ (71,774)	$ 23,075

(b) Reserves

	2011	2010 (Note 35)
Equity reserve		
Balance, beginning of year	$ 30,196	$ 30,669
Exercise of stock options and share appreciation	(15,441)	(2,245)
Transfer on vesting of restricted share units	(7,291)	(6,091)
Share options and appreciation rights	9,303	7,863
Balance, end of year	$ 16,767	$ 30,196
Hedging reserve		
Balance, beginning of year	$ 37,590	$ 12,157
Net change in fair value of hedging instruments (i)	(43,681)	25,165
Reclassification of losses on cash flow hedges to earnings (iv)	-	268
Balance, end of year	$ (6,091)	$ 37,590
Available-for-sale reserve		
Balance, beginning of year	$ 12,137	$ 14,495
Change in fair value of available-for-sale securities (ii)	(121,024)	(2,358)
Reclassification of losses on available-for-sale securities to earnings (iii)	92,931	-
Balance, end of year	$ (15,956)	$ 12,137
Total reserve balance, end of year	$ (5,280)	$ 79,923

(i) Net of tax recovery of $16.5 million (2010 – tax expense of $12.7 million).
(ii) Net of tax recovery of $2.0 million (2010 – tax expense of $1.0 million).
(iii) Net of tax expense of $nil (2010 – $nil).
(iv) Net of tax expense of $nil (2010 – $0.05 million).

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in the Consolidated Statement of Operations when the hedged transaction impacts the Consolidated Statement of Operations, or is recognized as an adjustment to the cost of non-financial hedged items.

The available-for-sale reserve represents the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold or impaired, the relevant portion of the reserve is recognized in the Consolidated Statement of Operations.

22. SHARE-BASED PAYMENTS

The total compensation cost relating to share-based payments was $20.4 million (December 31, 2010 – $12.0 million) and is comprised of the following:

	2011	2010
Equity-settled plans	$ 9,302	$ 7,930
Cash-settled plans	11,127	4,113
Total expense recognized as compensation expense	$ 20,429	$ 12,043
Total carrying amount of liabilities for cash-settled arrangements (Note 16)	$ 22,225	$ 11,643
Total fair value of liability for vested benefits	$ 16,767	$ 30,196

(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 (2010 – 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 years ended December 31, 2011 and December 31, 2010.

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:

	2011		2010	
	Number of options (000's)	Weighted average exercise price (Cdn$)	Number of options (000's)	Weighted average exercise price (Cdn$)
Outstanding, beginning of year	5,490	$ 9.42	5,876	$ 9.32
Exercised	(3,798)	9.20	(381)	7.83
Expired	(160)	9.47	(5)	9.65
Outstanding, end of year	1,532	$ 9.90	5,490	$ 9.42
Exercisable, end of year	1,532	$ 9.90	4,988	$ 9.35

The weighted average share price at date of exercise for the year ended December 31, 2011 was $12.14 (December 31, 2010 – $11.74)

Stock options outstanding and exercisable as at December 31, 2011 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)
$3.00- $4.99	15	3.36	15	3.36
$9.00-$9.99	1,426	2.36	1,426	2.36
$10.00-$12.99	72	2.47	72	2.47
Total	1,513	2.37	1,513	2.37

	Outstanding		Exercisable	
Exercise price (US$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$4.00-$5.99	19	3.37	19	3.37
Total	19	3.37	19	3.37
Grand total	1,532		1,532	

(b) Deferred Share Units ("DSU")

DSU 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 at least one half 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.

	2011 Number of DSU (000's)	2010 Number of DSU (000's)
Outstanding, beginning of year	901	605
Granted	593	296
Outstanding and exercisable, end of year	1,494	901

The value of the DSU as at December 31, 2011 was $22.2 million (2010 – $11.6 million, January 1, 2010 – $6.5 million). In 2011, the Company recorded a mark-to-market loss of $3.3 million which is included in other operating expenses and an expense of $7.8 million for DSU granted during the year.

(c) 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, or as it delegates, 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.

	2011 Number of RSU (000's)	2010 Number of RSU (000's)
Outstanding, beginning of period	1,192	1,349
Granted	1,498	415
Vested and converted to common shares	(670)	(556)
Forfeited	(55)	(16)
Outstanding, end of period	1,965	1,192

In year ended December 31, 2011, the Company credited $7.3 million to share capital in respect of RSU that vested during the year and granted 1,497,871 RSU (December 31, 2010 – 415,086 RSU) with a weighted average grant date fair value of Cdn$13.04 (December 31, 2010 – Cdn$10.82). The expense of $9.1 million (December 31, 2010 – $7.1 million) is included in general and administrative expenses. The fair value of RSU as at December 31, 2010 was $14.8 million (December 31, 2010 – $8.9 million).

(d) Share Purchase Warrants

	2011			2010		
	Number of warrants (000's)	Weighted average exercise price (Cdn$)	Fair Value	Number of warrants (000's)	Weighted average exercise price (Cdn$)	Fair Value
Outstanding, beginning of year	4,886	$ 19.08	$ 143	14,497	$ 13.74	$ 9,053
Exercised	-	-	-	(7,124)	11.05	(5,010)
Expired	(4,886)	19.08	-	(2,487)	10.95	(2,162)
Mark-to-market adjustments	-	-	(143)	-	-	(1,738)
Outstanding and exercisable, end of year	-	$ -	$ -	4,886	$ 19.08	$ 143

Share purchase warrants were denominated in Canadian Dollars, and were recorded as a liability and carried at fair value. Any changes in fair value from period to period are recorded as a gain or loss in the Statement of Operations. The outstanding share purchase warrants expired unexercised during the year.

23. NON-CONTROLLING INTEREST

The Company holds a 56.7% interest in Agua De La Falda ("ADLF") project along with 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.

	2011	2010
Agua De La Falda S.A.	$ 46,800	$ 46,800

24. COST OF SALES EXCLUDING DEPLETION, DEPRECIATION AND AMORTIZATION

	2011	2010
Change in inventories, ore stockpiles, material and supplies	$ (16,281)	$ (672)
Contractors, services and other charges	222,794	193,136
Employee compensation and benefits expenses (Note 25)	155,471	121,994
Repairs and maintenance	81,290	78,046
Royalties	7,621	6,347
Power	72,040	65,802
Consumables	193,692	164,937
Other	33,566	28,316
Impact of foreign currency derivative contracts (Note 28(a))	(33,501)	(26,843)
Cost of sales excluding depletion, depreciation and amortization	$ 716,692	$ 631,063

25. EMPLOYEE COMPENSATION AND BENEFITS EXPENSES

	2011	2010
Wages and salaries	$ 143,089	$ 141,419
Pension plans (a)	92,507	55,806
Other benefits (b)	30,214	26,584
Total Employee compensation and benefits expenses	$ 265,810	$ 223,809
Less: Expensed within General and Administrative expenses	(56,140)	(54,028)
Less: Expensed Exploration expenses	(9,659)	(10,635)
Less: Capitalized Mine Development	(44,540)	(37,152)
Employee compensation and benefit expenses included in Cost of Sales (Note 24)	$ 155,471	121,994

(a) During the year, the Company introduced defined contribution pension plans for all full-time qualifying employees of the Company and its subsidiaries. Contributions by the Company are based on a contribution percentage using the annual salary as the base and are made on a quarterly basis or as otherwise determined by the Company. The assets of the plans are held separately from those of the Company and are managed by the Plan Administrators.

The total expense recognized in the Consolidated Statement of Operations of $4.8 million (2010: $nil) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at December 31, 2011, contributions of $2.8 million (2010: $nil) due in respect of the 2011 reporting period had not been paid over to the plans but were paid subsequent to the end of the year.

(b) Included in Other benefits are share-based payment transactions as discussed in *Note 22*.

26. FINANCE INCOME AND EXPENSE

	2011	2010
Net foreign exchange gain	$ -	$ 10,598
Realized gain on derivatives	1,626	-
Unrealized gain on derivatives	-	1,948
Interest income	12,522	5,300
Finance income	$ 14,148	$ 17,846
Unwinding of discounts on provisions	$ (7,952)	$ (9,772)
Net foreign exchange loss	(14,563)	-
Realized loss on derivatives	(4,829)	(13,759)
Interest expense on long-term debt	(17,441)	(23,636)
Other expenses	(3,541)	(18,627)
Finance expense	$ (48,326)	$ (65,794)
Net finance expense	$ (34,178)	$ (47,948)

The above finance income and finance expense include the following interest income and expense in respect of asset and liabilities not recorded fair value through profit or loss:

	2011	2010
Total interest income on financial assets	$ 12,522	$ 15,898
Total interest expense on financial liabilities	$ (43,497)	$ (52,035)

27. 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 capital requirements 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. The Company has not made any changes to its policies and processes for managing capital during the year.

The externally imposed financial covenants on the revolving facility *(Note 18)* 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 capital requirements could result in a condition of default by the Company. As at December 31, 2011, the Company has met all of the externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade and other receivables, advances and deposits, investments, long-term note receivable, trade and other payables, long-term debt and derivative assets (liabilities). The carrying values of cash and cash equivalents, trade and other receivables, advances and deposits, trade and other payables 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 non-current assets and liabilities. The long-term debt has a carrying value of $431.8 million (December 31, 2010 – $486.5 million; January 1, 2010 – $529.5 million), which is comprised of a revolving facility and senior debt notes with fair values of $162.9 million and $268.8 million, respectively (December 31, 2010 – $246.9 million and $300.8 million; January 1, 2010 – $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 available-for-sale securities were calculated based on current and available market information.

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, 2011, 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.

Fair Value Measurements at December 31, 2011	Level 1 Input	Level 2 Input	Level 3 Input	Aggregate Fair Value
Assets:				
Available-for-sale securities (Note 13(a))	81,353	-	-	81,353
Derivative related assets (Note 9)	-	9,629	-	9,629
	$ 81,353	$ 9,629	$ -	$ 90,982
Liabilities:				
Derivative related liabilities (Note 16)	-	20,629	-	20,629
	$ -	$ 20,629	$ -	$ 20,629

Fair Value Measurements at December 31, 2010	Level 1 Input	Level 2 Input	Level 3 Input	Aggregate Fair Value
Assets:				
Available-for-sale securities (Note 13(a))	102,958	-	-	102,958
Derivative related assets (Note 9)	-	44,183	-	44,183
	$ 102,958	$ 44,183	$ -	$ 147,141
Liabilities:				
Derivative related liabilities (Note 16)	-	4,803	-	4,803
	$ -	$ 4,803	$ -	$ 4,803

Valuation Techniques

Available-for-Sale Securities

The fair value of publicly traded available-for-sale securities is determined based on a market approach reflecting the bid 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.

Gold Sales Contracts and Metal Concentrate Sales Contracts

Gold sales are made at market observable spot prices.

Metal concentrate sales are based on market prices 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 monthly on the basis of prices quoted on the London Metal Exchange 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, 2011	December 31, 2010
Currency contracts		
Forward contracts (Note 9)	$ 9,629	$ 44,183
Less: Current portion	(9,629)	(25,540)
Non-current portion	$ -	$ 18,643

The following table summarizes the components of derivative related liabilities:

	December 31, 2011	December 31, 2010
Currency contracts		
Forward contracts	$ (19,493)	$ -
Interest Rate Contracts		
Interest rate swaps	(1,136)	(4,803)
Total derivative related liabilities (Note 16)	(20,629)	(4,803)
Less: Current portion	1,545	3,853
Non-current portion	$ (19,084)	$ (950)

The following table summarizes unrealized derivative gains (losses):

	2011	2010
Non-hedge derivatives		
Available-for-sale securities	$ 143	$ -
Commodity contracts	-	5,230
Hedge ineffectiveness		
Currency contracts	(220)	(4,250)
Interest rate contracts	9,118	968
	$ 9,041	$ 1,948

The following table summarizes realized derivative gains (losses):

	2011	2010
Currency contracts	$ 1,626	$ (246)
Commodity contracts	-	(5,230)
	$ 1,626	$ (5,476)

Additionally, included in cost of sales excluding depletion, depreciation and amortization, are realized gains in the amount of $33.5 million (December 31, 2010 – $26.8 million) with respect to currency derivative contracts.

The Company has forward contracts to economically hedge against the risk of declining copper prices for a portion of its forecast copper concentrate sales. Included in sales are realized gains in the amount of $3.9 million (December 31, 2010 – realized losses of $3.4 million) in respect of commodity contracts.

The interest rate swaps have been accounted for as cash flow hedge with the effective portion of the hedge of $5.5 million losses for the year ended December 31, 2011 (December 31, 2010 –$4.3 million gains) recorded in other comprehensive income. Included in finance expenses are realized losses in the amount of $4.8 million (December 31, 2010 – $8.3 million) in respect to the interest rate swaps.

The Company estimates that approximately $10.8 million of net gains will be reclassified from hedging reserve to earnings in respect of cash flow currency hedges over the next twelve months.

The following table summarizes cash flow currency and interest rate hedge (losses) gains in OCI *(Note 21)*:

	2011	2010
Effective portion of change in fair value of hedging instruments:		
Currency contracts	$ (54,719)	$ 33,748
Interest rate contracts	(5,450)	4,346
Deferred income tax	16,488	(12,661)
	$ (43,681)	$ 25,433

(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 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.

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 924.2 million Reais at an average rate of 2.06 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 2012 through to December 31, 2014. Of this, 309.4 million Reais is hedged for 2012, 292.0 million is hedged for 2013 and approximately 322.8 million Reais for 2014.

The Company also entered into forward contracts to economically hedge against the risk of an increase in the value of the Mexican Pesos versus the United States Dollar. Currency contracts totaling 464.5 million Pesos at an average rate of 13.32 Pesos to the United States Dollar have been designated against forecast Pesos 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 2012 through to May 31, 2015. Of this, 87.5 million Pesos is hedged for 2012, 156.0 million Pesos is hedged for 2013, 156.0 million Pesos is hedged for 2014 and 65.0 million Pesos for 2015.

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.

The following table outlines the Company's exposure to currency risk and the pre-tax effects on profit or loss and equity at the end of the reporting period of a 10% change in the foreign currency for the foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents and accounts payable. A positive number below indicates an increase in profit or equity where the US dollar strengthens 10% against the relevant foreign currency. For a 10% weakening of the US dollar against the relevant foreign currency, there would be a comparable negative impact on the profit or equity.

	2011		2010	
(on 10% change in United States Dollar exchange rate)	Effect on net earnings, before tax	Effect on other comprehensive income, before tax	Effect on net earnings, before tax	Effect on other comprehensive income, before tax
Brazilian Reais	$ 15,889	$ 42,028	$ 9,062	$ 23,779
Argentine Peso	$ 3,771	$ -	$ 1,275	$ -
Canadian Dollar	$ 720	$ -	$ 540	$ -
Mexican Peso	$ -	$ 2,871	$ -	$ -
Chilean Peso	$ 5,870	$ -	$ 3,901	$ -

The sensitivity analyses included in the tables above should be used with caution as the results are theoretical, based on management's best assumptions using material and practicable data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, the Company has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout the year with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the effect on earnings.

(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. A decline in the market prices for these precious metals could negatively impact the Company's future operations. The Company has not hedged any of its gold sales.

As the December 31, 2011, the Company's exposure to commodity price is limited to the trade receivables associated with provisional pricing of metal concentrate sales particularly copper. A10% change in the price of copper has an $18.5 million before tax effect on profit or loss.

(d) Interest Rate Risk

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2011, the Company has a total of $63.2 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 part of the Company's revolving credit line 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, 2011, most of the Company's long-term debt was at fixed rates, hence there is little 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, trade and other receivables, income taxes recoverable, derivative related assets, 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 trade receivables is also considered to be negligible. Long-term tax credits 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 does not have any assets pledged as collateral.

The Company's maximum credit exposure to credit risk is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	$ 550,438	$ 330,498	$ 170,070
Trade receivable and other receivables (Note 7)(i)	206,101	212,945	102,126
Derivative related assets (Note 9)	9,629	44,183	14,277
Deferred consideration receivable (Note 9)	10,000	25,000	-
Restricted cash (Note 9)	220	243	13,844
Note receivable (Note 9)	-	64,690	25,971
Long-term tax credits (Note 9)	114,002	129,551	107,177
	$ 890,390	$ 807,110	$ 433,465

(i) *Trade and other receivables are non-interest bearing and are neither impaired nor past due.*

(f) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 27*. Contractual maturities relating to contractual commitments are included in *Note 32* and relating to long-term debt is included in *Note 18*.

The fair value of interest rate swaps and forward exchange contracts in fair value hedge relationships used to hedge both interest rate and foreign currency risks are as follows:

	2011	2010
Interest rate swaps – US dollar swaps		
Not later than one year	$ (1,136)	$ (3,853)
Later than one year but not later than five years	$ -	$ (950)
Forward exchange contracts		
US$ to Brazilian Reais		
Not later than one year	$ 9,629	$ 25,540
Later than one year but not later than five years	$ (16,205)	$ 18,643
US$ to Mexican Peso		
Not later than one year	$ (410)	$ -
Later than one year but not later than five years	$ (2,879)	$ -

29. INCOME TAXES

(a) Income Tax Expense

	2011	2010
Current tax expense (recovery)		
Current tax expense in respect of the current year	$ 278,985	$ 132,478
Adjustment for prior periods	1,950	5,558
Impact of foreign exchange	(10,757)	(5,068)
Penalties and interest	(4,124)	3,518
	$ 266,054	$ 136,486
Deferred tax expense (recovery)		
Deferred tax expense recognized in the current year	$ (61,101)	$ 13,485
Adjustment for prior periods	10,451	9,228
Impact of foreign exchange	54,486	(30,873)
	$ 3,836	$ (8,160)
Total income tax expense	$ 269,890	$ 128,326

The following table reconciles income taxes calculated at statutory rates with the income tax expense in the Consolidated Statements of Operations:

	2011	2010
Earnings from continuing operations before income taxes	$ 818,184	$ 583,484
Canadian statutory tax rate	28.3%	31.0%
Expected income tax expense	231,137	180,880
Impact of (higher) lower foreign tax rates	(3,452)	10,705
Change in tax rates	-	3,173
Interest and penalties	(4,173)	3,518
Permanent differences	(52,192)	(37,445)
Unused tax losses and tax offsets not recognized in deferred tax assets	40,895	73,719
Unrealized foreign exchange on intercompany debt	(6,256)	(90,873)
Unrealized foreign exchange	43,721	(35,941)
Withholding taxes	15,716	14,258
Other	4,494	6,332
Income tax expense	$ 269,890	$ 128,326
Income tax expense is represented by:		
Current income tax expense	$ 266,055	$ 136,486
Deferred income tax expense (recovery)	3,835	(8,160)
Net income tax expense	$ 269,890	$ 128,326

The change in the Canadian statutory rate over the prior year is a result of a reduction in the federal and provincial tax rates.

(b) Deferred Income Taxes

The following is the analysis of the deferred tax assets (liabilities) presented in the Consolidated Balance Sheets:

The net deferred income tax assets (liabilities) are classified as follows:	December 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax assets	$ 156,785	$ 183,120	$ 152,365
Deferred income tax liabilities	(2,000,848)	(2,041,819)	(1,967,122)
	$(1,844,063)	$(1,858,699)	$(1,814,757)

December 31, 2011	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Closing balance
Deductible temporary differences	$ 12,460	$ (8,591)	$ -	$ -	$ 3,869
Amounts related to tax losses	12,563	7,934	-	1,753	22,250
Financing costs	4,327	(2,191)	-	(1,753)	383
Decommissioning, restoration and similar liabilities	6,984	(1,194)	-	-	5,790
Derivative liability	(22,423)	6,174	13,270	-	(2,979)
Property, plant and equipment	(1,625,753)	(9,613)	-	-	(1,635,366)
Unrealized foreign exchange losses	(245,386)	(12,915)	-	-	(258,301)
Available-for-sale securities	(1,652)	8,111	5,173	-	11,632
Other	181	8,449	29	-	8,659
Deferred income tax liabilities	$(1,858,699)	$ (3,836)	$ 18,472	$ -	$(1,844,063)

December 31, 2010	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions/ Disposals	Other	Closing balance
Deductible temporary differences	$ 15,393	$ (2,933)	$ -	$ -	$ -	$ 12,460
Amounts related to tax losses	35,982	(23,419)	-	-	-	12,563
Financing costs	6,397	(2,070)	-	-	-	4,327
Decommissioning, restoration and similar liabilities	7,963	(979)	-	-	-	6,984
Derivative liability	(2,830)	(6,932)	(12,661)	-	-	(22,423)
Property, plant and equipment	(1,663,042)	77,387	-	(40,098)		(1,625,753)
Unrealized foreign exchange losses	(225,383)	(20,003)	-	-	-	(245,386)
Available-for-sale securities	5,425	(6,106)	(971)	-	-	(1,652)
Other	5,338	(6,785)	-	-	1,628	181
Deferred income tax liabilities	$(1,814,757)	$ 8,160	$ (13,632)	$ (40,098)	$ 1,628	$(1,858,699)

A deferred tax asset in the amount of $39.1 million has been recorded based on future taxable profits related to tax planning strategies. Management understands that the tax planning strategies are prudent and feasible.

(c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

The Company has deductible temporary differences and unused tax losses of approximately $1.2 billion (December 31, 2010 – $926.0 million) for which no deferred tax asset is recognized in the Consolidated Statements of Operations.

Loss carry forwards at December 31, 2011 will expire as follows:

	Canada	U.S.	Brazil	Chile	Argentina	Other	Total
2012	-	2,007	-	-	704	5,410	8,121
2013	-	260	-	-	392	1,505	2,157
2014	11,156	5,089	-	-	659	5,314	22,218
2015	6,630	1,634	-	-	700	3,540	12,504
2016	-	12,383	-	-	4	4,761	17,148
2017 and onwards	143,445	116,002	-	-	-	122,954	382,401
Unlimited	227,482	-	220,619	57,450	-	16,812	522,363
	$388,713	$137,375	$220,619	$ 57,450	$ 2,459	$160,296	$966,912

(d) Unrecognized Taxable Temporary Differences Associated with Investments and Interests in subsidiaries

As at December 31, 2011 an aggregate temporary difference of $1.4 billion (December 31, 2010 – $1.1 billion) related to investments in subsidiaries was not recognized because the Company controls the reversal of the liability and it is expected that it will not reverse in the foreseeable future.

30. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Non-cash Investing and Financing Transactions

	2011	2010
Interest capitalized to assets under construction	$ 19,711	$ 4,067
Issue of common shares on exercise of warrants	$ -	$ 23,750
Issue of common shares on vesting of RSU (Note 22)	$ 7,291	$ 6,158
Transfer of equity reserve on exercise of stock options and share purchase appreciation rights	$ 15,441	$ 2,245
Shares received as consideration of settlement of notes receivable (Note 6(a))	$ 74,247	$ 53,760
Value of expired warrants transferred to equity reserve	$ -	$ 7,210

(b) Net Changes in Non-cash Operating Working Capital

	2011	2010
Net (increase) decrease in:		
Trade and other receivables	$ (33,537)	$ (83,747)
Inventories	(40,571)	(18,182)
Other assets	(1,238)	(107,419)
Net increase (decrease) in:		
Trade payable and other payables	19,092	(11,223)
Other current liabilities	(325)	37,810
Removal of movement in above related to foreign exchange	15,988	7,265
	$ (40,591)	$ (175,496)

Changes in non-cash working capital items are net of items related to Property, Plant and Equipment.

31. OPERATING SEGMENTS

The Company's primary format for reporting segment information is geographical segments, which are supplemented by information of individual mining operations. The Company performs its planning, decision making, cash flow management and other management activities on such segment structure and relies on a management team with its members positioned in the geographical regions where the Company's key mining operations are located. In determining the Company's segment structure, consideration is given to the similar operational, currency and political risks to which the mining operations within the same business and regulatory environment are exposed. Except for the Canada and Mexico and Other segments, each mine within a segment derives its revenues mainly from the sales of precious metals through specific channels and processes as coordinated and managed by the corresponding regional management group.

Property, plant and equipment referred to below consist of land, buildings, equipment, depletable producing properties, assets under construction and exploration and evaluation costs.

December 31, 2011	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Property, plant and equipment	$ 1,796,744	$ 4,708,566	$ 2,291,626	$ 237,373	$ 9,785	$ 9,044,094
Goodwill and intangibles	$ 55,000	$ 14,744	$ -	$ 938	$ -	$ 70,682
Investment in associate	$ -	$ -	$ 169,102	$ -	$ -	$ 169,102
Non-current assets	$ 1,990,778	$ 4,752,122	$ 2,549,633	$ 240,950	$ 133,805	$ 9,667,288
Total assets	$ 2,414,878	$ 4,821,463	$ 2,626,168	$ 521,812	$ 385,619	$10,769,940
Total liabilities	$ (532,067)	$ (1,253,196)	$ (822,944)	$ (88,443)	$ (581,767)	$ (3,278,417)

December 31, 2010	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Property, plant and equipment	$ 1,523,155	$ 4,666,705	$ 2,300,589	$ 117,826	$ 3,806	$ 8,612,081
Goodwill and intangibles	$ 55,000	$ 16,574	$ -	$ 938	$ -	$ 72,512
Investment in associate	$ -	$ -	$ 201,585	$ -	$ -	$ 201,585
Non-current assets	$ 1,785,556	$ 4,704,119	$ 2,614,481	$ 131,731	$ 170,627	$ 9,406,514
Total assets	$ 2,262,150	$ 4,908,944	$ 2,641,454	$ 200,378	$ 306,166	$10,319,092
Total liabilities	$ (539,923)	$ (1,177,095)	$ (643,124)	$ (75,290)	$ (797,389)	$ (3,232,821)

January 1, 2010	Brazil (i)	Chile	Argentina	Mexico and Other (i)	Canada	Total
Property, plant and equipment	$ 1,399,742	$ 4,613,794	$ 2,301,040	$ 43,957	$ 3,571	$ 8,362,104
Goodwill and intangibles	$ 55,000	$ -	$ -	$ 938	$ -	$ 55,938
Investment in associate	$ -	$ -	$ 213,789	$ -	$ -	$ 213,789
Non-current assets	$ 1,555,046	$ 4,635,681	$ 2,621,731	$ 71,083	$ 123,473	$ 9,007,014
Total assets	$ 1,842,820	$ 4,744,316	$ 2,637,056	$ 132,411	$ 164,854	$ 9,521,457
Total liabilities	$ (414,837)	$ (1,137,013)	$ (678,550)	$ (58,166)	$ (815,555)	$ (3,104,121)

(i) Balances exclude discontinued operations.

Segment Operating Earnings

2011	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Revenues	$ 1,001,965	$ 50,274	$ -	$ -	$ 1,121,086	$ 2,173,325
Inter-segment revenue	-	887,720	233,366	-	(1,121,086)	-
Total segment revenue	1,001,965	937,994	233,366	-	-	2,173,325
Cost of sales excluding depletion, depreciation and amortization	(385,403)	(259,967)	(71,322)	-	-	(716,692)
Gross margin	616,562	678,027	162,044	-	-	1,456,633
Depletion, depreciation and amortization	(102,038)	(195,464)	(59,257)	-	-	(356,759)
Mine operating earnings	$ 514,524	$ 482,563	$ 102,787	$ -	$ -	$ 1,099,874
Equity earnings	$ -	$ -	$ 39,019	$ -	$ -	$ 39,019
Income tax expense	$ (146,740)	$ (91,132)	$ (34,746)	$ (4,118)	$ 6,846	$ (269,890)
Capital expenditures	$ 376,209	$ 229,391	$ 89,436	$ 119,735	$ 7,452	$ 822,223

2010	Brazil (i)	Chile	Argentina	Mexico and Other (i)	Canada	Total
Revenues	$ 876,864	$ 646,954	$ -	$ -	$ 162,993	$ 1,686,811
Inter-segment revenue	-	-	162,993	-	(162,993)	-
Total segment revenue	876,864	646,954	162,993	-	-	1,686,811
Cost of sales excluding depletion, depreciation and amortization	(323,047)	(237,591)	(70,425)	-	-	(631,063)
Gross margin	553,817	409,363	92,568	-	-	1,055,748
Depletion, depreciation and amortization	(87,248)	(175,449)	(39,215)	-	-	(301,912)
Mine operating earnings	$ 466,569	$ 233,914	$ 53,353	$ -	$ -	$ 753,836
Equity earnings	$ -	$ -	$ 49,264	$ -	$ -	$ 49,264
Income tax expense	$ (45,069)	$ (44,037)	$ (10,341)	$ (7,698)	$ (21,181)	$ (128,326)
Capital expenditures	$ 194,078	$ 213,699	$ 48,834	$ 73,152	$ 1,318	$ 531,081

(i) Excludes operating results of discontinued operations.

32. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	2011	2010
Within 1 year	$ 316,726	$ 215,162
Between 1 to 3 years	223,694	233,703
Between 3 to 5 years	9,586	67,397
After 5 years	6,219	5,600
	$ 556,225	$ 521,862

Operating Leases

The aggregate amount of minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
Within 1 year	$ 4,980	$ 3,458
Between 1 to 3 years	6,573	2,381
Between 3 to 5 years	4,622	1,886
After 5 years	1,948	236
	$ 18,123	$ 7,961

33. 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.

	2011	2010
Contingent liabilities (excluding those relating to joint ventures and associates)		
Indemnities	$ 177,000	$ 177,000
	$ 177,000	$ 177,000

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 judgement rejecting the claim. The plaintiff appealed this judgement 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 judgement at appellate courts. There have not been any significant developments on this matter during the current year.

34. RELATED PARTIES

(a) Parent and Significant Subsidiaries

The consolidated financial statements include the financial statements of Yamana Gold Inc. (Parent) and the following significant subsidiaries:

	Country of incorporation	% Equity interest 2011	% Equity interest 2010
Minera Yamana Inc.	Canada	100%	100%
0805346 B.C. Ltd.	Canada	100%	100%
6855237 Canada Inc.	Canada	100%	100%
Minera Meridian Ltda.	Chile	100%	100%
Minera Florida Ltda.	Chile	100%	100%
Minas Argentinas SA	Argentina	100%	100%
Minera Meridian Minerales SRLCV	Mexico	100%	100%
Jacobina Mineração e Comércio Ltda.	Brazil	100%	100%
Mineração Maracá Industria e Comércio S.A.	Brazil	100%	100%
Mineração Fazenda Brasileiro S.A.	Brazil	100%	100%
Companhia Goiana de Ouro S.A	Brazil	100%	100%
Serra da Borda Mineração e Metalurgia S.A.	Brazil	100%	100%

(b) Compensation of key management personnel

The Company considers key management personnel to be those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

(in thousands of United States Dollars)	2011	2010
Salaries	$ 21,274	$ 17,741
Share-based payments (i)	14,391	8,097
Other benefits	4,912	3,582
	$ 40,577	$ 29,420

(i) Refer to Note 22 for further disclosures on share-based payments.

(c) Other related parties transactions

The disclosure relating to the equity earnings and the dividends received from the investment in Associate are set out in *Note 12*.

35. TRANSITION TO IFRS

The Company has adopted IFRS effective January 1, 2010 ("date of transition") in accordance with IFRS 1.

The accounting policies summarized in *Note 3* have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at the date of transition.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the accompanying notes.

Reconciliation of Balance Sheet as at January 1, 2010

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 170,070	$ -		$ 170,070
Trade and other receivables	102,126	-		102,126
Inventories	101,820	-		101,820
Other financial assets	14,110	-		14,110
Other assets	140,869	(14,552)	*(m)*	126,317
Assets held for sale	187,694	-		187,694
	716,689	(14,552)		702,137
Non-current assets:				
Property, plant and equipment	$ 8,576,361	$ (214,257)	*(b,n)*	$ 8,362,104
Investment in associates	-	213,789	*(n)*	213,789
Investments	56,366	-		56,366
Other financial assets	147,159	-		147,159
Deferred tax assets	135,454	16,911	*(b,h,i,m)*	152,365
Goodwill and intangibles	55,000	938	*(r)*	55,938
Other assets	20,231	(938)	*(r)*	19,293
Total assets	$ 9,707,260	$ 1,891		$ 9,709,151
Liabilities				
Current liabilities:				
Trade and other payables	$ 239,841	$ -		$ 239,841
Income taxes payable	42,844	-		42,844
Other financial liabilities	15,376	7,172	*(g)*	22,548
Other provisions and liabilities	10,284	(3,427)	*(m)*	6,857
Liabilities held for sale	33,496	-		33,496
	341,841	3,745		345,586
Non-current liabilities:				
Long-term debt	529,450	-		529,450
Decommissioning, restoration and similar liabilities	133,163	22,026	*(b)*	155,189
Deferred tax liabilities	1,768,899	198,223	*(b,h,k,m)*	1,967,122
Other financial liabilities	124,356	1,881	*(g)*	126,237
Other provisions and liabilities	14,033			14,033
Total liabilities	$ 2,911,742	$ 225,875		$ 3,137,617
Equity				
Share capital				
Issued and outstanding – 733,411,458 common shares	6,063,410	(504)	*(j)*	6,062,906
Share purchase warrants	44,071	(44,071)	*(g)*	-
Contributed surplus	26,942	(26,942)	*(p)*	-
Accumulated other comprehensive income	26,652	(26,652)	*(q)*	-
Reserves	-	57,321	*(c,p,q)*	57,321
Retained earnings	587,643	(183,136)	*(l)*	404,507
Total equity	6,748,718	(223,984)		6,524,734
Non-controlling interest	46,800	-		46,800
Total equity and liabilities	$ 9,707,260	$ 1,891		$ 9,709,151

Reconciliation of Balance Sheet as at December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 330,498	$ -		$ 330,498
Trade and other receivables	212,945	-		212,945
Inventories	116,443	-		116,443
Other financial assets	49,865	-		49,865
Other assets	218,422	(15,595)	*(m)*	202,827
	928,173	(15,595)		912,578
Non-current assets:				
Property, plant and equipment	$ 8,829,195	$ (217,114)	*(b,n)*	$ 8,612,081
Investment in associates	-	201,585	*(n)*	201,585
Investments	102,958	-		102,958
Other financial assets	225,151	-		225,151
Deferred tax assets	132,145	50,975	*(b,h,i,m)*	183,120
Goodwill and intangibles	55,000	17,512	*(r)*	72,512
Other assets	26,619	(17,512)	*(r)*	9,107
Total assets	$10,299,241	$ 19,851		$10,319,092
Liabilities				
Current liabilities:				
Trade and other payables	$ 301,335	$ -		$ 301,335
Income taxes payable	81,785	-		81,785
Other financial liabilities	3,853	143	*(g)*	3,996
Other provisions and liabilities	11,827	(4,446)	*(m)*	7,381
	398,800	(4,303)		394,497
Non-current liabilities:				
Debt	486,550	-		486,550
Decommissioning, restoration and similar liabilities	153,486	9,037	*(b)*	162,523
Deferred tax liabilities	1,822,185	219,634	*(b,h,k,m)*	2,041,819
Other financial liabilities	130,983	-		130,983
Other provisions and liabilities	16,449	-		16,449
Total liabilities	$ 3,008,453	$ 224,368		$ 3,232,821
Equity				
Share capital				
Issued and outstanding – 741,362,131 common shares	6,171,047	(19,624)	*(g, j)*	6,151,423
Share purchase warrants	13,111	(13,111)	*(g)*	-
Contributed surplus	33,885	(33,885)	*(p)*	-
Accumulated other comprehensive income	49,727	(49,727)	*(q)*	-
Reserves	-	79,923	*(c,p,q)*	79,923
Retained earnings	976,218	(168,093)	*(l)*	808,125
Total shareholders' equity	7,243,988	(204,517)		7,039,471
Non-controlling interest	46,800	-		46,800
Total shareholders' equity and liabilities	$10,299,241	$ 19,851		$10,319,092

Reconciliation of Comprehensive Income for the Year Ended December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
Revenue	$1,686,811	$ -		$1,686,811
Cost of sales excluding depletion, depreciation and amortization	(631,063)	-		(631,063)
Gross Margin	$1,055,748	$ -		$1,055,748
Depletion, depreciation and amortization	(300,711)	(1,201)	*(b)*	(301,912)
Mine operating earnings	$ 755,037	$ (1,201)		$ 753,836
Expenses				
General and administrative	(109,103)	206	*(c)*	(108,897)
Exploration	(39,184)	-		(39,184)
Equity earnings from Minera Alumbrera	-	49,264	*(n)*	49,264
Other operating expenses	(22,569)	(1,018)	*(b,g)*	(23,587)
Operating earnings	$ 584,181	$ 47,251		$ 631,432
Finance income	34,063	(16,217)	*(h,o)*	17,846
Finance expense	(66,703)	909	*(b,o)*	(65,794)
Net finance expense	$ (32,640)	$ (15,308)		$ (47,948)
Equity earnings from Minera Alumbrera	49,264	(49,264)	*(n)*	-
Earnings from continuing operations before taxes	$ 600,805	$ (17,321)		$ 583,484
Income tax expense	(160,690)	32,364	*(b,h,i,j,k,o)*	(128,326)
Earnings from continuing operations	$ 440,115	$ 15,043		$ 455,158
Earnings from discontinued operations	11,329	-		11,329
Net earnings	$ 451,444	$ 15,043		$ 466,487
Earnings attributable to:				
Equity shareholders	$ 451,444	$ 15,043		$ 466,487
Net earnings	$ 451,444	$ 15,043		$ 466,487
Earnings per share from continuing operations				
Basic	$ 0.59	$ 0.02		$ 0.62
Diluted	0.59	0.02		0.61
Net earnings per share				
Basic	$ 0.61	$ 0.02		$ 0.63
Diluted	0.61	0.02		0.63
Weighted average number of share outstanding				
Basic	739,938	-		739,938
Diluted	740,878	-		740,878
Net earnings	$ 451,444	$ 15,043		$ 466,487
Other comprehensive income, net of taxes	23,075	-		23,075
Total comprehensive income	$ 474,519	$ 15,043		$ 489,562
Earnings attributable to:				
Equity shareholders	$ 474,519	$ 15,043		$ 489,562
Total comprehensive income	$ 474,519	$ 15,043		$ 489,562

Notes to the Reconciliation of Equity

(a) Under IFRS, significant parts of property, plant and equipment, with useful lives that differ significantly from the asset as a whole, are to be depreciated separately over their useful lives. No adjustment to property, plant and equipment and retained earnings was necessary.

(b) The Company has elected to apply the IFRS 1 optional exemption for its decommissioning liabilities. Accordingly the decommissioning liabilities have been remeasured using the requirements of IFRIC 1 as at January 1, 2010. For the most part, measurement differences have arisen due to liability specific discount rates that have been applied under IFRS. The effect is to increase environmental rehabilitation liability by $22.0 million, decrease decommissioning and restoration asset (under property, plant and equipment) by $0.5 million for a total adjustment that decrease equity by $22.4 million on transition to IFRS on January 1, 2010. The effect is to also decrease deferred income tax assets by $0.8 million on transition to IFRS on January 1, 2010 and to decrease deferred income tax liabilities by $0.9 million. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(c) The Company applied IFRS 2, Share-based Payment ("IFRS 2") to its share-based payment arrangements at January 1, 2010 except for equity-settled share-based payment arrangements granted that have vested before the date of transition. The Company has granted equity-settled share-based payments in 2010 and 2011 and accounted for these share-based payment arrangements at intrinsic value under Canadian GAAP. This has been adjusted to fair value as required with IFRS 2. The effect of accounting for equity-settled share-based payment transactions for graded vesting and forfeitures is to increase equity reserve by $3.7 million and decrease retained earnings by $3.7 million on transition to IFRS on January 1, 2010. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(d) The Company has elected to apply transitional provisions under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company made an assessment of the leases for Canadian GAAP purposes under EIC 150 as at the date of its applicability, December 9, 2004. Accordingly the Company has not reassessed the arrangement containing leases as at the date of transition.

(e) Under the optional election applicable to borrowing costs, the Company has designated January 1, 2010 as the date for commencement of capitalization of interest in accordance with IAS 23 Borrowing Costs. The Company's policy under Canadian GAAP was to capitalize interest to property, plant and equipment during the construction period and will continue with respect to its projects that commenced construction before January 1, 2010. There was no IFRS impact on transition.

(f) The Company has elected not to apply IFRS 3 (revised) Business Combinations to all past business combinations that occurred before January 1, 2010, the Company's date of transition to IFRS.

(g) Under IFRS, foreign currency denominated contracts issued by an entity that are indexed to its own equity instruments are treated as derivatives, which is not the case under Canadian GAAP. Based on the current circumstances, this applies to the Company's Canadian Dollar-denominated share purchase warrants due to the United States Dollar being the Company's functional currency; the warrants are indexed to both the Company's stock and also to foreign exchange rates. Accordingly, the warrants of $44.1 million remeasured to $9.1 million and were reclassified from equity to liabilities in transition to IFRS. As of January 1, 2010, the Company recorded a share-purchase warrants liability of $9.1 million ($7.2 million in current liability and $1.9 million in non-current liability) and an increase in opening equity of $35.0 million. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(h) Under IAS 12, the deferred tax liability relating to the fair value adjustments on a business combination is calculated with reference to the functional currency at the time of the original acquisition. Hence, the initial deferred tax liability on the fair value adjustments on business combination is calculated in the foreign currency and subsequently translated into the functional currency at the rate in effect at each balance sheet date. Under Canadian GAAP, recognition of such foreign exchange difference is prohibited. The effect of accounting for the foreign exchange adjustment is to increase deferred income tax liability by $195.7 million, increase deferred tax asset by $3.5 million and decrease equity by $192.2 million on transition to IFRS on January 1, 2010. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(i) Under Canadian GAAP, income taxes related to intra-group transfers are eliminated on a consolidated basis. The related taxes are deferred on the balance sheet and any difference between the consolidated carrying value of the asset transferred and its tax base is recorded at the seller's tax rate. Under IFRS, current taxes are recognized in the selling company and any difference between consolidated carrying value of the asset transferred and its tax base is recognized at the buyer's tax rate. The effect of the application of different tax rates between the buyers and sellers is to decrease deferred tax asset by $0.3 million and decrease equity by the same amount on transition to IFRS on January 1, 2010. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(j) Under Canadian GAAP, deferred taxes relating to equity items are initially recorded through equity, however, any changes in the balance or change in tax rate are recorded through profit or loss. Under IFRS, the concept of backwards tracing is used, whereas, wherever the deferred tax item was recorded is where any change to the deferred tax is recorded. If the initial deferred tax was set up in equity, any change would be recorded in equity. Accordingly, the effect of backwards tracing was to reduce share capital by $0.5 million and increase of retained earnings by the same amount on transition to IFRS. As at December 31, 2011 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

(k) The above changes decreased the deferred tax liability as follows:

	Note	January 1, 2010	December 31, 2010
Property, plant and equipment	*(b)*	$ 903	$ 1,245
Translation of non-monetary items	*(h)*	(195,699)	(201,214)
Re-classification : current to non-current	*(m)*	(3,427)	(4,446)
Decrease in deferred tax liability		$ (198,223)	$ (204,415)

The effect on the Consolidated Statement of Operations for the year ended December 31, 2010 was to decrease the previously reported tax charge for the period by $5.6 million.

(l) The effect of the above adjustments on retained earnings is as follows:

	Note	January 1, 2010	December 31, 2010
Decommissioning, restoration and similar liabilities	*(b)*	$ 22,367	$ 24,764
Translation of non-monetary items	*(h)*	192,223	179,155
Inter-group transaction tax rates	*(i)*	340	454
Backwards tracing	*(j)*	(504)	(884)
Share-based payments	*(c)*	3,728	3,522
Share purchase warrants	*(g)*	(35,018)	(38,918)
Total adjustment to equity		$ 183,136	$ 168,093
Attributable to:			
Equity holders of the parent		$ 183,136	$ 168,093
		$ 183,136	$ 168,093

Reclassifications

(m) Current portion of deferred income tax asset and current deferred tax liabilities have been reclassified to non-current deferred income tax asset and non-current deferred income tax liability, respectively, in the balance sheets.

(n) The Company's investment in Alumbrera (12.5% interest) has been reclassified from Mineral Interest (as reported under Canadian GAAP) to Investment in Associates in the balance sheets.

(o) As permitted under IFRS, the Company has chosen to reclassify income tax related interest expense, income-tax related penalties and income tax related foreign exchange gain/loss to income tax expense/recovery in the Statement of Operations.

(p) Equity reserve has been reclassified to reserves in the balance sheet and statement of changes in equity.

(q) Accumulated other comprehensive income has been reclassified to reserves in the balance sheet and statement of changes in equity.

(r) The Company has reclassified its royalty asset that has no minimum value, from other non-current assets to goodwill and intangibles. The effect is to reduce other non-current assets by $0.9 million and increase goodwill and intangibles by the same amount on both the transition to IFRS on January 1, 2010 and December 31, 2010. There was an additional reclassification of $16.6 million of intangible assets acquired in 2010 from other non-current assets to goodwill and intangibles as at December 31, 2010.

Explanation of Material Adjustments to the Cash Flow Statement for 2010

Dividends received on the Company's investment in associate have been classified as an operating activity under IFRS; these were classified as investing activities under Canadian GAAP. Finance expense paid has been classified as a financing activity; these were classified as operating activities under Canadian GAAP. Realized derivative proceeds or payments have been classified as an investing activity; these were classified as an operating activity under Canadian GAAP.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under Canadian GAAP for the year ended December 31, 2010.

36. SUBSEQUENT EVENTS

Subsequent to the year end, Mercedes reached commercial production as of February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors. In its assessment, management reviewed achievement of milestones at a sustainable level including but not limited to a significant portion of planned capacity, production levels, grades and recovery rates, achievement of mechanical completion and operating effectiveness, obtaining necessary permits and production inputs and positive and sustainable cash flows

Yamana's Mineral Reserve & Resource Estimates

As at December 31, 2011

MINERAL RESERVE AND MINERAL RESOURCE REPORTING NOTES:

1. *Metal Price, Cut-off Grade*

MINE	MINERAL RESERVES	MINERAL RESOURCES
Alumbrera (12.5%)	$1,400 Au, $3.20 Cu, $17.00 Mo and 0.22% CuEq	N/A
Amancaya	N/A	1.0 g/t Aueq Open pit , 3.4 g/tAueq Underground
Caiamar	N/A	1.5 g/t Au cut-off
Chapada	$950 Au, $2.50 Cu, $4.40 NSR cut-off for Chapada Mine	$3.53 NSR cut-off out of pit for Chapada Mine
	$900 Au; 0.2 g/t Au cut-off for oxides and 0.3 g/t Au cut-off for sulphides in Suruca Gold Project	0.2 g/t Au cut-off for oxides and 0.3 g/t Au cut-off for sulphides in Suruca Gold Project
C1-Santa Luz	$950 Au for C1, Antas 2, Antas 3 and $750 Au Mansinha and Mari, 0.50 g/t Au cut-off	0.5 g/t Au cut-off for C1 Santa Luz Shallow and 1.5 g/t Au cut-off for C1 Down dip Extension
El Peñón	$950 Au, $20.00 Ag, Variable cut-off for Underground and 1.2 g/t Aueq cut-off for Open pit	3.9 g/t Aueq cut-off
Ernesto/Pau a Pique	$825 Au, 1.0 g/t Underground , 0.3 g/t Au Open pit cut-off for Ernesto and PP and $950 Au, 0.7 g/t Au cut-off for Lavrinha	0.3 g/t Open pit 1.0 g/t Underground for Ernesto/PP and 0.3 g/t for Lavrinha
Fazenda Brasileiro	$950 Au, 1.00 g/t Au Underground and 0.80g/t Au Open pit cut-off	0.5 g/t cut-off Underground and 0.25g/t Au Open pit cut-off
Gualcamayo	$950 Au, 1.00 g/t Au Underground and 0.15 g/t Au Open pit cut-off	1.00 g/t Au Underground and 0.15 g/t Au Open pit cut-off
Jacobina	$950 Au; 1.17 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/t Au cut-off
Mercedes	$950 Au, $20.00 Ag, 3.0 g/t Aueq	2.0 g/t Aueq cut-off
Minera Florida	$950 Au, $20.00 Ag, $1 lb Zn, 2.51 g/t Aueq cut-off and Florida tailings cut-off N/A	2.5 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, $2.25 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, 2011.*
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 Company's Annual Information Form on its website at www.yamana.com.*

MINERAL RESERVES (PROVEN AND PROBABLE)

	Proven Reserves			Probable Reserves			Total - Proven and Probable		
GOLD	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Alumbrera (12.5%)	31,000	0.37	369	1,000	0.24	8	32,000	0.36	376
Chapada	135,650	0.22	970	278,880	0.26	2,347	414,530	0.25	3,317
C1-Santa Luz	19,752	1.55	987	10,860	1.37	478	30,612	1.49	1,465
El Peñón	1,636	7.95	418	9,719	5.71	1,783	11,355	6.03	2,202
Ernesto/Pau a Pique	2,279	3.86	283	5,884	2.69	508	8,163	3.01	791
Fazenda Brasileiro	3,123	2.57	258	1,488	2.10	101	4,611	2.42	359
Gualcamayo	15,400	1.05	518	43,500	1.20	1,676	58,900	1.16	2,194
Jacobina	6,482	2.16	450	16,315	2.96	1,555	22,797	2.74	2,005
Jeronimo (57%)	6,350	3.91	798	2,331	3.79	284	8,682	3.88	1,082
Mercedes	492	9.12	144	4,804	5.31	820	5,296	5.66	964
Minera Florida Ore	2,998	3.50	338	2,005	4.74	306	5,004	4.00	643
Minera Florida Tailings	5,661	1.09	198	-	-	-	5,661	1.09	198
Total Minera Florida	8,659	1.93	536	2,005	4.74	306	10,665	2.45	842
Pilar	-	-	-	11,098	4.04	1,440	11,098	4.04	1,440
Total Gold Mineral Reserves	230,824	0.77	5,732	387,885	0.91	11,305	618,709	0.86	17,038
Agua Rica	384,871	0.25	3,080	524,055	0.21	3,479	908,926	0.22	6,559

	Proven Reserves			Probable Reserves			Total - Proven and Probable		
SILVER	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
El Peñón	1,636	225.82	11,879	9,719	174.83	54,631	11,355	182.18	66,511
Mercedes	492	106.77	1,690	4,804	54.44	8,408	5,296	59.31	10,099
Minera Florida Ore	2,998	20.19	1,946	2,005	31.42	2,026	5,004	24.69	3,972
Minera Florida Tailings	5,661	12.96	2,359	-	-	-	5,661	12.96	2,359
Total Minera Florida	8,659	15.46	4,305	2,005	31.42	2,026	10,665	18.46	6,330
Total Silver Mineral Reserves	10,788	51.54	17,875	16,528	122.44	65,065	27,316	94.44	82,940
Agua Rica	384,871	3.73	46,176	524,055	3.33	56,070	908,926	3.50	102,246

	Proven Reserves			Probable Reserves			Total - Proven and Probable		
COPPER	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	31,000	0.37	253	1,000	0.28	6	32,000	0.37	259
Chapada	135,650	0.30	891	220,010	0.29	1,419	355,660	0.29	2,310
Total Copper Mineral Reserves	166,650	0.31	1,144	221,010	0.29	1,425	387,660	0.30	2,569
Agua Rica	384,871	0.56	4,779	524,055	0.43	5,011	908,926	0.49	9,789

	Proven Reserves			Probable Reserves			Total - Proven and Probable		
ZINC	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Minera Florida	2,998	0.99	65	2,005	1.34	59	5,004	1.13	125
Total Zinc Mineral Reserves	2,998	0.99	65	2,005	1.34	59	5,004	1.13	125

	Proven Reserves			Probable Reserves			Total - Proven and Probable		
MOLYBDENUM	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	31,000	0.013	9	1,000	0.014	0.3	32,000	0.013	9
Total Moly Mineral Reserves	31,000	0.013	9	1,000	0.014	0.3	32,000	0.013	9
Agua Rica	384,871	0.033	279	524,055	0.030	350	908,926	0.031	629

MINERAL RESOURCES (MEASURED, INDICATED AND INFERRED)

	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
GOLD	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Amancaya	-	-	-	-	-	-	-	-	-	1,390	7.90	351
C1 Santa Luz Shallow	3,243	1.00	104	5,792	1.07	199	9,035	1.04	303	2,638	1.19	101
C1 Down dip Extension	-	-	-	3,046	2.85	279	3,046	2.85	279	3,217	3.63	376
Total C1 Santa Luz	3,243	1.00	104	8,837	1.68	478	12,081	1.50	582	5,855	2.53	476
Chapada	40,760	0.16	212	258,681	0.24	1,978	299,441	0.23	2,190	358,960	0.10	1,182
El Peñón	604	10.17	198	1,306	5.93	249	1,910	7.28	447	5,257	6.55	1,107
Ernesto/Pau a Pique	204	6.28	41	2,083	1.50	100	2,287	1.92	141	4,868	1.87	293
Fazenda Brasileiro	127	1.82	7	2,361	1.92	146	2,488	1.91	153	4,728	3.45	525
Gualcamayo	7,244	1.20	279	26,325	0.99	840	33,569	1.04	1,119	10,259	1.90	626
Jacobina	12,259	2.22	876	15,303	3.08	1,515	27,562	2.70	2,391	15,814	2.68	1,362
Jeronimo (57%)	772	3.77	94	385	3.69	46	1,157	3.74	139	1,118	4.49	161
La Pepa	15,750	0.61	308	133,682	0.57	2,452	149,432	0.57	2,760	37,900	0.50	620
Mercedes	57	7.50	14	1,809	3.00	174	1,866	3.13	188	3,293	3.98	421
Rey del Oro	-	-	-	-	-	-	-	-	-	4,020	0.68	88
Total Mercedes	57	7.50	14	1,809	3.00	174	1,866	3.13	188	7,313	2.16	509
Minera Florida	1,321	6.21	264	1,471	5.60	265	2,792	5.89	529	3,457	5.32	591
Pilar	-	-	-	1,094	4.51	159	1,094	4.51	159	6,785	4.19	915
Pilar - Caiamar	-	-	-	703	4.76	108	703	4.76	108	1,380	3.30	150
Total Pilar	-	-	-	1,797	4.62	267	1,797	4.62	267	8,165	4.06	1,065
Suyai	-	-	-	4,700	15.00	2,286	4,700	15.00	2,286	900	9.90	274
Total Gold Mineral Resources	82,347	0.91	2,397	458,743	0.73	10,796	541,090	0.76	13,192	465,991	0.61	9,142
Agua Rica	27,081	0.14	120	173,917	0.14	776	200,998	0.14	896	642,110	0.12	2,444

	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
SILVER	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)	Tonnes (000's)	Grade (g/t)	Contained oz. (000's)
Amancaya	-	-	-	-	-	-	-	-	-	1,390	73.00	3,270
Chapada	-	-	-	82,161	1.43	3,775	82,161	1.43	3,775	27,553	1.11	982
El Peñón	604	231.90	4,505	1,306	163.87	6,879	1,910	185.40	11,384	5,257	274.89	46,458
Mercedes	57	34.51	63	1,809	32.25	1,876	1,866	32.32	1,939	3,293	41.97	4,443
Rey del Oro	-	-	-	—	-	-	-	-	-	4,020	21.77	2,814
Total Mercedes	57	34.51	63	1,809	32.25	1,876	1,866	32.32	1,939	7,313	30.87	7,257
Minera Florida	1,321	32.00	1,354	1,471	30.00	1,409	2,792	30.78	2,763	3,457	44.00	4,884
Suyai	-	-	-	4,700	23.00	3,523	4,700	23.00	3,523	900	21.00	575
Total Silver Mineral Resources	1,982	92.92	5,922	91,447	5.94	17,462	93,429	7.78	23,384	45,870	43.01	63,426
Agua Rica	27,081	2.35	2,042	173,917	2.89	16,158	200,998	2.82	18,200	642,110	2.33	48,124

	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
COPPER	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Chapada	40,760	0.19	167	176,520	0.21	818	217,280	0.21	986	331,407	0.17	1,218
Total Copper Mineral Resources	40,760	0.19	167	176,520	0.21	818	217,280	0.21	986	331,407	0.17	1,218
Agua Rica	27,081	0.45	266	173,917	0.38	1,447	200,998	0.39	1,714	642,110	0.34	4,853

	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
ZINC	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Minera Florida	1,321	1.75	51	1,471	1.70	55	2,792	1.72	106	3,457	1.43	109
Total Zinc Mineral Resources	1,321	1.75	51	1,471	1.70	55	2,792	1.72	106	3,457	1.43	109

	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
MOLYBDENUM	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Agua Rica	27,081	0.049	29	173,917	0.037	142	200,998	0.039	172	642,110	0.034	480

NOTE: Mineral Resources are exclusive of Mineral Reserves

The following are qualified persons responsible for mineral reserve and mineral resource estimates as at December 31, 2011.

PROPERTY	QUALIFIED PERSONS FOR MINERAL RESERVES	QUALIFIED PERSONS FOR MINERAL RESOURCES
Alumbrera	Julio Bruna Novillo, AusIMM, Member of CIM, Xstrata Plc	Julio Bruna Novillo, AusIMM, Member of CIM, Xstrata Plc
Amancaya	Not applicable	Chester M. Moore, P.Eng., Roscoe Postle Associates Inc.
Chapada	Porfirio Cabaleiro Rodriguez, BSc Mine Eng, MAIG, Coffey Mining Pty Ltd (for all of Chapada, excluding Suruca) and Raul Contreras, MAusIMM, Registered Member of Chilean Mining Commission, Senior Consultant, Resource Estimation, Metalica Consultores S.A. (for Suruca)	Porfirio Cabaleiro Rodriguez, BSc Mine Eng, MAIG, Coffey Mining Pty Ltd (for all of Chapada, excluding Suruca) and Raul Contreras, MAusIMM, Registered Member of Chilean Mining Commission, Senior Consultant, Resource Estimation, Metalica Consultores S.A. (for Suruca)
C-1 Santa Luz	Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc. (for all of C1 Santa Luz excluding C1 extension) and Sergio Brandao Silva, P. Geo, Exploration Director, Brazil, Yamana Gold Inc. (for C1 extension)
El Peñón	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc.	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Ernesto/ Pau-a -Pique	Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Sergio Brandao Silva, P. Geo, Exploration Director, Brazil, Yamana Gold Inc.
Fazenda Brasileiro	Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Sergio Brandao Silva, P. Geo, Exploration Director, Brazil, Yamana Gold Inc.
Gualcamayo	Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc. (for Gualcamayo, excluding QDD Lower) and Guillermo Bagioli, MAusIMM, Registered Member of Chilean Mining Commission, Metalica Consultores S.A. (for QDD Lower)	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Jacobina	Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Sergio Brandao Silva, P. Geo, Exploration Director, Brazil, Yamana Gold Inc.
Jeronimo	Guillermo Bagioli Arce, MAusIMM , Registered Member of Chilean Mining Commission, Metálica Consultores S.A.	Dominique François-Bongarçon, Ph.D, P.Eng., Agoratek International
La Pepa	Not applicable	Chester M. Moore, P.Eng., Roscoe Postle Associates Inc.
Mercedes	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc.	Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc.
Minera Florida	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc.	Marcos Valencia A. P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc.
Pilar	Guillermo Bagioli, MAusIMM, Registered Member of Chilean Mining Commission, Metalica Consultores S.A. (for Jordino) and Emerson Ricardo Re, MSc, MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc. (for Jordino Extension)	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc. (for Jordino) and Sergio Brandao Silva, P. Geo, Exploration Director, Brazil, Yamana Gold Inc. (for Jordino Down Dip, Tres Buracos, HG and Ogo Extension)
Suyai	Not applicable	Robin J. Young, P. Geo., Western Services Engineering, Inc.
Agua Rica	Enrique Munoz Gonzalez, MAusIMM, Registered Member of Chilean Mining Commission	Evandro Cintra, Ph.D., P. Geo., Senior Vice President, Technical Services, Yamana Gold 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 CONDUCT

The Board has adopted a Code of Conduct (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 call line 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; and periodically reviews the Board Manual by which the Board will operate and the terms of reference for the Board.

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)(2)(3)
Lead Director, Yamana Gold Inc.,
Company Director

John Begeman (1)(4)
President and Chief Executive Officer,
Avion Resources Corp.

Alex Davidson (2)(4)
Company Director

Richard Graff (1)
Company Director

Robert Horn (2)(4)
Company Director

Nigel Lees (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

Richard Campbell
Senior Vice President,
Human Resources

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

Khawar Nasim
Vice President, External Affairs

Ricardo Palma
Vice President, Country Manager, Chile

Patrick Portmann
Vice President, Corporate Development

Arão Portugal
Vice President, Administration and
Country Manager, Brazil

David Radu
Vice President, Information Technology

Betty Soares
Vice President, Corporate Controller
and Chief Accounting Officer

Hernan Vera
Vice President, Country Manager,
Argentina

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, 2011)*

Common Shares (basic): 745.8 million
Common Shares (fully diluted): 747.3 million
Options: 1.5 million

2011 COMMON SHARE TRADING INFORMATION

Stock Exchange	Ticker	Closing price	High	Low	Average Daily Volume
TSX	YRI-T	C$15.02	C$17.39	C$10.87	3,290,469
NYSE	AUY	US$14.69	US$17.47	US$10.88	9,589,265
LSE	YAU-LN	p937.50	p1,128	p685	7,550

DIVIDENDS

Yamana currently pays a quarterly dividend of US $0.055 per share

2011 Dividend Schedule		Anticipated 2012 Dividend Schedule	
Record Date	Payment Date	Record Date	Payment Date
March 31, 2011	April 14, 2011	March 30, 2012	April 13, 2012
June 30, 2011	July 14, 2011	June 29, 2012	July 13, 2012
September 30, 2011	October 14, 2011	September 28, 2012	October 12, 2012
December 30, 2011	January 13, 2012	December 31, 2012	January 14, 2013

Shareholder Information

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 Company at www.canstockta.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:

Canadian Stock Transfer
c/o CIBC Mellon Stock Transfer
P.O. Box 700
Station B
Montreal, Quebec
H3B 3K3
1-800-387-0825 (toll free in North America)
416-682-3860 (outside North America)
Email: inquiries@canstockta.com
www.canstockta.com

**Canadian Stock Transfer acts as administrative agent for CIBC Mellon Trust Company*

INVESTOR 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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Deloitte & Touche LLP

LEGAL COUNSEL

Cassels, Brock & Blackwell LLP
Paul, Weiss, Rifkind, Wharton & Garrison LLP

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ANNUAL GENERAL MEETING

Wednesday, May 2, 2012
11:00 a.m. Eastern DST

Design Exchange
234 Bay Street
Toronto Dominion Centre
Toronto, Ontario, Canada

Concept & Design: Tara Pain Rowlands Design
Editorial Services: Allman & Associates
Typesetting & Pre-Press Production: Mary Acsai
Printing: Merrill Corporation Canada

Principal Photography: Peter Christopher Photography
Portrait Photography: Zanetti Photography
Mercedes Photography: Moises Arellano Photography

Printed in Canada