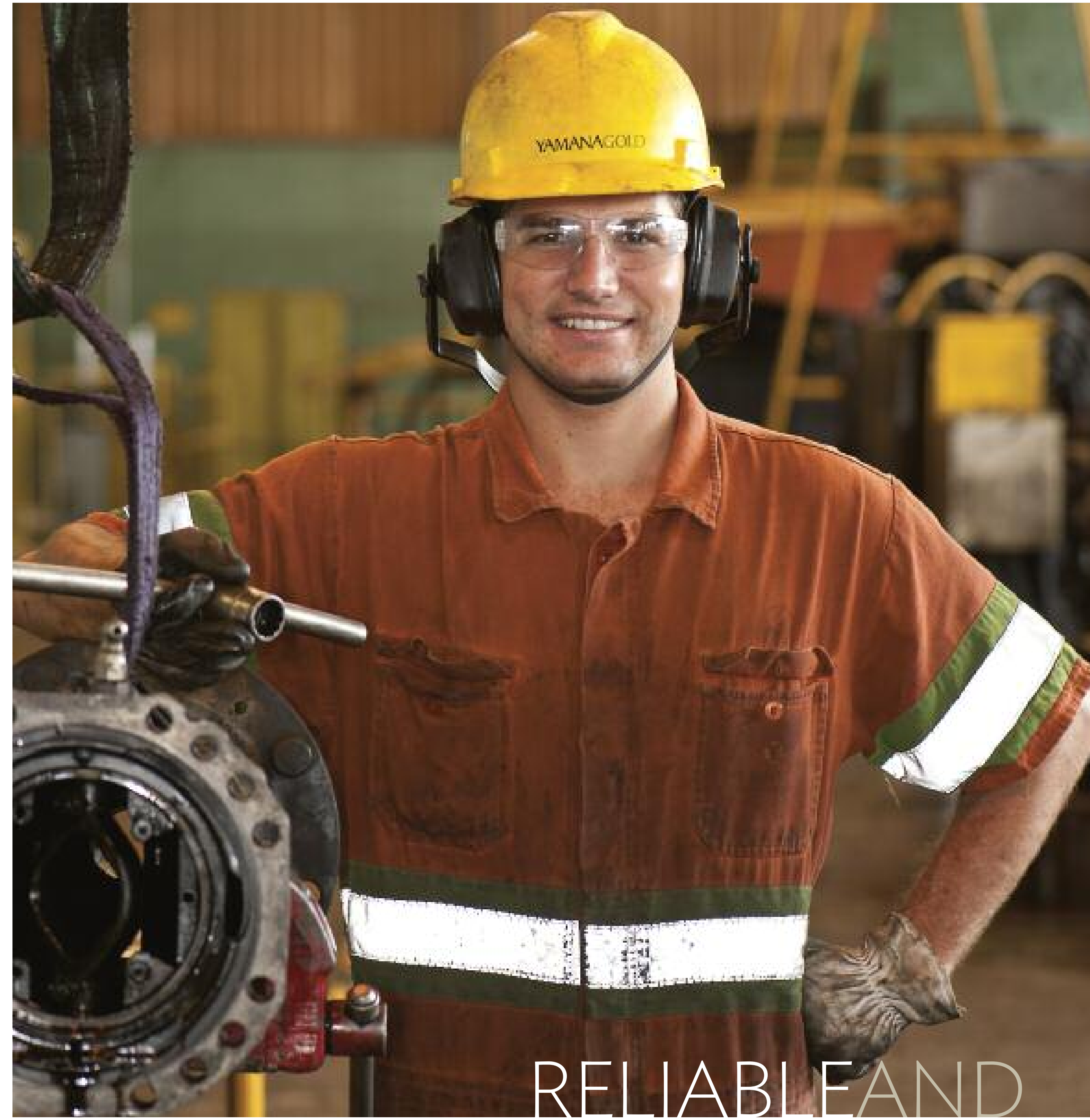
YAMANAGOLD

www.yamana.com



RELIABLE AND PREDICTABLE

YAMANAGOLD

2012 Annual Report

SIMPLE AND SUCCESSFUL

At Yamana we like to keep things **simple.**

Our goal is to be a reliable precious metals company focused on growth and sustainability from production to cash flow. To achieve this goal we stick to what we know and do it where we know it.

We strive to be **reliable and predictable,** and to deliver on our promises.

Keeping it simple is how we have been **successful** at creating significant shareholder value. It is the same strategy that will ensure our continued growth and success.

COVER PHOTO: Pictured is Alailson Cosme Oliveira Santos who has worked at our Fazenda Brasileiro mine in Brazil since 2007.

Yamana Gold has a **diverse** portfolio of assets in South and Central America that provides **sustainable** gold production supported by a large mineral reserve and mineral resource base. We have industry low cash costs, operations in some of the world's most stable mining jurisdictions and offer significant exposure to gold through continuing production and resource growth. We have increased production from one million gold equivalent ounces (GEO) in 2010 to 1.2 million GEO in 2012 and are targeting an annual production rate of approximately 1.75 million GEO in 2014.

DIVERSEAND SUSTAINABLE

550%

INCREASE IN DIVIDENDS SINCE 2009

7.5%

INCREASE IN REVENUE OVER 2011

1. Delivered Shareholder Value Through Organic Growth
2. Record Revenues
3. Industry Low Cash Costs and Below Our $250 Per Ounce Guidance
4. Record Production - 9% Over Last Year and Within Guidance
5. Increased Production Year Over Year and Quarter Over Quarter

100
The Best-Performing CEOs in the World

Voted 65th in the Harvard Business Review survey of the top 100 CEOs in the world. The survey offers a ranking of CEO's performance over their entire tenure evaluated against shareholder returns and changes to market capitalization.

FOCUS AND DIRECTION

To Our Shareholders Managing a business enterprise can be complicated. This is also true for mining. Keeping it simple is not always possible although at Yamana we have sought to keep it simple as a way to better deliver value. Our goal in 2012 was consistent with our goal in prior years, which was to undertake efforts to keep it simple so as to become a more reliable and predictable precious metals company. We have been simplifying our approach to managing our business by focusing on certain core areas of competency, from jurisdictional to technical. We also continue to focus on cost control, operational performance and sustainable volume growth always with a 'simple to understand' objective of performing financially and, in particular, maximizing our cash flow.

In this regard, 2012 proved to be another successful year as we met or exceeded expectations in those areas important to a mining enterprise. We increased mineral reserves, mineral resources and production, and translated this strong operational performance into robust financial returns. With this as an introduction, as has been my practice in recent years, I will take the opportunity of addressing commonly asked questions as part of my message to our shareholders.

How did Yamana perform in 2012?

I am very pleased with our progress in 2012, and congratulate our employees for all their hard work in turning our goals into reality. We had record production of 1.2 million gold equivalent ounces (GEO) thanks in part to a better than expected first year of production at Mercedes and better than expected production at El Peñón, Chapada and Fazenda Brasiliero. We managed to keep cash costs below our guidance and at the low end of the industry, comparing favorably against our peers.

We continued to advance our development projects and our exploration program also produced strong results. Most notably, mineral resources increased by 15 percent while grade improved 14 percent. At Cerro Moro, our newest project, we increased mineral resources by 44 percent and developed a plan to advance the project. Gold equivalent mineral reserves increased by four percent, while grade improved by three percent. This is the sixth consecutive year that we have increased our mineral reserves and as important as the annual increases are to us, over the longer term we increased our gold mineral reserves by approximately eight million ounces since 2007, representing an annualized increase of over 10 percent.

What were the financial results for 2012?

We were able to translate our strong operating results into a number of new financial records. For 2012, we had record revenues of $2.3 billion which is a significant increase over 2011. These revenues contributed to mine operating earnings of $1.1 billion, also a new company record, and cash flow from operations of over $1 billion or approximately $1.40 per share. We have an established trend of cash flow generation and our 2012 results represent a 20% increase against the average annual cash flow from the previous three years. Cash and cash equivalents at the end of the year were approximately $350 million. In addition, we were able to return value to shareholders through dividend payments of almost $170 million representing a year-over-year increase of 68%.

CLEARAND STRATEGIC

What stage is Yamana at in its evolution?

As a growth-oriented gold producer, we are targeting a sustainable production level of approximately 1.75 million GEO. In 2012, we had seven mines in production that produced 1.2 million GEO. By the end of 2013, we expect to have ten mines in operation, with the three new mines contributing significant increases to production.

OUR PERFORMANCE | 2012

Increased production to 1.2 million GEO

Contained by-product cash costs to below $250 per GEO

Delivered strong financial results

Completed commissioning at Mercedes

Advanced three development projects

Increased dividend

All operations will continue to be focused in jurisdictions we know and within geographic clusters allowing us to leverage internal expertise and existing infrastructure.

Cash flow generation continues to be at the core of our approach. The volume growth in 2012, in total mineral resources and in production, should continue in 2013 which will allow us to target a further increase in cash flow in 2013 over 2012 and over the historical average cash flow in prior years. The trend of cash flow growth remains positive. This allows us to evolve further by fully funding our growth and also allows us to consider strategic investments to further enhance our growth profile while continuing to reward shareholders through dividends.

You emphasize being reliable and predictable. How do you manage that?

One of our guiding principles at Yamana is to keep it simple by sticking with what is familiar to us. By this, we mean operating in jurisdictions we know and also exploring and mining more typical, or conventional, geologies requiring mining and processing techniques we know.

We have focused on grade and operational optimization as a way to increase our reliability.

Also, by using a portfolio approach to asset management that integrates our preference for stable jurisdictions with our existing mining expertise, we are able to better plan, better execute and more reliably deliver value.

The nature of this portfolio approach allows us to leverage solutions and improvements at one operation and apply them to other assets in our portfolio.

How are you managing cost pressures?

Recognizing not all cost pressures are within our control, we have implemented strategies to provide increased flexibility in managing those costs we do have control over. With that in mind, we started a program to optimize our operations more than three years ago. This has us well positioned to contain costs and to continue doing so. The optimizations are a combination of "low hanging fruit" that provides some immediate impact and other initiatives that will provide results over the medium to longer term.

PLANAND DEVELOP

We have been able to keep some of our costs under control by focusing on optimizing margins while using a flat gold price assumption to evaluate mineral reserves over the past few years. We have also focused on improving the grade of our mineral reserves to increase the quality of ounces we produce. We expect these approaches will continue to be effective.

As a business operating in multiple countries, each with their own currency, and producing a commodity priced principally in U.S. dollars, we continue to evaluate the effectiveness of strategies we have in place to mitigate the impact of some currency fluctuations and the resulting impacts on cost.

OUR PLAN | 2013

Increase production to over 1.4 million GEO

Contain by-product cash costs below $365 per GEO

Deliver strong financial results and significant free cash flow

Ramp up production at two new mines, begin production at a third

Advance Cerro Moro project

Continue effective exploration program

Uphold best practices and international standards in corporate social responsibility

Additionally, in an effort to better communicate the true cost of producing an ounce of gold, we are moving to reporting an all-in sustaining cash cost measure. This existing internal metric includes cash cost, exploration expense, sustaining capital expenditure, and general and administrative expense.

How do you manage your political risk exposure?

Political risk is a reality in most jurisdictions today. We believe the jurisdictions in which we operate are less prone to political risks that can impact mining enterprises and that we have sufficient presence in these jurisdictions to manage those risks.

Our efforts have always been concentrated in the Americas. We are comfortable with the relative production attributed to the countries in which we operate. Planning is central to our operations, and includes how we engage with all our external stakeholders.

By operating in jurisdictions in which we have history and experience, we are better able to understand the permitting processes and the tax and royalty regimes. This familiarity also helps us to assess and respond to changes in the political environment.

This is true not only in reference to the countries in which we operate, but also applies within regions in those countries. The approach we take is to concentrate or cluster our efforts whenever possible.

What role does Yamana play in the host communities?

First, and foremost, we aim to employ local labour. We have succeeded in hiring the majority of our approximately 10,000 employees and contractors from the countries in which we operate, mostly from local communities. Minimizing the numbers of expatriate workers means we have members of the local communities working at the mines, and implementing our safety, health, environment and community programs.

Our commitment does not end there. We also strive to source goods and services locally, and that increases the economic benefits to the broader community in the jurisdictions where we operate. This approach to procurement is supported by our preference for jurisdictions with an established mining pedigree.

We strive to adopt best practices for health and safety along with environmental protection.

In this regard, I encourage our shareholders to obtain a copy of our Corporate Social Responsibility Report available on our website for a more detailed description of our community efforts.

What is Yamana's approach to mergers and acquisitions?

We have had excellent results with organic growth and believe it provides an internal measure against which to judge external opportunities. For instance, in 2012, we increased mineral reserves at existing operations by six percent while using a flat gold price assumption and believe this provides strong potential for value delivery. Enhancing the value of existing assets is a better and more efficient way to deliver value.

We will pursue opportunities when the timing is right and the economics of a project compare favorably to our internal measures. We acquired Extorre Gold Mines Ltd in 2012 and with that we now own Cerro Moro which is a very high grade deposit similar to El Peñón and Mercedes. We estimated it offered an opportunity to contribute more value than could be delivered by projects at a comparable stage in our portfolio, and thus was the type of strategic, "tuck-in" acquisition that provides the best return for our shareholders. We concluded that for a modest cash amount, representing a small portion of our market value, we could derive significant production and cash flow increases.

What are Yamana's goals for 2013?

In 2013, we are expecting another record year of production. We expect our production to exceed 1.4 million GEO. This increase over 2012 will come in part from the ramp-up of production at our newest mines in Brazil.

We expect to increase mineral reserves and resources, with a focus on improving the quality of ounces we produce.

As in prior years, we will continue to focus on health and safety through continuous improvement of our policies, guidelines and practices to ensure the safest environment possible for our employees and the communities in which we work.

With a goal of continuing to keep it simple, consistency and reliability will remain guiding principles in the delivery of higher quality ounces at comparatively low cost.

What is the longer-term plan for Yamana?

Sustainable production is targeted at approximately 1.75 million GEO. We expect to achieve this objective within the intermediate term. We are on track with our current operations and advanced staged development projects to achieve this objective while maintaining our relatively low cost profile.

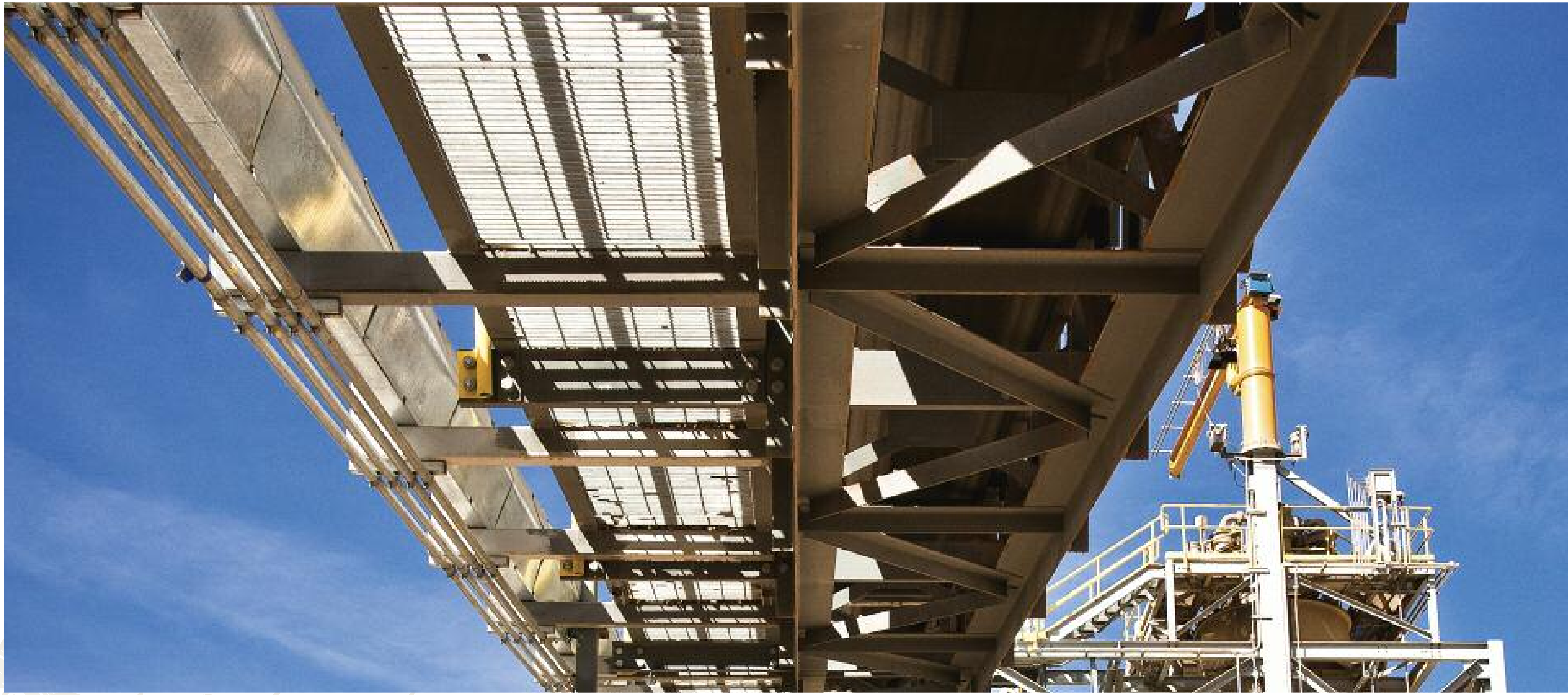
After completing the current expansion phase, we shall focus on how best to continue growing across all measures and delivering the best value to shareholders.

In recent years Yamana has advanced steadily towards its goal of becoming a more reliable and predictable precious metals producer while delivering growth in mineral reserves and mineral resources, production and the financial measures that follow, from revenue to cash flow to earnings. I wish to thank all who have enabled the Company to achieve another productive year, especially our dedicated work force and supportive local communities. I look forward to 2013 and to continuing our successes.

"Peter Marrone"

PETER MARRONE
Chairman and Chief Executive Officer

2012 proved to be another successful year as we exceeded expectations in all facets from mineral resource increases to production and operational performance to financial returns.



GROWTHAND PRODUCTION

2012 Operation Review Yamana Gold has a diversified portfolio of assets providing sustainable gold production supported by a large mineral reserve and mineral resource base. We have industry low cash costs, operations in some of the world's most stable mining jurisdictions and offer significant exposure to gold through continued production and resource growth.

CHAPADA | BRAZIL

Producing Mines

100% YAMANA OWNED





The Chapada open pit gold-copper mine, located northwest of Brasília in Goiás state, began production in 2007. It is a relatively low-cost operation and contributes significantly to Yamana's favourable cost structure. Ore is treated in a flotation plant capable of treating 22 million tonnes annually. A carbon-in-leach project is to be introduced in 2013 to help combat lower grades and recoveries.

Recent exploration has resulted in new discoveries and continuing positive results at Corpo Sul, the southern extension of the Chapada deposit found in 2011. It is expected that the mine's throughput can be enhanced by blending ore from the main Chapada pit with higher grade ore from Corpo Sul. As the size and scale of Corpo Sul increase, it will be evaluated as a stand-alone orebody. Production from the Suruca gold deposit, discovered six kilometres northeast of Chapada in 2009, is expected to begin in late 2013, and contribute an average of 45,000-50,000 ounces annually to Chapada's operations for an initial five years. The Company's strategic plan is to ensure sustainable production from Chapada of approximately 150,000 ounces of gold and 135.0 million pounds of copper per year for at least five years from 2015.

PRODUCTION	2012	2013E	2014E
GEO	128,171	105,000-115,000	140,000-160,000
Cash cost (per GEO)	$333		
Copper (million lb.)	150.6	120-135	130-145
Cash cost (per lb. of copper)	$1.40		

+128

000'S GEO

MINERAL RESERVES & MINERAL RESOURCES

Gold: 3.7 million oz. P&P + 2.3 million oz. M&I
Silver: 3.8 million oz M&I
Copper: 2.5 billion lb. P&P + 1.1 billion lb. M&I
Strategic mine life: 18 years

EL PEÑÓN | CHILE

100% YAMANA OWNED





Located in northern Chile, El Peñón is a high grade underground gold-silver mine with a 4,500 tonnes per day agitated leaching /counter current decantation (CCD) and Merrill-Crowe plant. Since production began in 2000, continuing exploration has established a track record of replacing ounces mined. Positive exploration results continue to indicate potential for extending the mine's life and for a sustainable production level of approximately 440,000 GEO per year.

Current exploration is focused on establishing mineral reserves at new discoveries at Dorada Sur and Dorada Oeste, Fortuna Este and Bonanza West. The continued success of the program will lead to improved production, provide mining flexibility and ultimately increase mine life. At the Pampa Augusta Victoria vein system, which is near-surface and easily accessible, development has commenced and an open pit mining operation is expected to supplement production from undergound areas.

+462

000'S GEO

PRODUCTION	**2012**	2013E	2014E
GEO	462,496	450,000-460,000	440,000-460,000
Cash cost (per GEO)	$440		

MINERAL RESERVES & MINERAL RESOURCES

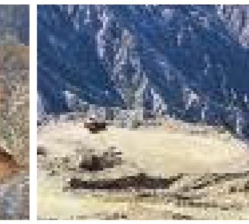
Gold: 2.3 million oz. P&P + 432,000 oz. M&I
Silver: 72.6 million oz. P&P + 12.0 million oz. M&I
Strategic mine life: 10 years

GUALCAMAYO | ARGENTINA

100% YAMANA OWNED







The Gualcamayo mine, located in San Juan province, is an open pit, heap leach operation encompassing three substantial zones of gold mineralization (QDD, AIM and QDD Lower West). An expansion of the operation, to be completed by mid-2013, is expected to increase sustainable production to approximately 200,000 gold ounces per year beginning in 2014.

The increase in production will result from the transition of mining to the Phase III section of the QDD Main pit, starting in mid-2013, as well as from the start-up of the AIM open pit and the development of the QDD Lower West underground operation. Recent exploration indicating increasing amounts of sulphide ore in mineral resources prompted a scoping study that is evaluating milling this higher grade material rather than treating it by heap leaching.

PRODUCTION	**2012**	2013E	2014E
Gold (oz.)	147,310	170,000-185,000	190,000-210,000
Cash cost (per oz.)	$536		

+147

000'S OZ GOLD

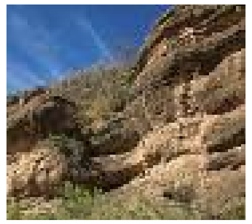
MINERAL RESERVES & MINERAL RESOURCES

Gold: 2.1 million oz. P&P + 1.2 million oz. M&I
Strategic mine life: 7 years

STRONG AND SUSTAINABLE

MERCEDES | MEXICO

100% YAMANA OWNED


The Mercedes gold-silver underground mine in Sonora state began production in late 2011, and exceeded expectations in its first full year of operation. Production is expected to increase further in future years, as development of the mine accelerates and plant modifications are introduced. Ore is treated in a 1,500 tonnes per day plant that incorporates agitated leaching, counter current decantation and the Merrill-Crowe process.

The operation involves five vein zones. In 2012 development continued in the Barrancas zone, with production starting late in the year from the higher grade Lagunas Norte vein in that zone. Lagunas Norte is one of the newest discoveries at the mine and offers significant potential for increasing production as it was not included in the original mine plan. Confirmation of width and grades in the Lupita zone and the recent discovery of high grade mineralization in the Rey de Oro zone are expected to boost measured and indicated mineral resources. The increase in mineral resources will extend mine life and help to maintain higher throughput and sustainable production levels.

+126

000'S GEO

PRODUCTION	2012	2013E	2014E
GEO	126,010	130,000-140,000	130,000-150,000
Cash cost (per GEO)	$485		

MINERAL RESERVES & MINERAL RESOURCES

Gold: 953,000 oz P&P + 287,000 oz. M&I
Silver: 10.1 million oz. P&P + 3.1 million oz. M&I
Strategic mine life: 8 years

JACOBINA | BRAZIL

100% YAMANA OWNED





The Jacobina operation, located in Bahia state in northeast Brazil, consists of a complex of underground gold mines and a 6,500 tonnes per day carbon-in-pulp processing plant. Since acquiring Jacobina in 2006, Yamana has increased gold mineral reserves cumulatively more than 98 percent, while gold mineral reserve grade has been increased 41 percent since 2009.

Recent exploration and development have focused on upgrading mineral resources to mineral reserves in the higher grade Canavieiras and Morro do Vento deposits. As the work proceeds, consideration is being given to increasing annual production above 140,000 ounces of gold. The timing of such an increase will be dependent on the pace of the development work.

PRODUCTION	2012	2013E	2014E
Gold (oz.)	116,863	125,000-145,000	140,000-155,000
Cash cost (per oz.)	$747		

+117

000'S OZ GOLD

MINERAL RESERVES & MINERAL RESOURCES

Gold: 2.4 million oz. P&P + 2.1 million oz. M&I
Strategic mine life: 13 years

MINERA FLORIDA | CHILE

100% YAMANA OWNED





Minera Florida is an underground gold-silver mine located south of Santiago in central Chile, with a 2,400 tonnes per day plant incorporating flotation and the Merrill-Crowe process. The mine has been in operation for over 20 years. Retreatment of historic tailings is expected to increase annual production by approximately 30,000 GEO per year for five years commencing in 2013.

Commissioning of the tailings retreatment plant was completed in September 2012 and the plant reached design capacity early in 2013. Additional production from the tailings is expected to improve overall costs since there are no mining costs associated with the tailings retreatment. Minera Florida also produces by-product zinc, amounting to 5,381 tonnes in 2012. The 2012 exploration program resulted in the discovery of the Aguas Frias East zone, which will be drilled further in 2013.

+106

000'S GEO

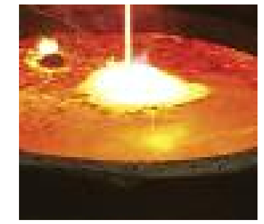
PRODUCTION	2012	2013E	2014E
GEO	105,679	125,000-145,000	130,000-145,000
Cash cost (per GEO)	$797		

MINERAL RESERVES & MINERAL RESOURCES

Gold: 845,000 oz. P&P + 512,000 oz. M&I
Silver: 6.5 million oz. P&P + 2.9 million oz. M&I
Strategic mine life: 10 years

FAZENDA BRASILEIRO | BRAZIL

100% YAMANA OWNED





Fazenda Brasileiro, located in Bahia state in northeast Brazil, consists of an underground gold mine and a 3,500 tonnes per day carbon-in-pulp mill. The mine has been in production for over 20 years. Yamana acquired the operation in 2003 when its mineral reserves indicated a mine life of only two and a half years, but ongoing exploration has consistently replaced mineral reserves as they have been mined.

Two new mineralized zones, CLX_2 and Lagoa do Gato, were discovered in 2009, and infill and extension drilling have confirmed the continuity of mineralization in both areas. The CLX_2 zone has significant potential for high-grade sources of ore for the mill. The zone's high grade areas are readily accessible from the main mine's workings and work continues with the objective of increasing mineral reserves and mineral resources.

PRODUCTION	2012	2013E	2014E
Gold (oz.)	67,130	65,000-75,000	50,000-65,000
Cash cost (per oz.)	$872		

+67

000'S OZ GOLD

MINERAL RESERVES & MINERAL RESOURCES

Gold: 306,000 oz. P&P + 165,000 oz. M&I
Strategic mine life: 5 years

These notes refer to pages 15 – 23

Mineral resources are exclusive of mineral reserves. Refer to pages 147 – 151 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.

EXPERTISE AND JURISDICTION





ERNESTO / PAU-A-PIQUE | BRAZIL

The Ernesto/Pau-a-Pique operation in Mato Grosso state in western Brazil began its commissioning phase in late 2012. The Ernesto deposit will be mined by open pit and underground methods while Pau-a-Pique, 60 kilometres to the south, will be an underground operation. Ore from both deposits will be treated in a one million tonnes per year plant incorporating gravity and carbon-in-leach processing.

ANNUAL PRODUCTION	(E)
Gold (oz):	80,000-95,000

MINERAL RESERVES & MINERAL RESOURCES

Gold: 791,000 oz. P&P + 141,000 oz. M&I
Strategic mine life: 8 years

PILAR | BRAZIL

The Pilar mine is expected to start up in mid-2013, with commissioning scheduled for completion by year end. Construction was approximately 75% complete at the end of 2012. Pilar is located in Goiás state, 80 kilometres south of Yamana's Chapada mine. Pilar will become Yamana's next underground mine with plant capacity of approximately one million tonnes per year, recovering gold by gravity and carbon-in-leach processing. Recent exploration has been producing encouraging results from the Maria Lazarus deposit 20 kilometres west of Pilar. Ore from an underground mine on the high grade Caiamar satellite deposit located 38 kilometres west of Pilar is expected to begin contributing to production as early as 2014.

ANNUAL PRODUCTION	(E)
Gold (oz):	120,000

MINERAL RESERVES & MINERAL RESOURCES

Gold: 1.4 million oz. P&P + 267,000 oz. M&I
Strategic mine life: 12 years





C1 SANTA LUZ | BRAZIL

At the end of 2012, construction of the C1 Santa Luz project was over 95% complete. Start-up of operations was pending with completion of commissioning expected by mid-2013. Located in Bahia state in eastern Brazil, C1 Santa Luz is 160 kilometres east of Yamana's Jacobina mine, and 140 kilometres north of the Fazenda Brasileiro mine. It has been planned as a conventional 2.5 million tonnes per year open pit operation with ore to be treated by flotation and carbon-in-leach processing. Mineralization discovered at depth in 2012 has raised the possibility of a potential underground mining operation and will be followed up intensively in 2013.

ANNUAL PRODUCTION	(E)
Gold (oz):	100,000

MINERAL RESERVES & MINERAL RESOURCES

Gold: 1.5 million oz. P&P + 678,000 oz. M&I
Strategic mine life: 10 years

CERRO MORRO | ARGENTINA

Cerro Moro is an advanced gold-silver exploration project located in Santa Cruz province. Acquired through its purchase of Extorre Gold Mines Ltd. in August 2012, Yamana conducted a $5 million, 100-hole drill program over the remainder of 2012 that increased indicated mineral resources by 44 percent. Cerro Moro is a low sulphidation epithermal vein deposit with similarities to the deposits at the El Peñón and Mercedes mines. Exploration will continue in 2013 while pre-development work and a feasibility study are initiated. A construction decision is anticipated in 2014 with a potential mine start-up expected in 2016. Preliminary studies have indicated a combined open pit (30%) and underground (70%) 1,000 tonnes per day operation and annual production of approximately 200,000 GEO.

ANNUAL PRODUCTION	(E)
GEO (oz.):	200,000

MINERAL RESERVES & MINERAL RESOURCES

Gold: 884,000 oz. M&I
Silver: 53.5 million oz. M&I

Mineral resources are exclusive of mineral reserves. Refer to pages 147 – 151 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.

This is the sixth consecutive year that we have increased our mineral reserves and as important as the annual increases are to us, over the longer term we increased our mineral reserves by approximately eight million ounces since 2007, representing an annualized increase of over 10 percent.

GROWTHAND EXPLORATION

2012 Exploration Review Yamana's exploration programs target mineral reserve growth and mineral resource discovery as well as the advancement of development projects and discoveries at existing operations. The Company looks for opportunities to improve the quantity and quality of ounces in the context of efficient capital allocation.

In 2012, Yamana spent approximately $128 million on exploration, five percent more than in 2011. The year's program focused on increasing the Company's gold equivalent mineral reserves and mineral resources, and resulted in the sixth consecutive year of reserve increases, a 15 percent increase in measured and indicated resources and grade increases across all categories of reserves and resources. A priority was to expand reserves at existing operations, which were increased by six percent. These upgrades were entirely the result of successful drilling campaigns since gold price assumptions used in reserve and resource estimates remained unchanged from 2011.

Yamana plans to spend approximately $110 million – $115 million on exploration in 2013. Its near-mine and regional programs will continue to emphasize increasing reserves and resources, while elsewhere work will concentrate on investigating and generating other opportunities.

CHAPADA | BRAZIL

Total gold reserves increased by 11 percent in 2012, while grade increased by seven percent over the 2011 level, primarily due to the inclusion of newly identified reserves in the Corpo Sul deposit, the southern extension of the Chapada deposit. Copper reserves increased by seven percent and grade improved by two percent. Exploration in 2013 will focus on increasing copper resources to supplement new gold discoveries. The 2013 exploration program is expected to add significantly to reserves.

JACOBINA | BRAZIL

Exploration increased gold reserves by a substantial 21 percent in 2012, while reserve grade was increased by ten percent, primarily as a result of the inclusion of reserves from the higher grade Canavieiras and Morro do Vento deposits. Since acquiring Jacobina in 2006, Yamana has increased gold reserves cumulatively more than 98%, while grade has been increased 41% since 2009. With exploration continuing to upgrade resources, the Company continues to evaluate an increase in annual production levels

FAZENDA BRASILEIRO | BRAZIL

Measured and indicated resources increased by eight percent in 2012 and inferred resources increased by 16 percent. Reserves declined by 15 percent, due to depletion and the re-classification of a portion of reserves as resources pending a definitive plan on how these ounces will be mined. Yamana acquired the mine in 2003 when it was estimated that known reserves would support the operation for only 2.5 years. At the end of 2012, mine life was estimated at slightly less than four years based only on the current reserves.

C1 SANTA LUZ | BRAZIL

Exploration of near-surface satellite deposits on the property resulted in a 17 percent increase in measured and indicated resources in 2012, and a three percent increase in inferred resources. In 2013, exploration will focus on the highly prospective mineralization identified at depth in 2012.

PILAR | BRAZIL

Reserves and measured and indicated resources were unchanged in 2012, since Yamana was focusing its exploration on the newly identified Maria Lazarus prospect, located 20 kilometres west of the Pilar project. This program resulted in a 29 percent increase in inferred resources, almost all of which are from Maria Lazarus, which are expected to be upgraded during 2013.

EL PEÑÓN | CHILE

Yamana has increased gold equivalent reserves for three consecutive years, building on a long track record of replacing and increasing reserves at the operation. In 2012, exploration concentrated on upgrading and increasing resources. The 2013 exploration program will focus on the extension of the Pampa Augusta Victoria vein system and areas within the North Block as well as on the recently discovered Dorada Sur, Dorada Oeste, Fortuna Este and Bonanza West occurrences. This effort is expected to result in continued increases in resources and a program to convert the new discoveries into reserves in the near term.

MINERA FLORIDA | CHILE

After significant increases in 2011, in part attributable to the upgrade of resources to reserves in the historic tailings deposits, exploration in 2012 focused on replacing depleted reserves and identifying new resources. The program resulted in a ten percent increase in inferred resources and the discovery of Aguas Frias East. In 2013, drilling at Aguas Frias East is expected to further delineate and expand this new zone.

GUALCAMAYO | ARGENTINA

Exploration in 2012 included the definition and expansion of the Rodado breccia, a new zone discovered in 2011 southwest of the QDD Lower West (QDDLW) deposit. As a result, measured and indicated resources increased by five percent, grade increased by six percent and the Rodado breccia mineralization was extended by 500 metres along strike. Given the amount of sulphide material in the resources in the Rodado breccia and QDDLW zones, and the expectation of further resource increases in these areas, Yamana is evaluating milling options to supplement Gualcamayo's heap leaching operation. The 2013 exploration program will continue to focus on the southwest of the QDDLW deposit where sulphide-bearing carbonate breccias have been outlined.

CERRO MORO | ARGENTINA

In 2012, Yamana spent $5 million to drill over 100 holes on its newly acquired Cerro Morro property, with the goal of upgrading inferred resources and growing the resource base. As a result, indicated resources increased 44 percent from the previous estimate compiled before Yamana acquired the project. Exploration in 2013 will include drilling eight priority target areas located on the newly discovered northern La Negrita block, and drilling existing geologic targets, geochemical anomalies and vein extensions within nine priority target areas in the southern Escondida block, which contains the bulk of the currently known resources.

MERCEDES | MEXICO

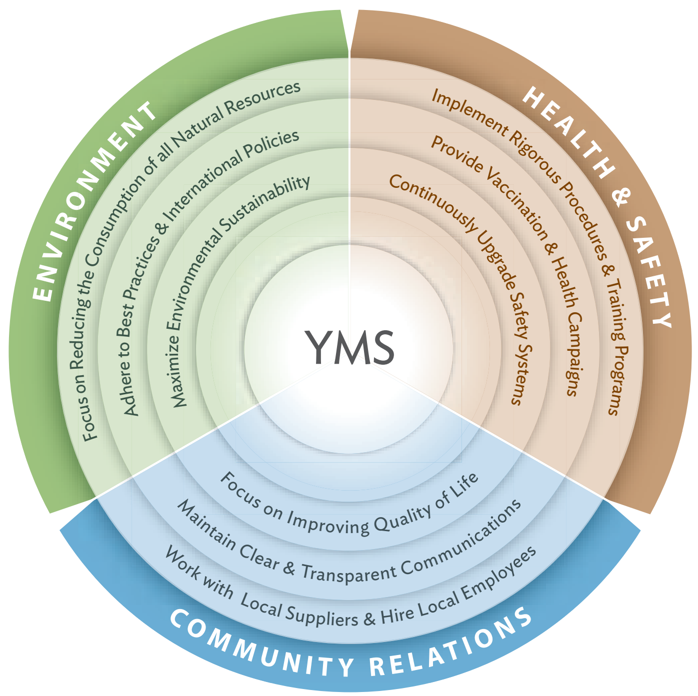
Recent successes are expected to enhance resources, extend the mine life and sustain higher production levels. Exploration in 2012 concentrated on replacing reserves and increasing resources through further delineation of the Diluvio, Lupita, Marianas (Barrancas Norte) and Rey de Oro veins. Gold equivalent reserves remained essentially the same as in 2011, while measured and indicated resources increased by 53% with an eight percent increase in grade. Late in the year, high grade mineralization was intersected at depth at Rey de Oro. The mineralization is on strike with and may be associated with the Klondike deposit located one kilometre to the north-northwest. In addition to replacing and increasing reserves and resources, the 2013 program will focus on expanding this discovery to determine continuity between the zones.

Refer to pages 147 – 151 for complete information relating to mineral reserves and mineral resources for all Yamana mines and projects as at December 31, 2012. Changes in mineral reserves and mineral resources from 2011–2012 are discussed in a February 20, 2013, release available at www.yamana.com

Planning is central to our operations, and includes how we engage with all our external stakeholders.

GROWTH AND SUSTAINABILITY

2012 CSR Highlights Corporate social responsibility is one of Yamana's core values, an integral component of the Company's business conduct. Yamana is well aware that operating with a social licence is vital to its sustainable growth and to the maintenance of strong relationships with employees, local communities, all levels of government and all other stakeholders. Yamana strives to exceed international standards in all of its activities and is continually strengthening its commitment to health and safety, environmental protection and community relations.



STRENGTHAND DEPENDABILITY

Health and Safety

In 2012 Yamana implemented a standard outlining safety requirements at its underground mines.

An improved Yamana Management System (YMS) was launched to better integrate and coordinate all aspects of sustainability.

A program was launched to enhance risk management procedures for major health and safety risks.

Environment

An internal portal was developed to improve management and coordination of programs.

At Fazenda Brasileiro environmental tests were carried out in anticipation of future reclamation activities.

The Environmental Education Centre at Chapada was officially opened and will provide opportunities for children and students to engage in a variety of educational activities about environmental stewardship.

Pilar is Yamana's first development project to fully incorporate sustainable construction techniques.

Community Relations

Fifty-five citizens meetings with approximately 950 people attending were held to discuss environmental, social, economic, operational and safety issues relating to Yamana's mines.

The Educational Management Project provided support to schools in local communities in Brazil and was instrumental in helping students at those schools achieve an average increase of 14.5 percent against standardized measures compared to an average increase of 5 percent achieved by students at other schools in the regions.

At the Argentina Mining 2012 symposium, Yamana was given the "Business Explorer/Mining or entity characterized by its action on CSR" award in recognition of its implementation of outstanding sustainable development policies in the communities in which it operates.

The Institute of Social and Environmental Responsibility was created in Brazil. It is a standalone organization established by Yamana to conceive and assist in the implementation of social and environmental projects at mines and in the surrounding areas.

An independent consultant undertook a benchmark study in the area of sustainability and concluded that Yamana's disclosure practices related to sustainability are consistent with industry best practice.

Full details of Yamana's 2012 corporate social responsibility program will be contained in the 2012 sustainability report, to be published in mid-2013.

2012
Financial Review

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(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"). This Management's Discussion and Analysis of Operations and Financial Condition should be read in conjunction with the Company's most recently issued annual consolidated financial statements for the year ended December 31, 2012.)

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.

MANAGEMENT'S DISCUSSION & ANALYSIS OF OPERATIONS & FINANCIAL CONDITION

1. Core Business

Yamana Gold Inc. (the "Company" or "Yamana") is a Canadian-headquartered 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 most recently audited Consolidated Annual 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, 2012

- Record revenues of $2.3 billion.
- Net earnings of $442.1 million or $0.59 basic and diluted earnings per share.
- Adjusted earnings* of $694.3 million or $0.93 adjusted basic and diluted earnings per share*.
- Record mine operating earnings of $1.1 billion.
- Cash flows from operations after changes in non-cash working capital of $1.16 billion.
- Cash flows generated from operations before changes in non-cash working capital* of $1.04 billion.
- Available funds of $1.1 billion at year end, including cash balance of $349.6 million and unused credit facilities.
- Dividends paid were $168.2 million, increased by 68% year-over-year.

Three months ended December 31, 2012

- Record revenues of $629.5 million.
- Net earnings of $169.2 million or $0.23 basic and $0.22 diluted earnings per share.
- Adjusted earnings* of $197.4 million or $0.26 adjusted basic and diluted earnings per share*.
- Record mine operating earnings of $322.1 million.
- Cash flows from operations after changes in non-cash working capital of $367.9 million.
- Cash flows generated from operations before changes in non-cash working capital* of $298.1 million.

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

Operational

Twelve months ended December 31, 2012

- Record total production for the year of 1.20 million gold equivalent ounces ("GEO")[(a)], within the Company's previous guidance of 1.175 to 1.310 million GEO, and 9% above 2011 total production.
- Record commercial production of 1.19 GEO.
- Total production from operating mines is summarized as follows:

For the twelve months ended December 31, (In GEO)	2012	2011
Chapada	128,171	135,347
El Peñón	462,496	475,586
Jacobina	116,863	121,675
Gualcamayo	147,310	158,847
Minera Florida(c)	105,679	102,738
Fazenda Brasileiro	67,130	55,163
Mercedes(c)	126,010	8,438
Ernesto/Pau-a-Pique(c)	1,274	-
Alumbrera (12.5%)	46,077	44,502
Total	1,201,010	1,102,296

- Production of 9.0 million silver ounces which, for presentation purposes only is treated as GEO.
- Copper production from Chapada of 150.6 million pounds.
- By-product cash costs[(b)] of $230 per GEO met the Company's guidance for the year of below $250 per GEO.
- Co-product cash costs[(b)] of $525 per GEO and of $1.40 per pound of copper from Chapada.
- Mercedes, Mexico – production continued to ramp up after completion of commissioning in February; production of 126,010 GEO exceeded guidance by 20% with consecutive quarterly increases in the first year of operation.
- Fazenda Brasileiro, Brazil – production increased by 22%.
- Minera Florida, Chile – commissioning of the tailings retreatment plant was completed in September and reached design capacity in January 2013. The retreatment of tailings is designed to increase production by approximately 30,000 GEO per year for five years commencing in 2013.

Three months ended December 31, 2012

- Record production of 322,990 GEO for the quarter, representing a 16% increase over the same quarter of 2011.
- Record commercial production of 321,716 GEO.
- Production from operating mines is summarized as follows:

For the three months ended December 31, (In GEO)	2012	2011
Chapada	32,498	34,313
El Peñón	128,119	115,043
Gualcamayo	31,502	40,676
Jacobina	28,337	31,983
Minera Florida	32,797	23,151
Fazenda Brasileiro	18,251	15,568
Mercedes	39,443	8,438
Ernesto/Pau-a-Pique[(d)]	1,274	-
Alumbrera (12.5%)	10,769	7,746
Total	322,990	276,918

- Production of 2.3 million silver ounces, which for presentation purposes only, is treated as GEO.
- Copper production from Chapada of 40.5 million pounds.
- By-product cash costs[(b)] of $198 per GEO.
- Co-product cash costs[(b)] of $517 per GEO and of $1.38 per pound of copper from Chapada.
- Mercedes, Mexico – production in the fourth quarter exceeded production in the third quarter by 17%, the second quarter by 36% and the first quarter by 65%, representing the third consecutive quarterly increase since the completion of commissioning. Cash costs at $435 per GEO for the fourth quarter were lower than the third quarter, second quarter and first quarter by 11%, 13% and 19%, respectively.
- Minera Florida, Chile – production increased by 42% over the fourth quarter of 2011 as production continues to ramp up after completion of commissioning of the tailings retreatment plant in September.
- Fazenda Brasileiro, Brazil – production increased by 17% over the fourth quarter of 2011.
- El Peñón, Chile – production was 11% higher than the fourth quarter of 2011 and 8% higher than the third quarter.

(a) GEO assumes gold plus the gold equivalent of silver using a ratio of 50:1.
(b) A non-GAAP measure – refer to Section 15.
(c) Includes commissioning production of 12,094 GEO in 2012 (Mercedes: 8,959 GEO, Minera Florida: 1,861 GEO and Ernesto/Pau-a-Pique: 1,274 GEO)
(d) Includes commissioning production of 1,274 GEO in the fourth quarter of 2012.

Construction, Development and Exploration

- Ernesto/Pau-a-Pique, Brazil – Commenced the commissioning phase in the fourth quarter. Completion of commissioning is expected by mid-2013.
- C1 Santa Luz, Brazil – Physical advancement for the project was over 95% complete at year end. Start-up of operations is pending with completion of commissioning expected by mid-2013. Water availability necessary for continuous operations will depend on the continuation of the rains throughout the rainy season which progresses through March and will be supplemented by recently discovered water wells.
- Pilar, Brazil – Physical advancement was approximately 75% complete at year end with planned start-up for mid-2013, and completion of commissioning by the end of 2013.
- Chapada, Brazil – Exploration at Corpo Sul, the newly discovered mineralized zone located southwest of and adjacent to the main pit at Chapada, continued with the completion of 5,253 metres of diamond drilling in 2012 for a total of 34,575 metres completed to date in 150 drill holes.
- El Peñón, Chile – The majority of the drilling in 2012 was completed at Dorada West and the Elizabeth vein at Pampa Augusta Victoria. The additional drilling completed in the fourth quarter will allow for initial mineral resource estimates to be completed at both new vein zones by the end of the first quarter of 2013. Drilling at Dorada West has outlined mineralization along a strike length of approximately 1,000 metres and a dip length of 150 metres. The deposit remains open to the south and locally down dip.
- Cerro Moro, Argentina – The Project hosts an initial indicated mineral resource of 1.95 million GEO and an inferred mineral resource of 490,000 GEO both at a 1 g/t cut-off. This cut-off grade reflects a blend of underground and open pit mining consideration. As mineral resources grow, with the expectation that the greatest potential is within those zones that will be mined from underground, the cut-off grade may be revised as the proportion of underground and open pit mineral resources changes and as the project is further advanced. Initiation of pre-development work and feasibility study is expected to lead toward a planned construction decision expected in 2014 and, depending on the outcome of the study and subsequent construction decision, production should begin in 2016.
- Gualcamayo, Argentina – During the quarter, 11 diamond drill holes were completed at QDD Lower West. Drilling appears to have connected the Rodado and main QDD Lower West breccia bodies into one large mineralized system which remains open to the southwest.

- Jeronimo, Chile – Discussions with joint venture partner, Codelco (43% owner of the project), will continue toward an objective of evaluating a construction decision.
- Mercedes, Mexico – During the quarter, drilling totaled approximately 2,817 metres in 7 diamond drill holes. Since the beginning of the year, 39 diamond drill holes have been completed at the Rey de Oro vein zone, totaling approximately 8,000 metres.
- Mineral reserves from the Company's operating mines of 14.2 million GEO, representing an increase of 6.0% from 2011, after taking into effect the mined mineral during 2012.
- Consolidated mineral reserves of 19.3 million GEO, representing a 4.1% increase from 2011, with a 3% increase in grade, after taking into effect the mined mineral reserves during 2012.
- Consolidated measured and indicated mineral resources of 15.6 million GEO, representing a 14.6% increase from 2011.

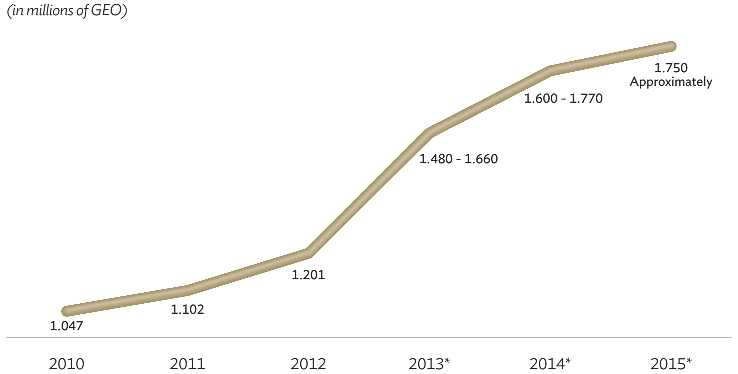
3. Outlook and Strategy

The Company continues with its objective to deliver consistent and reliable operational results with an emphasis on comparatively low costs to drive strong cash flows and expanding margins. This objective will be achieved through the delivery of high quality ounces and projects while containing costs and maintaining disciplined capital spending. 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. The Company complements its growth strategy by adding properties and projects with high development potential and economic upside through strategic acquisitions.

Production in 2013 is expected to be in the range of 1.44 million to 1.60 million GEO with a target level of 1.48 million GEO. This will represent an increase from 2012 production of at least 20%, most of which will come from a full year of production at Mercedes, the ramp-up of the expansion project at Minera Florida, the ramp-up of production at the two new mines, Ernesto/Pau-a-Pique and C1 Santa Luz, and the start-up of production at another new mine, Pilar.

Production in 2014 is expected to be in the range of 1.60 to 1.77 million GEO with a long-term sustainable target of 1.75 million GEO, representing an increase by approximately 33% from 2012 levels. The production increase will be in part due to a full year of production from Ernesto/Pau-a-Pique, C1 Santa Luz and Pilar, the Gualcamayo expansion and the Suruca oxide and Corpo Sul expansions at Chapada.

Total Actual and Estimated GEO Production from Operations
(in millions of GEO)



** Estimated production*

The status of the Company's development stage projects is summarized below:

Projects	Expected Average Annual Contribution	Expected Start-date
C1 Santa Luz	100,000 gold equivalent ounces	First quarter 2013
Pilar	120,000 gold equivalent ounces	Mid-2013

Estimated production on a mine-by-mine basis for 2013 and 2014 is detailed below:

(in GEO)	2013E	2014E
Chapada *(i)*	105,000 – 115,000	140,000 – 160,000
El Peñón *(i)*	450,000 – 460,000	440,000 – 460,000
Gualcamayo	170,000 – 185,000	190,000 – 210,000
Jacobina	125,000 – 145,000	140,000 – 155,000
Minera Florida *(i)*	125,000 – 145,000	130,000 – 145,000
Mercedes *(i)*	130,000 – 140,000	130,000 – 150,000
Ernesto/Pau-a-Pique	80,000 – 95,000	100,000 – 115,000
Fazenda Brasileiro	65,000 – 75,000	50,000 – 65,000
Alumbrera (12.5% interest)	40,000 – 50,000	40,000 – 50,000
Development Projects *(ii)*	150,000 – 190,000	240,000 – 260,000
Total GEO	1,440,000 – 1,600,000	1,600,000 – 1,770,000
Total Copper – Chapada (millions of lbs)	120 – 135	130 – 145

(i) Silver production is reported as GEO at a ratio of 50:1.
(ii) Development projects include C1 Santa Luz and Pilar, which are both expected to start production in 2013.

Silver production is expected to be consistent at between 8 million to 9 million ounces in each of 2013 and 2014. Silver production is reported as gold equivalent ounces and included in the above forecasts at a ratio of 50:1.

Copper production is expected to be in the range of 120 million to 135 million pounds in 2013 and 130 million to 145 million pounds in 2014. These estimates reflect the production from Chapada and do not include the attributable production from the Company's 12.5% interest in Alumbrera.

By 2015, 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 will be augmented by additional production from the projects that are now being evaluated, which include Cerro Moro, Jeronimo, Agua Rica and Suyai. Expected production from these projects is not included in the projected total but could increase sustainable production levels.

Estimated cash costs for 2013 are forecast to be below $365 per GEO. Cash costs are calculated after base metal by-product credits, which assume a price forecast for copper of $4.00 per pound.

In 2013, expected cost increases are driven by fewer copper by-product credits with relatively higher gold production along with inflationary impacts in the countries in which the Company operates. While there is a planned decline in copper production at Chapada in 2013, this is expected to reverse with higher copper production beginning in 2014. The Company will continue maximizing copper production at Chapada as a strategy for further decreasing the consolidated cost structure.

The Company expects to spend approximately $110 million to $115 million on exploration and evaluation in 2013 continuing the successful 2012 program. The 2013 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 identified greenfield targets and identify new targets.

Expansionary capital spending for 2013 is expected to be $470 million, which includes approximately $50 million of unspent capital initially contemplated in 2012, and additional amounts relating to new projects including $29 million on the construction of the carbon-in-leach plant at Chapada, $15 million for phase II of the north pad heap leach expansion at Gualcamayo, and approximately $40 million on the advancement of Cerro Moro. Expected spending at Cerro Moro includes amounts for the feasibility study and the development of a production ready decline into the largest of the known ore bodies, which was the approach taken in the development of Mercedes.

This approach will provide an increased level of certainty in sustainable production levels going forward. Expansionary capital spending is expected to decline in 2014 as the projects currently in development will be complete and currently there are no other projects for which positive construction decisions have been made.

In 2013, sustaining capital spending is expected to be approximately $445 million or $310 per GEO. This allocates all capital to gold ounces with no consideration for copper. Sustaining capital per GEO is expected to decline in future years as a result, in part, of the cost saving initiatives related to maintenance and the expected growth in gold production.

In addition to $1.1 billion of available cash and undrawn credit available at December 31, 2012, the Company expects significant increase in cash flows by the fourth quarter of 2013 after completion of the current development projects. The Company continues to work on additional growth projects, expecting to move forward with those projects that will deliver growth, maximize cash flows and demonstrate efficient use of capital. Free cash flow should increase as cash flow is expected to exceed required capital needs.

4. Summary of Financial and Operating Statistics

4.1 Three-Year Financial Statistics

Twelve Months Ended December 31, *(in thousands of United States Dollars; unless otherwise noted)*	2012	2011	2010
Earnings per share – basic and diluted	$ 0.59	$ 0.74	$ 0.63
Adjusted earnings per share *(i)* – basic and diluted	$ 0.93	$ 0.96	$ 0.61
Dividends declared per share	$ 0.240	$ 0.150	$ 0.080
Weighted average number of common shares outstanding – basic	748,095	744,600	739,938
Weighted average number of common shares outstanding – diluted	749,591	746,144	740,878
Net earnings	$ 442,064	$ 548,294	$ 466,487
Adjusted earnings *(i)*	$ 694,333	$ 712,896	$ 448,203
Revenues	$ 2,336,762	$ 2,173,325	$ 1,686,811
Mine operating earnings	$ 1,121,270	$ 1,099,874	$ 753,836
Cash flows from operating activities	$ 1,158,057	$ 1,225,782	$ 681,331
Cash flows generated from operations before changes in non-cash working capital items *(i)*	$ 1,044,946	$ 1,266,373	$ 856,827
Cash flows used in investing activities *(iii)*	$ (1,498,030)	$ (846,075)	$ (460,640)
Cash flows from/(used in) financing activities	$ 146,399	$ (142,678)	$ (68,870)
Average realized gold price per ounce *(ii)*	$ 1,670	$ 1,567	$ 1,237
Average realized copper price per pound *(ii)*	$ 3.60	$ 3.93	$ 3.37
Average realized silver price per ounce *(ii)*	$ 30.46	$ 35.19	$ 20.70
Average market gold price per ounce *(iv)*	$ 1,669	$ 1,573	$ 1,225
Average market copper price per pound *(iv)*	$ 3.61	$ 4.00	$ 3.42
Average market silver price per ounce *(iv)*	$ 31.17	$ 35.32	$ 20.24

As at December 31,	2012	2011
Total assets	$11,800,163	$10,769,940
Total long-term liabilities	$ 3,269,266	$ 2,783,786
Total equity	$ 7,861,878	$ 7,491,523
Working capital	$ 255,134	$ 608,021

(i) 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.

(ii) 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.

(iii) Includes $373 million in respect of the acquisition of Extorre Gold Mines Limited in 2012.

(iv) Source of information: Bloomberg.

4.2 Three-Year Annual Operating Statistics

Twelve Months Ended December 31,	2012	2011	2010
Gold Equivalent Ounces (GEO) *(i)*			
Brazil			
Chapada *(ii)*	128,171	135,347	135,613
Jacobina	116,863	121,675	122,160
Fazenda Brasileiro	67,130	55,163	70,084
Chile			
El Peñón *(ii)*	462,496	475,586	427,934
Minera Florida *(ii)*	103,818	102,738	105,604
Argentina			
Gualcamayo	147,310	158,847	135,140
Alumbrera *(iii)*	46,077	44,502	50,656
Mexico			
Mercedes *(ii)(v)*	117,051	-	-
Total commercial GEO production *(i)*	1,188,916	1,093,858	1,047,191
Commissioning GEO *(i)(v)*	12,094	8,438	-
Discontinued operations GEO *(i)(v)*	-	-	43,287
Total GEO production *(i)*	1,201,010	1,102,296	1,090,478
By-product Cash Costs per GEO *(i)(iv)*			
Brazil			
Chapada	$ (1,865)	$ (2,454)	$ (2,073)
Jacobina	747	643	535
Fazenda Brasileiro	872	937	628
Chile			
El Peñón *(ii)*	440	400	428
Minera Florida *(ii)*	797	591	416
Argentina			
Gualcamayo	536	441	506
Alumbrera *(iii)*	(1,203)	(1,448)	(1,404)
Mexico			
Mercedes	485	-	-
By-product cash costs per GEO produced *(i)(iv)*	$ 230	$ 50	$ 50
Co-product cash costs per GEO produced *(i)(iv)*	$ 525	$ 463	$ 442
Co-product cash costs per pound of copper produced *(iv)*	$ 1.48	$ 1.38	$ 1.20
Concentrate Production			
Chapada concentrate production (tonnes)	268,135	297,294	264,195
Chapada copper contained in concentrate production (millions of lbs)	150.6	166.1	149.4
Chapada co-product cash costs per pound of copper *(iv)*	$ 1.40	$ 1.29	$ 1.17
Alumbrera attributable concentrate production (tonnes) *(iii)*	65,140	55,840	68,351
Alumbrera attributable copper contained in concentrate production (millions of lbs) *(iii)*	37.4	32.2	38.7
Alumbrera co-product cash costs per lb of copper *(iii)(iv)*	$ 1.81	$ 1.82	$ 1.29
Gold Equivalent Ounces Breakdown			
Gold ounces produced	1,019,969	916,284	864,768
Silver ounces produced (millions)	9.0	9.3	10.0
Sales			
Total GEO sales (including 12.5% interest in Alumbrera)	1,186,991	1,089,811	1,094,260
– Total gold sales (ounces)	1,007,414	906,985	909,985
– Total silver sales (millions of ounces)	9.0	9.1	10.1
Chapada concentrate sales (tonnes)	263,704	293,092	264,825
Chapada payable copper contained in concentrate sales (millions of lbs)	139.0	153.6	143.8

(i) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average historical silver to gold ratio (50:1) which is used and presented solely for presentation purposes only.

(ii) 2012 twelve-month gold production: El Peñón – 317,557 ounces; Minera Florida – 87,677 ounces (excluding commissioning production), Chapada – 119,655 ounces and Mercedes – 108,014 ounces (excluding commissioning production); and silver production: El Peñón – 7.2 million ounces; Minera Florida – 0.8 million ounces (excluding commissioning production), Chapada – 0.4 million ounces and Mercedes – 0.5 million ounces (excluding commissioning production).

(iii) The Company holds a 12.5% interest in Alumbrera.

(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.

(v) Commissioning was completed at Mercedes effective February 1, 2012.

4.3 Quarterly Financial Statistics

Three months ended December 31,	2012	2011
Earnings per share – basic	$ 0.23	$ 0.12
Earnings per share – diluted	$ 0.22	$ 0.12
Adjusted earnings per share *(i)* – basic and diluted	$ 0.26	$ 0.25
Dividends declared per share	$ 0.065	$ 0.050
Weighted average number of common shares outstanding – basic (in thousands)	751,780	745,669
Weighted average number of common shares outstanding – diluted (in thousands)	753,325	746,319
(in thousands of United States Dollars; unless otherwise noted)		
Net earnings	$ 169,161	$ 89,599
Adjusted earnings *(i)*	$ 197,368	$ 184,242
Revenues	$ 629,505	$ 568,754
Mine operating earnings	$ 322,082	296,759
Cash flows from operating activities	$ 367,881	$ 338,850
Cash flows generated from operations before changes in non-cash working capital items *(i)*	$ 298,064	$ 320,434
Cash flows to investing activities	$ (375,544)	$ (315,505)
Cash flows to financing activities	$ (44,467)	$ (38,415)
Average realized gold price per ounce *(ii)*	$ 1,692	$ 1,670
Average realized copper price per pound *(ii)*	$ 3.54	$ 3.36
Average realized silver price per ounce *(ii)*	$ 31.37	$ 31.29
Average market gold price per ounce *(iii)*	$ 1,718	$ 1,683
Average market copper price per pound *(iii)*	$ 3.59	$ 3.41
Average market silver price per ounce *(iii)*	$ 32.58	$ 31.84

(i) 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.

(ii) 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.

(iii) Source of information: Bloomberg.

4.4 Quarterly Operating Statistics

Three months ended December 31,	2012	2011
Gold Equivalent Ounces (GEO) *(i)*		
Brazil		
Chapada *(ii)*	32,498	34,313
Jacobina	28,337	31,983
Fazenda Brasileiro	18,251	15,568
Chile		
El Peñón *(ii)*	128,119	115,043
Minera Florida *(ii)*	32,797	23,151
Argentina		
Gualcamayo	31,502	40,676
Alumbrera *(iii)*	10,769	7,746
Mexico		
Mercedes *(ii)(v)*	39,443	-
Total commercial GEO production *(i)*	321,716	268,480
Commissioning GEO *(i)(v)*	1,274	8,438
Total GEO production *(i)*	322,990	276,918
By-product Cash Costs per GEO *(i)(iv)*		
Brazil		
Chapada	$ (2,021)	$ (1,715)
Jacobina	825	646
Fazenda Brasileiro	856	915
Chile		
El Peñón *(ii)*	415	413
Minera Florida *(ii)*	805	706
Argentina		
Gualcamayo	485	424
Alumbrera *(iii)*	(2,012)	(1,351)
Mexico		
Mercedes	435	-
By-product cash costs per GEO produced *(i)(iv)*	$ 198	$ 174
Co-product cash costs per GEO produced *(i)(iv)*	$ 517	$ 486
Co-product cash costs per pound of copper produced *(iv)*	$ 1.51	$ 1.37
Concentrate Production		
Chapada concentrate production (tonnes)	72,518	81,396
Chapada copper contained in concentrate production (millions of lbs)	40.5	45.4
Chapada co-product cash costs per pound of copper *(iv)*	$ 1.38	$ 1.20
Alumbrera attributable concentrate production (tonnes) *(iii)*	14,669	10,691
Alumbrera attributable copper contained in concentrate production (millions of lbs) *(iii)*	8.5	6.2
Alumbrera co-product cash costs per lb of copper *(iii)(iv)*	$ 2.15	$ 2.59
Gold Equivalent Ounces Breakdown		
Gold ounces produced	276,373	231,670
Silver ounces produced (millions)	2.3	2.3
Sales		
Total GEO sales (including 12.5% interest in Alumbrera)	317,615	272,491
– Total gold sales (ounces)	272,524	228,539
– Total silver sales (millions of ounces)	2.3	2.2
Chapada concentrate sales (tonnes)	69,589	81,436
Chapada payable copper contained in concentrate sales (millions of lbs)	37.3	43.6

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

(ii) 2012 fourth quarter gold production: El Peñón – 93,448 ounces; Minera Florida – 27,889 ounces, Chapada – 30,121 ounces and Mercedes – 36,057 ounces; and silver production: El Peñón – 1.7 million ounces; Minera Florida – 0.2 million ounces, Chapada – 0.1 million ounces and Mercedes – 0.2 million ounces.

(iii) The Company holds a 12.5% interest in Alumbrera.

(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.

(v) Commissioning at Mercedes started in November 2011 and completed February 1, 2012. Commissioning of Ernesto/Pau-a-Pique began in October 2012.

5. Overview of Annual Results

5.1 Overview of Annual Financial Results

Twelve Months Ended December 31, (in thousands of United States Dollars; unless otherwise noted)	2012	2011	2010
Revenues	$ 2,336,762	$ 2,173,325	$ 1,686,811
Cost of sales excluding depletion, depreciation and amortization	(831,754)	(716,692)	(631,063)
Gross margin	1,505,008	1,456,633	1,055,748
Depletion, depreciation and amortization	(383,738)	(356,759)	(301,912)
Mine operating earnings	1,121,270	1,099,874	753,836
Other expenses *(i)*	(289,100)	(228,109)	(219,616)
Equity earnings from associate	50,642	39,019	49,264
Impairment of investment in available-for-sale securities	(67,684)	(92,600)	-
Earnings from operations before income taxes	815,128	818,184	583,484
Income tax expense	(373,064)	(269,890)	(128,326)
Net earnings from continuing operations	$ 442,064	$ 548,294	$ 455,158
Earnings from discontinued operations	$ -	-	$ 11,329
Net earnings	$ 442,064	$ 548,294	$ 466,487
Earnings adjustments *(ii)*:			
Non-cash unrealized foreign exchange losses on income taxes	64,648	58,284	(46,539)
Non-cash unrealized gains on derivatives	(371)	(1,125)	(1,948)
Share-based payments/mark-to-market of deferred share units	26,292	20,554	12,053
Impact of change in Chilean tax rates on non-cash deferred tax expense	83,830	-	-
Deferred income tax expense on translation of intercompany debt	(2,983)	(6,256)	3,680
Impairment of investment in available-for-sale securities and other assets	67,685	92,600	-
Other non-recurring losses	16,962	18,118	16,602
Adjusted earnings before income tax effect	698,127	730,469	450,335
Income tax effect of adjustments	(3,794)	(17,573)	(2,132)
Adjusted earnings *(ii)*	$ 694,333	$ 712,896	$ 448,203
Earnings per share – basic and diluted	$ 0.59	$ 0.74	$ 0.63
Adjusted earnings per share *(ii)* – basic and diluted	$ 0.93	$ 0.96	$ 0.61

(i) Other Expenses is the aggregate of the following expenses: general and administrative of $145.9 million (2011 – $121.4 million and 2010 – $108.9 million), exploration and evaluation of $58.0 million (2011 – $32.4 million and 2010 – $39.2 million), other operating expenses of $31.7 million (2011 – $40.1 million and 2010 – $23.6 million) and net finance expense of $53.5 million (2011 – expense $34.2 million and 2010 – expense $47.9 million).

(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.

Acquisition of Extorre

On August 21, 2012, the Company acquired all issued and outstanding shares of Extorre Gold Mines Limited ("Extorre"). Total amount paid to acquire Extorre was $451.5 million of which $363.9 million was cash, $74.4 million in common shares of Yamana and other consideration of 13.2 million, which included the value of stock options assumed and transaction costs. The acquisition has been accounted for by the Company as a purchase of assets and assumption of liabilities rather than as a business combination as inputs and processes that together constitute a business were not identified.

With the completion of the acquisition, the Company adds several exploration and development stage precious metals projects, the most advanced of which is Cerro Moro, a high grade gold project, located in the province of Santa Cruz, Argentina.

The Company commenced an aggressive infill exploration program at Cerro Moro in October 2012 to re-categorize inferred and indicated mineral resources. Initial indicated mineral resources amount to 1.95 million gold equivalent ounces ("GEO"), an increase of 44% from the previous estimate before the Company acquired the project, contained in 4.16 million tonnes with an average GEO grade of 14.6 grams per tonne (g/t), and inferred mineral resources of 490,000 GEO contained in 3.60 million tonnes with an average GEO grade of 4.2 g/t.

Technical and trade-off studies have been completed which support continuation to a feasibility level study for the project. Based on these studies, the feasibility study will consider a mine plan combining both open pit (30%) and underground (70%) mining operations to sustain a process plant with a throughput rate of approximately 1,000 tonnes per day and an expected recovery of approximately 200,000 GEO per annum. Pre-development work and feasibility study has been initiated and is expected to lead toward a planned construction decision expected in 2014 and, depending on the outcome of the study and subsequent construction decision, production should begin in 2016.

For the year ended December 31, 2012

Net earnings for the year were $442.1 million or $0.59 per share on a basic and diluted basis, compared with net earnings of $548.3 million or basic and diluted earnings per share of $0.74 for 2011 (2010 – $466.5 million). Net earnings for the year were impacted by an increase of the income tax expense of $83.8 million due to the increase in the Chilean tax rate enacted in late September which affects the tax rates on deferred income taxes. The Company has applied the new tax rate on all of its non-cash Chilean deferred income tax liabilities resulting in an adjustment to net earnings of 2012 although deferred income taxes would only be paid on a direct disposition of the asset that may never occur.

Adjusted earnings were $694.3 million or $0.93 basic and diluted earnings per share in 2012, compared with $712.9 million or $0.96 per share in 2011 (2010 – $448.2 million or $0.61 per share). Lower adjusted earnings was attributed mainly to higher exploration and evaluation expense, income taxes, general and administrative expense and net finance expense, partly offset by an increase in mine operating earnings as a result of higher volume of gold sales at higher gold prices offset by lower sales of copper and silver, and an increase in equity earnings from the Company's 12.5% of interest in Alumbrera.

Revenues were $2.3 billion in 2012 compared with $2.2 billion in 2011 (2010 – $1.7 billion). Mine operating earnings were $1.12 billion, slightly higher than $1.10 billion in 2011 (2010 – $753.8 million). Higher revenues and mine operating earnings were mainly due to higher sales volume of gold from the production of the new Mercedes mine, which was under construction during the comparative period, and higher realized gold prices, partly offset by lower copper and silver prices and lower volume of copper sales.

Revenues for 2012 were generated from the sale of 1.19 million GEO, consisting of 1.01 million ounces of gold and 9.0 million ounces of silver, and 139.0 million pounds of copper, excluding Alumbrera which is accounted for as an equity investment. This compares to sales, excluding Alumbrera, of 1.09 million GEO (2010 – 1.09 million GEO) that consisted of 906,985 ounces of gold and 9.1 million ounces of silver (2010 – 909,985 ounces of gold and 10.1 million ounces of silver), and 153.6 million pounds of copper (2010 – 143.8 million pounds) in 2011.

The average realized gold price in 2012 was $1,670 per ounce versus $1,567 per ounce in 2011 (2010 – $1,237), the 2012 average realized copper price was $3.60 per pound versus $3.93 per pound (2010 – $3.37) and 2012 average realized silver price was $30.46 per ounce compared to $35.19 per ounce in 2011 (2010 – $20.70). Although average realized prices for copper and silver were lower than those in 2011, average realized prices for gold trended upward by 7% compared to 2011, consistent with market prices.

Revenues for the year are comprised of the following:

Twelve months ended December 31,	2012			2011
(in thousands of United States Dollars; unless otherwise noted)	Quantity Sold *(ii)*	Realized Price	Revenues	Revenues
Gold *(i)*	963,833 oz	$ 1,670	$1,609,172	$1,351,428
Silver	8,978,854 oz	$ 30.46	273,455	321,666
Total precious metals	1,143,410 GEO		1,882,627	1,673,094
Copper *(i)*	139,047,053 lbs	$ 3.60	499,895	603,423
Gross Revenues			$2,382,522	$2,276,517
Add (deduct):				
– Treatment and refining charges of gold and copper concentrate			$ (30,099)	$ (31,122)
– Sales taxes			(36,718)	(40,480)
– Metal price adjustments related to concentrate revenues			19,325	(38,974)
– Other adjustments			1,732	7,384
Revenues			$2,336,762	$2,173,325

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

(ii) Excludes Alumbrera which is accounted for as an equity investment.

Cost of sales excluding depletion, depreciation and amortization for the year was $831.8 million compared with $716.7 million in 2011 (2010 – $631.1 million) due to the additional volume of gold sales from Mercedes, which was under construction in 2011, and higher cash costs per GEO. 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:

Twelve months ended December 31,	2012			2011
(in thousands of United States Dollars; unless otherwise noted)	GEO or Pounds of Copper Produced	Co-product Cash Cost per Unit	Total	Total
Chapada – (GEO) *(i)*	128,171 oz	$ 333	$ 42,681	$ 43,218
Chapada – Copper	150,575,345 lbs	1.40	210,072	215,010
El Peñón (GEO) *(i)*	462,496 oz	440	203,724	190,072
Jacobina	116,863 oz	747	87,316	78,270
Gualcamayo	147,310 oz	536	78,952	70,030
Minera Florida (GEO) *(i)*	103,818 oz	797	82,793	60,711
Fazenda Brasileiro	67,130 oz	872	58,554	51,682
Mercedes (GEO) *(i)*	126,010 oz	483	60,915	-
Co-product cash cost of sales *(ii)*			$ 825,007	$ 708,993
Add (deduct):				
– Inventory and other adjustments			5,278	7,057
– Chapada concentrate treatment and refining charges			(32,369)	(31,122)
– Other commercial costs			17,795	14,342
– Overseas freight for Chapada concentrate			16,043	17,422
Cost of sales excluding depletion, depreciation and amortization			$ 831,754	$ 716,692

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

(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 ("DDA") expense for the year was $383.7 million, compared to $356.8 million in the 2011 (2010 – $301.9 million). The increase in DDA is mainly driven by higher volume of gold sales and the additional DDA from the Mercedes mine, which was under construction during 2011.

Other expenses as an aggregate of general and administrative, exploration and evaluation, other operating and net finance expenses were $289.1 million in 2012, compared to $228.1 million in 2011 (2010 – $219.6 million). The increase in other expenses is detailed below.

General and administrative expenses were $145.9 million in 2012 compared to $121.4 million in 2011 (2010 – $108.9 million). The increase in administrative expenses was due to the expanded administration of the Company's growing operations including the addition of the Mercedes mine and consulting costs related to various process and organizational improvement initiatives.

Consistent with the Company's exploration plans to pursue organic growth while continuing to build on its successful record of replacing and increasing mineral reserves and mineral resources and exploration and evaluation activities, including additional activities at the newly acquired Cerro Morro project, exploration and evaluation expenses increased to $58.0 million from $32.4 million incurred in 2011 (2010 – $39.2 million).

Other operating expenses were $31.7 million compared to $40.2 million in 2011.

Net finance expense was $53.5 million for the year compared with net finance expense of $34.2 million in 2011 (2010 – $47.9 million). Higher net finance expense in 2012 compared to 2011, was mainly due to higher unrealized foreign exchange loss and higher bank and financing fees, partly offset by higher capitalization of borrowing cost for the new mines and projects under construction.

Equity earnings from associate were $50.6 million for the year compared with $39.0 million in 2011. Cash distributions from the Company's equity investment in Alumbrera during the year were $*nil* compared to $71.5 million in 2011.

Export sales were suspended by Alumbrera during the second quarter of 2012 due to a new resolution in respect to export revenue repatriation in Argentina. Export sales resumed in July under standard sales terms with the backlog of shipment sold in the second half of 2012 following an amendment to the original resolution extending the period for the repatriation of net export sales proceeds. In excess of 70% of the volume of sales in all categories, including gold, copper and mineral concentrate, occurred in the second half of the year.

Non-cash impairment losses mainly related to available-for-sale investments were $67.7 million in 2012, compared with losses of $92.6 million in 2011 (2010 – $*nil*).

The Company recorded an income tax expense of $373.1 million in 2012 compared to $269.9 million in 2011 (2010 – tax expense of $128.3 million). Of the 2012 income tax expense, $83.8 million was related to the impact of increased Chilean tax rates on deferred income taxes. The potential impact of this Chilean tax rate change was disclosed and discussed in the Company's third quarter report. As the charge is non-cash and relates to deferred tax balances recorded in prior years, it is added back to adjusted earnings. The 2012 income tax provision reflects a current income tax expense of $265.5 million compared to tax expense of $266.1 million in 2011 (2010: tax expense $136.5 million) and a deferred income tax expense of $107.6 million compared to tax expense of $3.8 in 2011 (2010: deferred tax recovery $8.2).

Cash and cash equivalents as at December 31, 2012 were $349.6 million compared to $550.4 million as at December 31, 2011. The Company continues to rebuild its cash balance subsequent to the cash consideration paid upon the acquisition of Extorre in August 2012. Cash flows generated from operations before changes in non-cash working capital items (a non-GAAP measure, see *Section 15*) for the year ended December 31, 2012 were $1.04 billion compared to $1.27 billion for 2011. The decrease was mainly due to increased cash income taxes paid and the absence of cash dividends from Alumbrera in 2012. Cash flows from operations after taking into effect changes in working capital items for the period ended December 31, 2012 were inflows of $1.16 billion, compared to inflows of $1.23 billion for the year ended December 31, 2011, which includes an increase in trade payables and other payables due to timing of payments.

As at December 31, 2012, the Company has $1.1 billion in available funds to continue to invest in future growth.

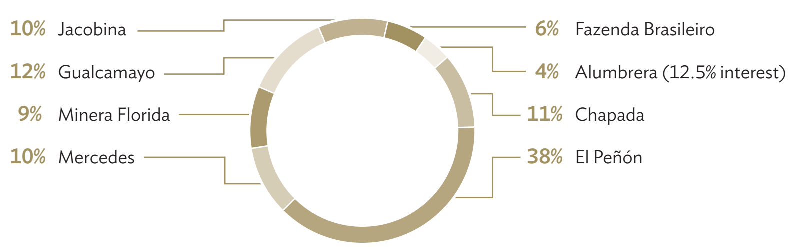
5.2 Overview of Annual Operating Results

For the year ended December 31, 2012

Total production was a Company record 1.20 million gold equivalent ounces ("GEO") for the year and within the Company's original guidance of 1.175 to 1.310 million GEO. Total production included the Company's attributable production from the Alumbrera mine of 46,077 GEO and production during commissioning of Mercedes, the tailings retreatment project at Minera Florida and Ernesto/Pau-a-Pique of 12,094 GEO, compared with total production of 1.10 million GEO for 2011 (2010: 1.09 million GEO).

Commercial production for the year of 1.19 million GEO was also an annual commercial production record, representing a 9% increase over the commercial production of 1.09 million GEO in 2011 (2010: 1.05 million GEO). The increase was mainly due to the contribution from the Company's new mine, Mercedes in Mexico, and increased production from Gualcamayo and Fazenda Brasileiro.

Total 2012 Production from Operations - GEO by Mine



By-product cash costs (a non-GAAP measure, see *Section 15*) averaged $230 per GEO, compared with $50 per GEO in 2011 (2010: $50 per GEO). By-product cash costs were impacted by lower copper sale credits as a result of lower market prices and lower volume of sales. The average market price for copper in 2012 was 10% lower than 2011. By-product cash costs for 2012 met the Company's previous guidance of below $250 per GEO.

Co-product cash costs (a non-GAAP measure, see *Section 15*) were $525 per GEO compared with $463 per GEO for 2011 (2010: $442 per GEO). Planned lower gold grades at certain mines and higher input costs during the period also impacted by-product and co-product cash costs.

Copper production for the year was 150.6 million pounds from the Chapada mine, compared with 166.1 million pounds for 2011 (2010: 149.4 million pounds). Chapada copper production was lower primarily as a result of expected lower copper grade and recovery rate offset by higher throughput compared with 2011. Additionally, 37.4 million pounds of copper produced from Alumbrera were attributable to the Company, compared with 32.2 million pounds for the year ended December 31, 2011 (2010: 38.7 million pounds). Total copper production for 2012 was 188.0 million pounds, compared with 198.3 million pounds in 2011.

Co-product cash costs per pound of copper (a non-GAAP measure, see *Section 15*) averaged $1.40 in 2012 from the Chapada mine, compared with $1.29 per pound in 2011 (2010: $1.17 per pound). Co-product cash costs per pound of copper for the year including the Company's interest in the Alumbrera mine were $1.48 per pound versus $1.38 per pound for 2011 (2010: $1.20 per pound).

The Company's proven and probable mineral reserves from operating mines were 14.2 million GEO (contained gold – 12.6 million ounces; contained silver 89.2 million ounces) as at December 31, 2012, which represents a 6.0% increase over 2011. Most of the Company's mines showed an increase in mineral reserves after depletion of mined GEO with most notable increases at Jacobina, Chapada, El Peñón and Minera Florida. Total proven and probable mineral reserves were 19.3 million GEO compared to 18.6 million GEO in 2011. Total measured and indicated mineral resources increased by 14.7% from 2011 mainly due to the addition of indicated mineral resources from Cerro Moro. 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 2012 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)	2012	2011
Revenues	$ 629,505	$ 568,754
Cost of sales excluding depletion, depreciation and amortization	(207,228)	(178,384)
Gross margin	422,277	390,370
Depletion, depreciation and amortization	(100,195)	(93,611)
Mine operating earnings	322,082	296,759
Other expenses *(i)*	(66,934)	(52,264)
Equity earnings from associate	18,147	1,269
Impairment of investment in available-for-sale securities	(10,896)	(92,600)
Earnings from operations before income taxes	262,399	153,164
Income tax expense	(93,238)	(63,565)
Net earnings	$ 169,161	$ 89,599
Earnings adjustments *(ii)*:		
Non-cash unrealized foreign exchange (gains) losses on income taxes	12,371	1,694
Non-cash unrealized gains on derivatives	-	(449)
Share-based payments/mark-to-market of deferred share units	4,086	6,656
Deferred income tax expense on translation of intercompany debt	(230)	26
Impairment of investment in available-for-sale securities and other assets	10,896	92,600
Other non-recurring losses	1,294	7,140
Adjusted earnings before income tax effect	197,578	197,266
Income tax effect of adjustments	(210)	(13,024)
Adjusted earnings *(ii)*	$ 197,368	$ 184,242
Earnings per share – basic	$ 0.23	$ 0.12
Earnings per share – diluted	$ 0.22	$ 0.12
Adjusted earnings per share *(ii)* **– basic and diluted**	$ 0.26	$ 0.25

(i) In the fourth quarter of 2012, other expenses is the aggregate of the following expenses: general and administrative of $39.0 million (Q4 2011 – $32.3 million), exploration and evaluation of $15.1 million (Q4 2011 – $9.1 million), other operating expenses of $5.8 million (Q4 2011 – $8.8 million) and net finance expense of $7.0 million (Q4 2011 – expense $2.1 million).

(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.

For the three months ended December 31, 2012

Net earnings for the quarter were $169.2 million or $0.23 basic and $0.22 diluted per share, compared with net earnings of $89.6 million or basic and diluted earnings per share of $0.12 for the fourth quarter of 2011. Higher net earnings for the fourth quarter of 2012 were mainly due to higher mine operating earnings, partly offset by higher operating expenses and higher income tax expenses.

Adjusted earnings were $197.4 million or $0.26 basic and diluted earnings per share in the fourth quarter of 2012, compared with $184.2 million or $0.25 per share in the same quarter of 2011. Higher adjusted earnings in the fourth quarter of 2012 were mainly due to higher mine operating earnings, partly offset by higher general and administrative expense and exploration and evaluation expense in the fourth quarter of 2012.

Revenues were a record $629.5 million in the fourth quarter, compared with $568.8 million in the same quarter of 2011. Mine operating earnings were $322.1 million in the quarter, compared with $296.8 million in the fourth quarter of 2011. Higher revenues and mine operating earnings were mainly due to higher sales volume of gold from the production of the new Mercedes mine, which was under construction during the comparative period, higher volume of silver sales and higher metal prices, partly offset by lower volume of sales of copper sales at Chapada.

Revenues for the quarter were generated from the sale of 304,070 GEO, consisted of 258,978 ounces of gold and 2.3 million ounces of silver, and 37.1 million pounds of copper, excluding Alumbrera which is accounted for as an equity investment. This compares to sales, excluding Alumbrera, of 262,782 GEO ounces, consisting of 218,831 ounces of gold and 2.2 million ounces of silver, and 43.6 million pounds of copper in the fourth quarter of 2011.

For the fourth quarter, average realized prices for gold, copper and silver were marginally higher than the average realized prices for the same quarter in 2011. Average realized prices for the fourth quarter of 2012 were $1,692 per ounce of gold, $3.54 per pound of copper and $31.37 per ounce of silver, compared to average realized prices of $1,670 per ounce, $3.36 per pound of copper and $31.29 per ounce of silver in the fourth quarter of 2011.

Revenues for the quarter are comprised of the following:

Three months ended December 31,	2012			2011
(in thousands of United States Dollars; unless otherwise noted)	Quantity Sold *(ii)*	Realized Price	Revenues	Revenues
Gold *(i)*	258,978 oz	$ 1,692	$ 438,199	$ 365,374
Silver	2,254,580 oz	$ 31.37	70,721	68,756
Total precious metals	304,070 GEO		508,920	434,130
Copper *(i)*	37,087,751 lbs	$ 3.54	131,875	146,817
Gross Revenues			$ 640,795	$ 580,947
Add (deduct):				
– Treatment and refining charges of gold and copper concentrate			$ (8,913)	$ (8,776)
– Sales taxes			(7,246)	(9,327)
– Metal price adjustments related to concentrate revenues			4,053	4,702
– Other adjustments			816	1,208
Revenues			$ 629,505	$ 568,754

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

(ii) Excludes Alumbrera which is accounted for as an equity investment.

Cost of sales excluding depletion, depreciation and amortization for the quarter was $207.2 million compared with $178.4 million in the fourth quarter of 2011 mainly as a result of the additional volume of gold sales, and higher cash costs per GEO. 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,	2012			2011
(in thousands of United States Dollars; unless otherwise noted)	GEO or Pounds of Copper Produced	Co-product Cash Cost per Unit	Total	Total
Chapada – (GEO) *(i)*	32,498 oz	$ 349	$ 11,327	$ 10,990
Chapada – Copper	40,489,279 lbs	$ 1.38	55,857	54,732
El Peñón (GEO) *(i)*	128,119 oz	$ 415	53,187	47,499
Jacobina	28,337 oz	$ 825	23,384	20,652
Gualcamayo	31,502 oz	$ 485	15,271	17,227
Minera Florida (GEO) *(i)*	32,797 oz	$ 805	26,416	16,345
Fazenda Brasileiro	18,251 oz	$ 856	15,615	14,239
Mercedes (GEO) *(i)*	39,443 oz	$ 435	17,154	-
Co-product cash cost of sales *(ii)*			$ 218,211	$ 181,684
Add (deduct):				
– Inventory and other adjustments			(8,984)	(2,506)
– Chapada concentrate treatment and refining charges			(8,913)	(8,776)
– Other commercial costs			3,262	3,169
– Overseas freight for Chapada concentrate			3,652	4,813
Cost of sales excluding depletion, depreciation and amortization			$ 207,228	$ 178,384

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

(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 ("DDA") expense for the quarter was $100.2 million, an increase from $93.6 million in the fourth quarter of 2011. The increase in DDA is mainly driven by higher volume of gold sales and the additional DDA from the Mercedes mine, which was under construction during the comparative period in 2011.

Other expenses as an aggregate of general and administrative, exploration and evaluation, other operating and net finance expenses were $66.9 million in the three months ended December 31, 2012, compared to $52.3 million in the fourth quarter of 2011. The increase in other expenses is detailed below.

General and administrative expenses were $39.0 million compared to $32.3 million in 2011. The increase in administrative expenses was due to the expanded administration of the Company's growing operations including the addition of the Mercedes mine and consulting costs related to various process and organizational improvement initiatives.

Consistent with the Company's plans to pursue organic growth while continuing to build on its successful record of replacing and increasing mineral reserves and mineral resources, exploration and evaluation expenses increased to $15.1 from $9.1 million incurred the comparative quarter in 2011.

Other operating expenses were $5.8 million compared to $8.8 million in the comparative quarter of 2011.

Net finance expense was $7.0 million for the fourth quarter compared with net finance expense of $2.1 million in 2011. Higher net finance expense was mainly due to higher foreign exchange losses.

Equity earnings from Alumbrera were $18.1 million for the quarter compared with $1.3 million in the fourth quarter of 2011. Cash distributions from the Company's equity investment in Alumbrera during the quarter were $*nil* compared to $44.1 million in the fourth quarter of 2011.

Export sales were suspended by Alumbrera during the second quarter of 2012 due to a new resolution in respect to export revenue repatriation in Argentina. Export sales resumed in July under standard sales terms with the backlog of shipment sold in the second half of 2012 following an amendment to the original resolution extending the period for the repatriation of net export sales proceeds. In excess of 70% of the sales volume occurred in the second half of the year.

The Company recorded an income tax expense of $93.2 in the quarter compared to $63.6 million in the fourth quarter of 2011. Higher income taxes were mainly due to higher net earnings.

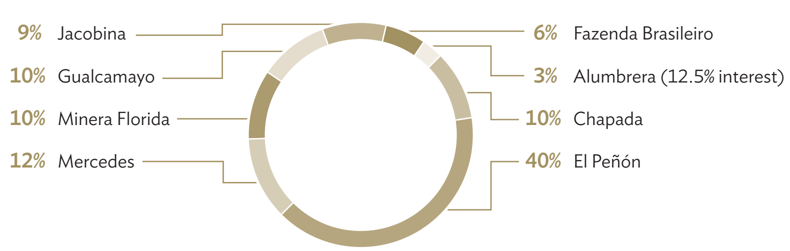
Cash flows generated from operations before changes in non-cash working capital items (a non-GAAP measure, see *Section 15*) for the quarter ended December 31, 2012 were $298.1 million compared to $320.4 million for the same period ended December 31, 2011. The decrease was mainly due to higher cash taxes paid and the absence of cash distribution from Alumbrera in spite of higher earnings before taxation. Cash flows from operating activities for the quarter ended December 31, 2012 were $367.9 million, compared to inflows of $338.9 million for the fourth quarter of 2011. The increase was mainly attributed to the increase of trade payables and other payables due to timing of payments.

6.2 Overview of Quarterly Operating Results

For the three months ended December 31, 2012

Total production was a Company record 322,990 GEO for the fourth quarter, including the Company's attributable production from the Alumbrera mine of 10,769 GEO and production during commissioning at Ernesto Pau-a-Pique of 1,274 GEO, compared with production of 276,918 GEO for the quarter ended December 31, 2011. Commercial production for the quarter of 321,716 GEO was also a quarterly production record, representing a 20% quarter-to-quarter increase. The production increase was mainly due to the contribution from the Company's new mine, Mercedes in Mexico, and increased production from Minera Florida upon completion of commissioning of its tailings retreatment project, as well as increased production from Fazenda Brasileiro, El Peñón and Alumbrera, partly offset by decreased production at Gualcamayo, Jacobina and Chapada. Decrease in production at Gualcamayo was mainly due to the transitioning at QDD Main open-pit from Phase II to Phase III, which will continue into early 2013. Ore processed at Gualcamayo was drawn heavily from stockpiled material. Build-up of ore stockpiles at Chapada and El Peñón continued to provide greater flexibility in respect to future production.

Production from Operations in the Fourth Quarter, 2012 - GEO by Mine



By-product cash costs (a non-GAAP measure, see *Section 15*) were $198 per GEO, compared with $174 per GEO in the fourth quarter of 2011. By-product cash costs were impacted by lower copper sale credits as a result of lower volume of copper sales.

Co-product cash costs (a non-GAAP measure, see *Section 15*) were $517 per GEO compared with $486 per GEO for the fourth quarter of 2011. Planned lower gold grades at certain mines and higher input costs during the period also impacted by-product and co-product cash costs.

Copper production for the fourth quarter was 40.5 million pounds from the Chapada mine, compared with 45.4 million pounds for the fourth quarter 2011. Chapada copper production was lower primarily as a result of lower recovery rate partly offset by higher throughput compared with the fourth quarter of 2011. Additionally, 8.5 million pounds of copper produced from Alumbrera were attributable to the Company, compared with 6.2 million pounds for the quarter ended December 31, 2011. Total copper production for the fourth quarter was 49.0 million pounds, compared with 51.6 million pounds in the same quarter of 2011.

Co-product cash costs per pound of copper (a non-GAAP measure, see *Section 15*) were $1.38 for the quarter from the Chapada mine, compared with $1.20 per pound for the fourth quarter in 2011. Co-product cash costs per pound of copper for the quarter including the Company's interest in the Alumbrera mine were $1.51 per pound versus $1.37 per pound for the quarter ended December 31, 2011.

7. Operating Mines

CHAPADA, BRAZIL

	Three months ended December 31,		*Twelve months ended December 31,*		
Operating Statistics	**2012**	2011	**2012**	2011	2010
Production					
Concentrate (tonnes)	72,518	81,396	268,135	297,294	264,195
GEO contained in concentrate production (ounces) *(i)(ii)*	32,498	34,313	128,171	135,347	135,613
Copper contained in concentrate (millions of pounds)	40.5	45.4	150.6	166.1	149.4
By-product cash costs per oz of gold produced *(iii)*	$ (2,021)	$ (1,715)	$ (1,865)	$ (2,454)	$ (2,073)
Co-product cash costs per oz of gold produced *(iii)*	$ 349	$ 320	$ 333	$ 319	$ 327
Co-product cash costs per lb of copper produced *(iii)*	$ 1.38	$ 1.20	$ 1.40	$ 1.29	$ 1.17
Ore mined (tonnes)	5,924,456	6,210,285	22,490,266	22,084,779	21,482,527
Ore processed (tonnes)	5,734,592	5,559,778	21,591,482	20,581,385	19,195,578
Gold feed grade (g/t)	0.28	0.32	0.29	0.32	0.35
Copper feed grade (%)	0.40	0.43	0.39	0.42	0.41
Concentrate grade – gold (g/t)	12.92	13.11	13.88	14.16	15.97
Concentrate grade – copper (%)	25.33	25.33	25.47	25.34	25.65
Gold recovery rate (%)	59.4	60.5	59.4	63.8	62.3
Copper recovery rate (%)	81.1	86.7	82.2	87.4	86.5
Sales *(iv)*					
Concentrate (tonnes)	69,589	81,436	263,704	293,092	264,825
Payable gold contained in concentrate (ounces)	27,692	33,146	115,443	129,419	127,450
Payable silver contained in concentrate (ounces)	81,949	67,527	279,371	253,205	139,703
Payable copper contained in concentrate (millions of pounds)	37.3	43.6	139.0	153.6	143.8
Depletion, depreciation and amortization per gold equivalent ounce sold	76	68	72	63	67
Depletion, depreciation and amortization per copper pound sold	0.24	0.21	0.25	0.21	0.18

(i) Silver is a marginal metal produced by the Chapada mine. It was treated as a by-product and excluded from production GEO prior to 2012. Effective January 1, 2012, silver is treated as a gold equivalent. Chapada produced 118,874 ounces of silver in the fourth quarter (Q4 2011 – 165,052 ounces) and 425,805 ounces of silver in 2012 (2011: 475,364 ounces).

(ii) GEO assumes gold plus the gold equivalent of silver using a ratio of 50:1.

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

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

Chapada produced a total of 128,171 GEO contained in concentrate in 2012 compared with 135,347 GEO contained in concentrate in 2011. Chapada copper production was 150.6 million pounds in 2012 compared with production of 166.1 million pounds of copper in 2011.

Production for the year was expected to be lower than 2011 as a result of lower grades and recovery rates for 2012 relative to 2011. However, production was higher than plan mainly as a result of increased tonnage of ore mined and processed. A study to increase grind capacity has been started and a carbon-in-leach ("CIL") project is planned for 2013 to reverse the trend of lower grades and lower recovery rates.

Gold production is expected to increase in 2014 and in the years to follow, mostly as a result of the start-up of the oxide gold operation at Suruca and the expected gold and copper production from Corpo Sul.

By-product cash costs for the year were *negative* $1,865 per GEO compared with *negative* $2,454 per GEO for 2011. Less favourable by-product cash cost credits were due to lower copper sale credits as a result of lower market prices and lower sales volume of copper pounds.

Co-product cash costs were $333 per GEO in 2012, compared to $319 per gold ounce in 2011. Co-product cash costs for copper were $1.40 per pound in the year versus $1.29 per pound in 2011.

Revenues for the year net of sales taxes and treatment and refining costs were $675.1 million (2011 – $722.7 million). Revenues included mark-to-market adjustments and final and provisional pricing settlements for the year of positive $19.4 million (2011 – *negative* $24.4 million).

Chapada produced a total of 32,498 GEO contained in concentrate in the fourth quarter of 2012 compared with 34,313 GEO contained in concentrate in the same quarter of 2011. Chapada copper production was 40.5 million pounds in the quarter compared with production of 45.4 million pounds of copper in the fourth quarter of 2011.

Production for the quarter was higher than the mine plan but lower than the fourth quarter of 2011, as a result of the anticipated lower grades and recovery rates for 2012 relative to 2011, partly offset by increased tonnage of ore processed.

By-product cash costs for the quarter were *negative* $2,021 per GEO compared with *negative* $1,715 per GEO for the same quarter in 2011. Favourable by-product cash cost credit per GEO was mainly due to the effect of copper sale credits on the lower GEO production in the fourth quarter of 2012 compared to 2011, in spite of lower total copper sales due to lower volume partly offset by higher average realized copper price for the quarter compared to the fourth quarter of 2011.

Co-product cash costs were $349 per GEO in the fourth quarter, compared to $320 per gold ounce in the same quarter of 2011. Co-product cash costs for copper were $1.38 per pound in the fourth quarter versus $1.20 per pound in the same quarter of 2011.

Chapada revenues for the quarter net of sales taxes and treatment and refining costs were $174.9 million (Q4 2011 – $196.4 million). Revenues included mark-to-market adjustments and final and provisional pricing settlements in the quarter of positive $4.1 million (Q4 2011 – positive $4.7 million).

In December 2011, the Company completed the feasibility study and basic engineering on the oxides at Suruca. The deposit will support an additional average production of 45,000-50,000 gold ounces per year to Chapada's operations over an initial five years beginning in late 2013.

Drilling continued at Corpo Sul in 2012, a gold and copper deposit discovered in 2011 at the southwest end of the orebody of Chapada with mineral resources of higher average grade cores especially near the current Chapada pit. The additional drilling has further defined the geometry and grade continuity of Corpo Sul from the southwest limits of the 2011 mineral resources for an additional strike length of 2.9 kilometres. Mineralization and mineral resources have been traced along a combined strike length of almost 16 kilometres centered by the main Chapada pit. These new discoveries have led to the initiation of a pre-feasibility study, which was completed in late 2012. Chapada is expected to enhance throughput by blending the ore from the main Chapada pit with the higher grade ore from Corpo Sul and as its size and scale increases, it will be evaluated as a stand-alone orebody.

The Company's strategic plan is to ensure sustainable production from Chapada at levels of at least 150,000 gold ounces and 135.0 million pounds of copper from 2015 for at least five years. Gold production for 2014 is expected to be approximately 140,000 ounces to 160,000 ounces.

EL PEÑÓN, CHILE

	Three months ended December 31,		*Twelve months ended December 31,*		
Operating Statistics	**2012**	2011	**2012**	2011	2010
Production					
GEO production (ounces) *(i)*	128,119	115,043	462,496	475,586	427,934
Gold production (ounces)	93,448	75,407	317,557	306,184	256,530
Silver production (ounces)	1,733,573	1,981,806	7,246,951	8,470,112	9,427,208
Cash costs per gold equivalent ounce produced *(ii)*	$ 415	$ 413	$ 440	$ 400	$ 428
Ore mined (tonnes)	377,341	326,915	1,442,245	1,307,351	1,301,877
Ore processed (tonnes)	362,874	363,796	1,415,292	1,452,090	1,522,366
Gold feed grade (g/t)	8.59	6.91	7.47	7.05	5.74
Silver feed grade (g/t)	195.00	200.20	199.21	215.90	228.5
Gold recovery rate (%)	93.0	93.1	93.5	93.0	91.2
Silver recovery rate (%)	76.0	83.9	80.0	84.0	84.1
Sales					
Gold sales (ounces)	92,941	75,886	314,079	304,530	258,301
Silver sales (ounces)	1,724,509	2,014,420	7,181,263	8,453,857	9,535,012
Depletion, depreciation and amortization per gold equivalent ounce sold	269	344	295	321	318

(i) GEO assumes gold plus the gold equivalent of silver using a ratio of 50:1.

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

El Peñón produced 462,496 GEO during 2012 compared to 475,586 GEO in 2011. Production for the year consisted of 317,557 ounces of gold and 7.2 million ounces of silver, compared with 306,184 ounces of gold and 8.5 million ounces of silver produced in 2011. Production of gold for the year increased by 4%, compared with 2011, mainly as a result of higher feed grade, while production of silver decreased by 15% due to lower feed grade and lower recovery rate.

Cash costs averaged $440 per GEO in 2012, compared with $400 per GEO in 2011. Increases in power costs, higher maintenance costs, including diesel and other consumable items and mining inflation generally compared to that of 2011, contributed to higher per unit cash costs.

Production during the fourth quarter of 2012 was 128,119 GEO compared to 115,043 GEO in the same quarter of 2011, representing an 11% increase quarter-over-quarter. Compared to the third quarter of 2012, GEO production increased by 8%, representing consecutive quarterly increases as a result of gold grade improvement since the second quarter. Production for the quarter consisted of 93,448 ounces of gold and 1.7 million ounces of silver, compared with 75,407 ounces of gold and 2.0 million ounces of silver produced in the fourth quarter of 2011. Production of gold increased by 24%, compared with the same quarter of 2011, mainly as a result of higher feed grade, while production of silver decreased by 15% due to lower feed grade and lower recovery rate. A higher proportion of ore feed from areas of the Aleste-Bonanza vein in the quarter resulted in lower silver recovery. Blending with ore from other areas will change the ore-mix and improve recovery in the future.

Cash costs were $415 per GEO in the fourth quarter, virtually unchanged from $413 per GEO in the fourth quarter in 2011. While gold feed grade and recovery rate are expected to continue at the current levels, silver recovery rate is expected to improve in 2013, according to the mine plan.

Exploration has been ongoing for 20 years at El Peñón, which has a long track record of replacement of ounces mined. The new discoveries at Dorada Sur and Dorada Oeste, Fortuna Este and Bonanza West are being focused on in an effort to advance these targets to mineable mineral reserves in the near term. This is expected to return significant near surface gold and silver values, improve production and provide mining flexibility for a sustainable production level of about 440,000 GEO per year and ultimately increase mine life. Development has commenced at Pampa Augusta Victoria and an open-pit is expected to start in the first half of 2013.

GUALCAMAYO, ARGENTINA

Operating Statistics	Three months ended December 31, 2012	2011	Twelve months ended December 31, 2012	2011	2010
Production					
Total gold production (ounces)	31,502	40,676	147,310	158,847	135,140
Cash costs per ounce produced (i)	$ 485	$ 424	$ 536	$ 441	$ 506
Ore mined (tonnes)	1,294,174	1,883,622	9,720,842	7,580,950	8,845,992
Ore processed (tonnes)	2,002,170	1,955,094	7,742,140	7,578,156	7,528,690
Gold feed grade (g/t)	0.66	0.99	0.80	0.97	0.82
Gold recovery rate (%)	75.8	65.4	75.5	68.4	67.8
Sales					
Gold sales (ounces)	33,568	40,908	149,372	160,326	141,734
Depletion, depreciation and amortization per gold ounce sold	$ 383	$ 389	$ 352	$ 370	$ 277

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

Gualcamayo produced 147,310 ounces of gold in 2012, compared with 158,847 ounces produced in 2011. Lower production was mainly due to the planned transitioning process from Phase II to Phase III at the QDD Main area during the fourth quarter of 2012, and the construction and licensing delay of the Valle Norte heap leach pad early in the year. Production at Gualcamayo is expected to increase with the ramp-up of production from QDD Main Phase III starting in the second quarter of 2013 followed by new production from the AIM open-pit and QDD Lower West underground operations.

Increased tonnage of ore mined in 2012 reflects Gualcamayo's continuous effort in stacking materials in preparation of transitioning to Phase III as part of the planned expansion. Compared to 2011, recovery rate improved mainly as a result of the production from the new Valle Norte heap leach pad.

Cash costs averaged $536 per ounce in 2012 compared with $441 per ounce in 2011. Inflationary pressures on labour and consumable costs, lower grade and re-handling of waste costs along with increased maintenance to improve availability of equipment resulted in higher cash costs. The QDD Main area at Gualcamayo is an open pit operation along a mountain face and from time to time waste is removed and stored and then must be moved again once the orebody has been accessed. This movement or re-handling of waste will cause costs to increase from time to time. The Company is evaluating how to reduce the re-handling of waste and has initiated a maintenance program in an effort to better contain costs.

Gualcamayo produced 31,502 ounces of gold in the fourth quarter, compared with 40,676 ounces produced in the fourth quarter of 2011. The transitioning process from QDD Main Phase II to Phase III contributed to the lower production. Production in the quarter was primarily sourced from the stockpiled material.

Cash costs were $485 per ounce in the quarter ended December 31, 2012 compared with $424 per ounce in the fourth quarter of 2011. Inflationary pressures on labour and consumable costs, lower grade and re-handling of waste costs resulted in higher cash costs in combination with lower quarterly production.

Underground development of QDD Lower West continues to advance and project completion remains on schedule. Full ramp-up of Gualcamayo's expansions to be completed by mid-2013 are expected to increase sustainable production to approximately 200,000 gold ounces per year beginning in 2014. A scoping study on the evaluation of milling higher grade ore at Gualcamayo, subject to mineral resource increases in 2012 and 2013, is expected to be completed in the first half of 2013.

MERCEDES, MEXICO *(I)*

Operating Statistics	Three months ended December 31, 2012	2011	Twelve months ended December 31, 2012	2011	2010
Production					
Commercial GEO production *(ii)*	39,443	-	117,051	-	-
Commissioning GEO production	-	8,438	8,959	8,438	-
Total GEO production	39,443	8,438	126,010	8,438	-
Commercial gold production (ounces)	36,057	-	108,014	-	-
Commissioning gold production (ounces)	-	-	8,201	-	-
Total gold production (ounces)	36,057	-	116,215	-	-
Commercial silver production (ounces)	169,313	-	451,835	-	-
Commissioning silver production (ounces)	-	-	37,912	-	-
Total silver production (ounces)	169,313	-	489,747	-	-
Cash costs per GEO produced *(iii)*	$ 435	$ -	$ 485	$ -	$ -
Ore mined (tonnes)	136,105	-	513,684	-	-
Ore processed (tonnes)	164,285	-	603,188	-	-
Gold feed grade (g/t)	7.38	-	6.43	-	-
Silver feed grade (g/t)	85.17	-	78.42	-	-
Gold recovery rate (%)	95.8	-	94.8	-	-
Silver recovery rate (%)	39.0	-	32.0	-	-
Sales					
Gold sales (ounces)	34,085	-	116,894	-	-
Silver sales (ounces)	139,686	-	481,071	-	-
Depletion, depreciation and amortization per gold ounce sold	$ 241	$ -	$ 254	$ -	$ -

(i) Mercedes was under construction in 2011. Commissioning of the mine started in November 2011 and completed February 1, 2012.

(ii) GEO assumes gold plus the gold equivalent of silver using a ratio of 50:1.

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

Mercedes' production of 126,010 GEO in 2012, including 8,959 GEO of commissioning production, was above the top end of guidance in its first year of operation. The 2012 production consisted of 116,215 ounces of gold and 489,747 ounces of silver. Cash costs per GEO averaged $485 for the year, within the range of the Company's previous guidance of $475 – $500 per GEO for the year.

Mercedes produced 39,443 GEO in the fourth quarter, representing consecutive increases of 17% over the third quarter production, 36% over the second quarter and 65% over the first quarter. Fourth quarter production consisted of 36,057 ounces of gold and 169,313 ounces of silver. Cash costs per GEO were $435 for the fourth quarter, 11% lower than the cash costs in the third quarter, 13% lower than the second quarter and 19% lower than the first quarter, representing decreases in consecutive quarters since the completion of commissioning. Compared to the third quarter, feed grade improved by 9% for gold and 15% for silver; recovery rate for silver improved by 32%.

Development continues at the Barrancas zone with the higher grade Lagunas Norte vein, one of the newest discoveries at the mine, which started production from flat-lying ore in the third quarter. 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. Confirmation of the width and grades of mineralization by infill drilling at Lupita and the recent discovery of high-grade mineralization at Rey de Oro that may be amenable to underground mining methods, are expected to continue growth of the measured and indicated mineral resources that will extend mine life, maintain higher throughput and sustainable production levels.

Production was initially planned at an annual rate of 120,000 GEO per year. With the acceleration of underground development and plant modifications, the Company expects production to increase to 130,000 to 140,000 GEO in 2013 and a target of 130,000 GEO to 150,000 GEO in 2014.

JACOBINA, BRAZIL

Operating Statistics	Three months ended December 31, 2012	2011	Twelve months ended December 31, 2012	2011	2010
Production					
Gold production (ounces)	28,337	31,983	116,863	121,675	122,160
Cash costs per ounce produced (i)	$ 825	$ 646	$ 747	$ 643	$ 535
Ore mined (tonnes)	503,669	529,452	2,109,613	2,148,473	2,158,097
Ore processed (tonnes)	508,737	527,537	2,104,683	2,148,275	2,158,096
Gold feed grade (g/t)	1.87	2.03	1.84	1.89	1.89
Gold recovery rate (%)	92.5	93.4	93.8	93.3	93.2
Sales					
Gold sales (ounces)	25,843	32,904	114,786	123,323	121,405
Depletion, depreciation and amortization per gold ounce sold	$ 487	$ 394	$ 428	$ 390	$ 338

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

Gold production at Jacobina was 116,863 ounces in 2012, compared with 121,675 ounces produced in 2011. The decrease in production for the year compared to that of 2011, mainly resulted from a decrease in tonnage processed and lower gold grade. Continued development of access to higher grade areas is expected to improve average ore grade beginning in the second half of 2013.

Cash costs were $747 per ounce for the year compared with $643 per ounce in 2011. Cash costs were impacted by higher labour inflation and maintenance costs in addition to continued rock support improvements made during 2012.

In the fourth quarter, gold production at Jacobina was 28,337 ounces, compared with 31,983 ounces produced in the fourth quarter of 2011. The decrease in production primarily resulted from an 8% decrease in gold feed grade, lower recovery rate and less tonnage processed. Cash costs were $825 per ounce for the fourth quarter compared with $646 per ounce in the fourth quarter of 2011.

The Company continues to focus on upgrading the current mineral resources at Canavieiras and Morro do Vento and improving overall mineral reserve grade for the mine. Development of these high-grade areas creates the opportunity for production to increase to over 140,000 ounces. The timing of which is dependent on the pace of development work in these higher grade areas.

MINERA FLORIDA, CHILE

Operating Statistics	Three months ended December 31, 2012	2011	Twelve months ended December 31, 2012	2011	2010
Production					
GEO commercial production (ounces) (i)	32,797	23,151	103,818	102,738	105,604
GEO commissioning production (ounces)	-	-	1,861	-	-
GEO total production (ounces)	32,797	23,151	105,679	102,738	105,604
Gold commercial production (ounces)	27,889	18,326	87,677	86,914	94,585
Gold commissioning production (ounces)	-	-	1,486	-	-
Gold total production (ounces)	27,889	18,326	89,163	86,914	94,585
Silver commercial production (ounces)	245,393	241,208	807,075	791,173	606,071
Silver commissioning production (ounces)	-	-	18,737	-	-
Silver total production (ounces)	245,393	241,208	825,812	791,173	606,071
Cash costs per gold equivalent ounce produced (ii)	$ 805	$ 706	$ 797	$ 591	$ 416
Ore mined (tonnes)	205,882	191,206	859,953	848,373	761,386
Ore processed (tonnes)	222,440	207,147	902,788	920,388	779,836
Gold feed grade (g/t)	3.53	3.37	3.34	3.50	4.41
Silver feed grade (g/t)	46.90	50.30	39.29	38.40	33.40
Gold recovery rate (%)	81.6	83.5	81.1	84.0	83.7
Silver recovery rate (%)	69.8	68.9	67.6	68.3	67.8
Sales					
Gold sales (ounces)	27,075	19,556	86,455	87,816	91,907
Silver sales (ounces)	308,436	183,160	1,037,150	687,445	600,156
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 582	$ 447	$ 600	$ 430	$ 365

(i) GEO assumes gold plus the gold equivalent of silver using a ratio of 50:1.

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

Minera Florida produced a total of 105,679 GEO in 2012, an increase of 3% versus production of 102,738 GEO in 2011. Production consisted of 89,163 ounces of gold and 825,812 ounces of silver, both including commissioning production, compared to 86,914 ounces of gold and 791,173 ounces of silver. The increased production was mainly due to the new production from the tailings retreatment project. The increase was partly offset by lower feed grade and lower recovery rate of gold. Commercial production from tailings retreatment began on October 1, 2012. The plant continued to ramp up to an average 65% of capacity utilization in December 2012 and reaching full design capacity in January 2013.

In addition, the mine produced 5,381 tonnes of zinc in 2012, compared with 6,958 tonnes of zinc produced in 2011. Zinc is accounted for as a by-product credit to cash costs.

Cash costs for the year were $797 per GEO compared with $591 per GEO in the same quarter in 2011 primarily as a result of higher cost for power, increased cost in temporary mine services and labour inflation, lower credit from sales of zinc as a result of lower production and lower prices for zinc.

Minera Florida produced a total of 32,797 GEO in the quarter, representing a 42% increase, compared with 23,151 GEO in the fourth quarter of 2011, mainly due to the new production from the tailings retreatment project. Compared to the third quarter, feed grade improved by 19% for gold and 26% for silver.

In addition, the mine produced 1,353 tonnes of zinc in the fourth quarter, compared with 1,586 tonnes of zinc produced in the fourth quarter of 2011.

Cash costs for the fourth quarter were $805 per GEO compared with $706 per GEO in the same quarter in 2011 primarily as a result of higher cost for power, increased cost in temporary mine services and labour inflation and lower credit from sales of zinc as a result of lower production and lower prices for zinc.

Production from tailings retreatment is expected to ramp up and increase annual production by approximately 30,000 GEO per year for five years through the retreatment of tailings. Overall costs are expected to improve with the addition of tailings production and the lack of mining costs associated with the retreatment of tailings.

OTHER MINES

The following table presents key operating statistics for the Company's other continuing mining operations and its equity investment in Alumbrera:

	Three months ended December 31,		*Twelve months ended December 31,*		
	2012	2011	**2012**	2011	2010
FAZENDA BRASILEIRO, BRAZIL					
Production					
Gold production (ounces)	18,251	15,568	67,130	55,163	70,084
Cash costs per ounce produced (i)	$ 856	$ 915	$ 872	$ 937	$ 628
Ore mined (tonnes)	260,855	265,108	1,018,911	983,848	1,105,340
Ore processed (tonnes)	270,998	234,767	1,048,489	936,459	1,110,204
Gold feed grade (g/t)	2.28	2.33	2.22	2.07	2.22
Gold recovery rate (%)	91.8	88.1	89.5	88.4	88.6
Sales					
Gold sales (ounces)	17,773	16,430	66,805	56,907	72,316
Depletion, depreciation and amortization per gold ounce sold	$ 173	$ 189	$ 181	$ 231	$ 167
ALUMBRERA *(12.5% interest)*, ARGENTINA					
Production					
Concentrate (tonnes)	14,669	10,691	65,140	55,840	68,351
Gold production (ounces)	1,112	634	3,849	3,516	5,617
Gold production in concentrate (ounces)	9,657	7,112	42,228	40,986	45,039
Total gold produced	10,769	7,746	46,077	44,502	50,656
Copper contained in concentrate (millions of pounds)	8.5	6.2	37.4	32.2	38.7
By-product cash costs per ounce produced (i)	$ (2,012)	$ (1,351)	$ (1,203)	$ (1,448)	$ (1,404)
Co-product cash costs per ounce of gold produced (i)	$ 343	$ 450	$ 308	$ 283	$ 257
Co-product cash costs per pound of copper produced (i)	$ 2.15	$ 2.59	$ 1.81	$ 1.82	$ 1.29
Ore mined (tonnes)	978,841	1,007,916	3,923,822	2,778,430	3,127,873
Ore processed (tonnes)	1,305,186	1,176,148	4,962,373	4,775,130	4,509,332
Gold feed grade (g/t)	0.36	0.30	0.40	0.42	0.46
Copper feed grade (%)	0.30	0.30	0.40	0.40	0.50
Concentrate grade – gold (g/t)	20.47	20.65	20.13	22.78	20.66
Concentrate grade – copper (%)	26.20	26.25	26.10	26.11	25.60
Gold recovery rate (%)	71.0	68.3	71.0	69.4	73.0
Copper recovery rate (%)	85.0	78.9	84.0	77.2	82.0
Sales					
Concentrate (tonnes)	20,139	13,762	64,086	56,913	68,056
Payable gold contained in concentrate (ounces)	12,593	9,010	40,455	40,996	43,314
Gold doré (ounces)	953	699	3,125	3,668	5,626
Total gold sales (ounces)	13,546	9,709	43,580	44,664	48,940
Payable copper contained in concentrate (millions of pounds)	11.1	7.7	35.4	31.5	37.0

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

FAZENDA BRASILEIRO, BRAZIL

Production at Fazenda Brasileiro was 67,130 ounces of gold in 2012 compared to 55,163 ounces of gold in 2011, representing a 22% year-over-year increase. The increased production was mainly due to higher gold feed grade, higher recovery rate and increased tonnage processed.

Cash costs averaged $872 per ounce for the year, 7% lower than $937 per ounce for 2011. Increases in tonnage mined and tonnage processed positively impacted cash costs and more than offset the effect of mining inflation.

Production at Fazenda Brasileiro was 18,251 ounces of gold in the fourth quarter compared to 15,568 ounces of gold in the fourth quarter of 2011, representing a 17% quarter-over-quarter increase. The increased production was mainly due to increased tonnage processed and higher recovery rate, partly offset by lower gold feed grade.

Cash costs for the fourth quarter were $856 per ounce, 6% lower than $915 per ounce for the same period in 2011. Increases in tonnage processed positively impacted cash costs and more than offset the effect of mining inflation.

The Fazenda Brasileiro mine was acquired in 2003 with two and a half years of mine life remaining based on known mineral reserves. The Company has been mining at Fazenda Brasileiro for nearly nine years. The mine continues to further outline exploration potential and mineral resource additions are expected in 2013.

Two new mineralization zones, CLX_2 and Lagoa do Gato were discovered in 2009. The CLX_2 zone is 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. The Company continues to develop the high-grade mineral reserves at CLX_2 with a focus on increasing mineral reserves and mineral resources.

ALUMBRERA, ARGENTINA

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 $50.6 million and $18.1 million for the year and three months ended December 31, 2012, compared with $39.0 million and $1.3 million reported for the respective periods of 2011. Higher earnings for the year and the fourth quarter of 2012 compared to the same periods of 2011 were mainly due to higher sale volumes of mineral concentrate. Compared with the fourth quarter of 2011, sales increased in the quarter ended December 31, 2012 as export sales by Alumbrera resumed in the third quarter subsequent to a temporary suspension to comply with a new resolution in respect of repatriation of net proceeds from export sales set forth by the Argentine Government.

The Company did not receive cash distributions in the year ended December 31, 2012, compared with cash distribution of $71.5 million in 2011, of which $44.1 million was received in the fourth quarter of 2011. Cash distributions have resumed in January 2013.

Attributable production from Alumbrera was 46,077 ounces of gold and 37.4 million pounds of copper for 2012. This compares with attributable production of 44,502 ounces of gold and 32.2 million pounds of copper in 2011. For the fourth quarter, attributable production from Alumbrera was 10,769 ounces of gold and 8.5 million pounds of copper, compared with 7,746 ounces of gold and 6.2 million pounds of copper in the fourth quarter of 2011.

By-product cash costs per ounce of gold were *negative* $1,203 for the year and *negative* $2,012 for the quarter ended December 31, 2012, compared with *negative* $1,448 per ounce and *negative* $1,351 per ounce for the respective periods in 2011. Co-product cash costs per ounce for gold averaged $308 for the year and $343 for the quarter ended December 31, 2012, compared with $283 per ounce and $450 per ounce for the respective periods of 2011. Co-product cash costs per pound for copper averaged $1.81 for the year and $2.15 for the quarter ended December 31, 2012, compared with $1.82 per pound and $2.59 per pound for the respective periods of 2011.

ERNESTO/PAU-A-PIQUE, BRAZIL

Physical completion of this new mine is on schedule. Ernesto Pau-a-Pique commenced commissioning with the first gold ounces poured in October 2012. Commissioning will continue in early 2013 and completion of commissioning is expected by mid-2013. Annual production is expected to be in the range of 80,000 – 95,000 ounces in 2013 with the potential to increase above that level in 2014.

Ernesto/Pau-a-Pique is made up of two different deposits, one of which is permitted and the other is currently operating under a provisional permit. The Company expects definitive permits will be issued under a proposed new Brazilian mining code legislation which is in progress. For additional information, please see *Section 12 – Economic trends, risks and uncertainties – foreign operations and political risks.*

8. Construction, Development and Exploration

CONSTRUCTION AND DEVELOPMENT

During the fourth quarter of 2012, all construction projects and all intermediate stage development projects were advancing towards planned start-up. The following summary highlights key updates from the significant construction and development projects at the Company since the end of the third quarter of 2012.

C1 Santa Luz, Brazil

As of December 31, 2012, physical advancement of the project was over 95% complete. Civil works and electromechanical assembly continued as planned. Power line construction is expected to be completed in early 2013. Start-up of operations is pending with completion of commissioning expected by mid-2013. Water availability necessary for continuous operations will depend on the continuation of the rains throughout the rainy season which progresses through March and will be supplemented by recently discovered water wells.

C1 Santa Luz is an open-pit and potential underground operation for which some concessions have already been permitted. Mining will start in the already permitted concessions. Annual production is expected to be approximately 100,000 gold ounces.

Pilar, Brazil

Construction progress is on schedule with commissioning and start-up of production expected by mid-2013 with completion of commissioning expected by the end of 2013. As at December 31, 2012, mine and plant were advanced to approximately 75% completion. Civil works were essentially completed and work continued on electromechanical assembly and the tailings dam. Underground development at Pilar continued to progress and reached a total length of more than 9,000 metres and underground development at Caiamar has progressed more than 1,000 metres.

Annual production from the mine was originally 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. The Company focused exploration and evaluation on Maria Lazarus and the high grade Jordino deposit. This resulted in a 29% increase in inferred mineral resources. These mineral resources are expected to be upgraded during 2013.

Ore feed from Caiamar, a high-grade satellite deposit located 38 kilometres west of Pilar, is expected to contribute to production at Pilar thereby increasing production to a minimum of 140,000 gold ounces per year expected to begin as early as 2014. Mineral resource development and work on a feasibility study continued at Caiamar during the quarter. The ore from this deposit can be processed at Pilar with the higher grades offsetting the additional transportation costs.

Other

The Company continues to advance and evaluate additional projects, including Jeronimo and Suyai.

At Suyai, certain components that would lead to a feasibility study continued in the quarter. Further advancement of the project will partly depend on the passage of new mining legislation that is pending.

At Jeronimo, both Yamana and its joint venture partner, Codelco (43% owner of the project), are evaluating the project. During this period of evaluation, the Company is advancing other studies and reviews normally completed after a construction decision is made. The Company's objective is to advance opportunities that maximize cash flow and optimize the allocation of capital.

EXPLORATION

The Company is committed to developing its future based on its exploration successes and organic growth with programs targeting mineral reserve growth and mineral resource discovery in addition to development projects and discoveries at existing operations.

The 2012 exploration program focused 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, the delineation and expansion of Corpo Sul at Chapada, the delineation and expansion of QDD Lower West at Gualcamayo and the development of several greenfield projects with the potential to be brought into the Company's project pipeline, enhancing present and future asset values. The Company also initiated its exploration and evaluation activities at Cerro Moro, the advanced exploration and development stage project obtained through the acquisition of Extorre in August 2012.

The following is a summary of the exploration and evaluation expenditures for the current year and comparative years. The 2012 exploration and evaluation expenditures include $31.2 million spent on acquisitions of exploration and evaluation properties.

Twelve months ended December 31, (in millions of Dollars)	2012	2011	2010
Exploration and evaluation capitalized *(i)(ii)*	$ 101.3	$ 89.6	$ 58.6
Exploration and evaluation expensed *(iii)*	58.0	32.4	39.2
Total exploration and evaluation	$ 159.3	$ 122.0	$ 97.8

(i) Capitalized exploration and evaluation 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) The amount includes exploration and evaluation assets of $31.2 million acquired through the various acquisitions completed by the Company in 2012.

(iii) Expensed exploration and evaluation costs are reported in the Consolidated Statements of Operations.

The following summary highlights key updates from the exploration and development program at the Company since the end of the third quarter of 2012.

ARGENTINA

Cerro Moro

On August 21, 2012, the Company acquired all of the issued and outstanding common shares of Extorre Gold Mines Limited that owned several exploration and development stage precious metals projects, the most advanced of which is the Cerro Moro project, a high-grade gold and silver deposit. The Cerro Moro deposit is located in east central Santa Cruz Province in the same metallogenic belt as the prolific Cerro Vanguardia mine.

In 2012, the Company spent $5 million to drill over 100 holes with the goal of upgrading the inferred mineral resources and grow the mineral resource base. These results have been incorporated in the Company's mineral resource update for Cerro Moro.

The Project hosts an initial indicated mineral resource of 1.95 million GEO and an inferred mineral resource of 490,000 GEO both at a 1 g/t cut-off. This cut-off grade reflects a blend of underground and open pit mining consideration. As mineral resources grow, with the expectation that the greatest potential is within those zones that will be mined from underground, the cut-off grade may be revised as the proportion of underground and open pit mineral resources changes and as the Project is further advanced.

The Company has engaged in pre-development work by way of a production ready decline into the largest of the known ore bodies, Escondida. In addition to advancing the timeline for development, this pre-development work will provide a platform for further exploration work and permit access to the orebody, providing greater certainty and knowledge of its physical properties and grade continuity. Technical and trade-off studies have been completed which support continuation to a feasibility level study for the project. Based on these studies, the feasibility study will consider a mine plan combining both open pit (30%) and underground (70%) mining operations to sustain a process plant with a throughput rate of approximately 1,000 tonnes per day and an expected recovery of approximately 200,000 GEO per annum. The feasibility study is expected to be completed sometime in 2014. The Company will then evaluate the results of the feasibility study together with current exploration results and the knowledge gained through the pre-development work to make a construction decision. Depending on the outcome of the studies and subsequent construction decision, production should begin in 2016.

The underground mine will be accessed by means of conventional decline haulages, the first of which will be developed as part of the work completed prior to a construction decision and is consistent with the approach used at Mercedes. Since the mineralization is broadly similar to the Company's Mercedes operation in Mexico, mining and processing operations at Cerro Moro are expected to employ similar methods. Initial capital costs are expected to be below $400 million and operating costs are expected to be below $450 per ounce.

The 2013 exploration program at Cerro Moro will focus on drill testing eight priority target areas located on the northern La Negrita block, an entirely new zone, and drill testing existing geologic targets, geochemical anomalies and vein extensions within nine priority target areas in the southern Escondida block, which contains the majority of current known mineral resources.

The 2013 exploration drilling program at Cerro Moro commenced in mid-January. Preliminary indications from one drill hole which was intended to test the extension of an anomalous mineralization from prior holes, intercepted three separate vein zones with at least two of these occurring at mineable widths with the potential for significant GEO grades. Assays for these holes are still pending. The new discovery, the "Margarita" vein within the La Negrita zone, is outside of the area containing the known mineral resources. Drilling of this and all identified targets are expected to be ongoing throughout the year.

The Company is expecting to spend $12 million in 2013 on exploration to execute the 25,000 metres of drilling with the goal of expanding the areas of mineralization to the La Negrita block and to add significantly to the mineral resource base.

Gualcamayo

During the quarter, 11 diamond drill holes were completed at QDD Lower West. In 2012, the Company has completed 71 diamond drill holes totaling 17,832 metres. The drilling was completed to extend the southwest extension of the main QDD Lower West deposit and also to further delineate the Rodado breccia, which was discovered in 2011. The drilling appears to have connected the Rodado and main QDD Lower West breccia bodies into one large mineralized system which remains open to the southwest.

BRAZIL

Pilar

During the quarter diamond drilling was focused on mineral resource definition drilling at Maria Lazarus located approximately 8 kilometres west of the main Jordino deposit. A total of 16 widespread diamond drill holes were completed to define the tenor and continuity of the mineralization. An initial mineral resource estimate is expected to be completed in the first quarter 2013.

Chapada

Exploration at Corpo Sul, the newly discovered mineralized zone located southwest of and adjacent to the main pit at Chapada, included the completion of 5,253 metres of diamond drilling in the quarter for a total of 34,575 metres in 150 drill holes completed in 2012.

Results since the discovery of Corpo Sul, in 2011, have established the zone as a new porphyry system south of the main Chapada pit with grades in excess of expected grades to be mined in future years at the operation. With continued drilling at 200-metre spacing, the Company has increased confidence in the continuity of the higher grades and the eventual increased size of Corpo Sul.

In the fourth quarter, 16 additional diamond drill holes have been completed on the southwest extension of Corpo Sul. The additional drilling has further defined the geometry and grade continuity of Corpo Sul from the southwest limits of the 2011 mineral resource. Results from the most recently received assays indicate all the high grade intersections are within 700 metres of the current Corpo Sul mineral resource and will extend the currently modeled mineral resource to the southwest.

The current drill results at Corpo Sul confirm the expansion of the mineralized zone and continue the recent exploration success at Chapada which commenced with Suruca in 2010 and Corpo Sul in 2011. Mineralization and mineral resources have now been traced along a combined strike length of almost 16 kilometres centered by the main Chapada pit.

These new discoveries have led to the initiation of a pre-feasibility study that is now underway, which will define the role of Suruca and Corpo Sul in the future production at Chapada. Corpo Sul is expected to enhance throughput through the blending of these higher grade ore with ore from the main Chapada pit and as its size and scale increases it will be evaluated as a stand-alone orebody.

Exploration success to date should facilitate targeted sustainable annual production levels of approximately 150,000 ounces of gold and 135 million pounds of copper from 2013 for at least five years. Continued exploration success is expected to extend this sustainable production level for a longer period within the overall mine life.

CHILE

El Peñón

During the quarter, 125 diamond and reverse circulation drill holes were completed at El Peñón. The majority of the drilling was completed at Dorada West, Fortuna East and North Block veins. An initial mineral resource estimate is expected to be completed at Dorada West by the end of the first quarter of 2013.

Dorada West is located immediately to the west of Dorada, approximately halfway between the Providencia and Dorada vein deposits. Drilling has outlined mineralization along a strike length of approximately 1,000 metres and a dip length of 150 metres. The deposit remains open to the south and locally down dip.

At Fortuna East, wide-spaced drilling has outlined several centres of high grade gold and silver similar to the Fortuna deposit located 400 metres to the east. Infill drilling is expected to be completed in 2013 to better define the continuity of these high-grade areas.

MEXICO

Mercedes

During the quarter, drilling totaled approximately 2,817 metres in 7 diamond drill holes. The drilling was completed at the Diluvio/Lupita area and the Rey de Oro vein zone.

At Diluvio/Lupita, drilling was completed to convert inferred mineral resources at Lupita to indicated mineral resources and to also explore the gap between the Diluvio and Lupita vein zones and try to establish a link between the two deposits. Although the drilling did establish a structural and mineralogical link between the two deposits, the grades of mineralization were uneconomic.

The Rey de Oro deposit lies on trend of the Klondike deposit approximately 200 metres further to the east-southeast. Drilling on 60-metre centres along strike and down dip has identified a wide zone (greater than 30 metres) of near surface, quartz veinlet stockworking with locally well-developed quartz veins. The stockwork zone is strongly oxidized and select high grade intervals were previously mined by artisanal miners. Since the beginning of the year, 39 diamond drill holes have been completed at Rey de Oro, totaling approximately 8,000 metres.

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) supervises 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 2012 annual report.

Total proven and probable mineral reserves were 19.3 million GEO compared to 18.6 million GEO in 2011. On a gold equivalent basis, the average grade of mineral reserves increased by approximately 3.0% to 0.96 grams per tonne ("g/t") from 2011. The Company's proven and probable mineral reserves from operating mines were 14.2 million GEO (contained gold – 12.6 million ounces; contained silver 89.2 million ounces) as at December 31, 2012, which represents a 6.0% increase over 2011.

Measured and indicated mineral resources increased by 14.7% to 15.6 million GEO from 2011 mainly due to the addition of indicated mineral resources from Cerro Moro. The average gold equivalent grade for measured and indicated mineral resources on a gold equivalent basis was 0.89g/t, representing an increase of approximately 14.0% from 2011.

The Company's total gold proven and probable mineral reserves increased to 17.7 million ounces from 17.0 million ounces (2010 – 15.6 million ounces). Average gold grade increased by 2.5% with notable contributions from Jacobina, Chapada and Gualcamayo. Proven and probable copper mineral reserves were 2.7 billion pounds of copper at an average grade of 0.31% including Alumbrera. Proven and probable copper mineral reserves increased by 7.1% at Chapada to 2.5 billion pounds of copper from 2011.

Measured and Indicated mineral resources on a gold equivalent basis were 15.6 million GEO (contained gold – 14.1 million ounces; contained silver – 78.8 million ounces) as at December 31, 2012, compared with measured and indicated mineral resources of 13.6 million GEO (contained gold – 13.2 million ounces; contained silver – 23.4 million ounces) in 2011. Measured and indicated mineral resources increased by 14.7% from 2011 mainly due to the addition of indicated mineral resources from the newly acquired Cerro Moro. Total inferred mineral resources increased by 10.1% to 11.4 million GEO (contained gold – 10.2 million ounces; contained silver – 67.7 million ounces).

Assumption of metal prices used in the estimates of mineral reserves and mineral resources remained unchanged from 2011: gold price of $950 per ounce (2011 – $950 per ounce, 2010 – $900 per ounce), silver price of $20 per ounce (2011 – $20 per ounce, 2010 – $15 per ounce), and copper price of $2.50 per pound (2011 – $2.50 per pound, 2010 – $2.50 per pound), except where noted in the mineral reserve and mineral resource tables contained in the Company's 2012 annual report. Please refer to the mineral reserve and mineral resource table contained in the Company's 2012 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 6.0% to 3.7 million GEO after production of 494,000 contained GEO, supporting an increased mine life and a higher sustainable production level of 440,000 GEO per year. The mine has increased GEO mineral reserves for three consecutive years. In 2012, gold equivalent mineral reserve tonnage increased by 14.3% at an average grade of 8.97 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 2013 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 2013.

Chapada, Brazil

Total gold mineral reserves increased by approximately 11.0% to 3.7 million ounces, at an average grade of 0.27 g/t, representing a 6.5% increase from 2011. The increase in gold mineral reserves, after production of 215,000 contained ounces, is largely attributed to the inclusion of portions of the Corpo Sul mineral resources upgrading to mineral reserves. Measured and indicated mineral resources increased by approximately 5.0% to 2.4 million ounces of gold mainly as a result of grade increase from Corpo Sul. For inferred mineral resources, a higher cut-off grade was used, resulting in 0.8 million ounces of gold at significantly higher grade.

Copper mineral reserves increased by 7.1% to 2.5 billion pounds with a 2.2% increase in grade to an average of 0.30%.

A pre-feasibility study was completed for Corpo Sul in late 2012 based on mineral reserves of 573,000 ounces of gold and 401 million pounds of copper in 55 million tonnes of ore. This represents an increase of 182% from 2011 in gold mineral reserves. Additional work increased the mineral reserves at Corpo Sul, which have been included in Chapada's mineral reserves estimate. The feasibility study will include these additional ounces. It is expected that further work at Corpo Sul will contribute to 2013 growth of mineral reserves.

Jacobina, Brazil

Total proven and probable gold mineral reserves increased by approximately 21.0% to 2.4 million ounces, after production of 125,000 contained ounces. Since acquisition of the mine, the Company has increased gold mineral reserves cumulatively more than 98% representing a six-year consecutive increase. As at December 2012 mineral reserve grade increased by 10.4% to 3.02 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 41% from 2.14 g/t to 3.02 g/t. Measured and indicated mineral resources decreased by 13.1% to 2.1 million ounces in 25.0 million tonnes of mineral resources at 2.59 g/t. These decreases were a result of the upgrading of mineral resources to mineral reserves through drilling in lieu of further mineral resource expansion efforts. This is the fourth year of consecutive quality improvements and increases in mineral reserves at Jacobina.

Gualcamayo, Argentina

Gold mineral reserves were 49.6 million tonnes at 1.29 g/t containing 2.1 million gold ounces; measured and indicated gold mineral resources were 33.2 million tonnes at 1.10 g/t containing 1.2 million gold ounces and inferred gold mineral resources of 10.4 million tonnes at 1.66 g/t containing 552,000 gold ounces.

The focus in 2012 at Gualcamayo was on the definition and expansion of the Rodado breccia, a new zone discovered in 2011 southwest of QDD Lower West (QDDLW). As a result, measured and indicated mineral resources increased by 5% with a 6% increase in grade and the Rodado breccia mineralization was extended by 500 metres along strike. A significant amount of mineral resources at Gualcamayo are within the Rodado breccia and QDDLW, and given the current size of the sulphide portion of the mineral resources in these zones and the expectation of further mineral resource increases in these areas, the Company has initiated an evaluation of milling options which is expected to be competed in first half of 2013. There is approximately 1.6 million ounces cumulatively from all zones and all mineral resource categories, some of which is also heap leachable, that will be considered in the evaluation of the milling option. Mineral reserves declined which can be attributed to depletion from production of the current ore bodies.

Exploration in 2013 will continue to focus on the south west of the QDDLW deposit where sulfide bearing carbonate breccias have been outlined. These breccias are an extension of QDDLW mineralization and occur as sub-parallel bodies or feeders to QDDLW. This mineralization remains open to the south west and down dip.

Minera Florida, Chile

Total proven and probable gold equivalent mineral reserves remained essentially the same as 2011 at 974,000 GEO which represents an increase of 5,000 GEO from 2011, after production of 130,000 contained GEO. The increase in mineral reserves in 2011 was in part attributed to the upgrade from mineral resources to mineral reserves of the historic tailings, the processing of which started in the third quarter of 2012. The focus in 2012 was on replacing mineral reserves depleted and identifying new mineral resources. Measured and indicated mineral resources decreased marginally by 2.4% to 570,000 GEO at an average gold equivalent grade of 5.96 g/t while inferred mineral resources increased by 10.0% which is the result of exploration success at Aguas Frias East. In 2013, additional drilling at Aguas Frias will further expand and delineate this new zone.

Mercedes, Mexico

Gold equivalent mineral reserves were 6.6 million tonnes at 4.83 g/t containing 1.0 million gold equivalent ounces; measured and indicated gold equivalent mineral resources were 2.7 million tonnes at 3.62 g/t containing 309,000 gold equivalent ounces; and inferred gold equivalent mineral resources of 3.4 million tonnes at 3.65 g/t containing 403,000 gold equivalent ounces.

In 2012, the exploration focus was on the replacement of mineral reserves and increasing mineral resources through further delineation of Diluvio, Lupita, Marianas (Barrancas Norte) and Rey de Oro. While grades in some of these zones are below historic ore grades the ore bodies are considerably wider. Gold equivalent mineral reserves remained essentially the same as in 2011. The replacement of mineral reserves depleted through production was mainly attributable to additions from the Lupita and Marianas zones. This resulted in a 25% increase in tonnage and a 21% decline in grade, the majority of these lower grade ounces came from Lupita. Measured and indicated mineral resources increased significantly, by 53% with a 8% increase in grade, through contributions from Rey de Oro and Diluvio. Inferred mineral resources decreased by 28% as most of the inferred resources at Lupita, Marianas and part of Diluvio were converted into indicated mineral resources. In the fourth quarter, high grade mineralization was intersected at depth in Rey de Oro. This mineralization is on strike with and may zone the Klondike deposit located one kilometre to the north-northwest. The 2013 program will focus on the expansion of this zone to determine continuity between the zones in addition to replacing and increasing mineral reserves and mineral resources.

Fazenda Brasileiro, Brazil

Measured and indicated mineral resources increased by approximately 8% and inferred mineral resources increased by approximately 16% relative to 2011. Proven and probable mineral reserves declined by approximately 15% from 2011. The Company acquired the mine in 2003 with a 2.5 year mine life remaining based on known mineral reserves; based on current mineral reserves mine life is slightly less than four years after having been mined by the Company for nine years.

C1 Santa Luz, Brazil

Measured and indicated mineral resources increased by approximately 17.0% to 678,000 ounces due to the addition of new ounces from near-surface satellite deposits which also contributed to a 3.0% increase in inferred mineral resources containing 490,000 ounces in 6.0 million tonnes of mineral resources. In 2013, the focus will be on expanding the highly prospective underground mineralization identified in 2012.

Pilar, Brazil

Inferred mineral resources increased by 312,000 ounces or 29% to 1.4 million ounces in 11.2 million tonnes of mineral resources at 3.83 g/t. This mineral resource increase is attributed to the addition of Maria Lazarus located 8 kilometres west of Jordino. The mineral reserves and measured and indicated mineral resources were unchanged from 2011 year end as the focus of the 2012 exploration program was on the expansion of the total mineral resource base and discovery of new mineralized zones to support higher production levels at Pilar.

Cerro Moro, Argentina

Cerro Moro was acquired as a result of the acquisition of Extorre by the Company in August 2012. The Company commenced an aggressive infill exploration program in October 2012 to re-categorize inferred and indicated mineral resources to support a feasibility study.

Indicated mineral resources increased by 44% from previous estimates to 1.95 million gold equivalent ounces in 4.2 million tonnes at average grade of 14.6 g/t gold equivalent. Inferred mineral resources decreased by 54% to 3.6 million tonnes at an average grade of 4.2 g/t gold equivalent. This reduction is due to the infill drilling and subsequent conversion to indicated mineral resources.

Arco Sul, Brazil

Arco Sul is a new discovery made in late 2010 and is 100% owned by the Company. It is located in western Goias State, 200 kilometres from Goiania, 370 kilometres from Brasilia and 295 kilometres from Pilar. Gold mineralization is hosted in a stock work system in a contact zone of subvolcanic intrusives and the Neoproterozoic volcano-sedimentary basement. The Company's closed and reclaimed mine, Fazenda Nova, represents the small, near surface part of the Arco Sul mineralized system. The sulphide potential at depth was identified when the oxides were being mined and the Company is now exploring that potential. Diamond drilling started in late September 2010 and to date 72 diamond drill holes totaling 29,979 metres have been completed. Mineralization remains open in all directions and an inferred mineral resource estimate has outlined 522,000 ounces of gold in 3.5M tonnes of ore at an average grade of 4.64 g/t.

Lavra Velha, Brazil

Lavra Velha is an early stage exploration target, discovered in 2010, located in Central Bahia State, 550 kilometres from Salvador, 350 kilometres from Jacobina and 480 kilometres from Fazenda Brasileiro Mine. The project lies within a 400 kilometres northwestern trending sequence of Paleoproterozoic acid volcanics which overlie the Archean São Francisco Craton consisting of granitic and mafic intrusions. Four sub-horizontal mineralized levels have been defined at Lavra Velha to date, covering an area of approximately 900 metres by 350 metres. Drilling started in 2010 and 70 diamond drill holes totaling 18,231 metres have been completed to date. Inferred mineral resources of 543,000 ounces of gold have been estimated in 3.9 million tonnes of ore with an average grade of 4.29 g/t. The mineralization is characterized by iron oxide/sulfide rich breccias and remains open in all directions.

The Company's mineral reserves and mineral resources as at December 31, 2012 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 2012 annual report are also available on the Company's website, www.yamana.com.

Mineral Reserves & Resources Estimates

	Gold (in 000's ounces)		Silver (in 000's ounces)		GEO (in 000's GEO)		Copper (in million pounds)	
Mine/Project	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Proven & Probable Mineral Reserves								
Chapada	3,676	3,317	-	-	3,676	3,317	2,474	2,310
El Peñón	2,291	2,202	72,587	66,511	3,743	3,532	-	-
Jacobina	2,422	2,005	-	-	2,422	2,005	-	-
Gualcamayo	2,065	2,194	-	-	2,065	2,194	-	-
Minera Florida	845	842	6,473	6,330	974	969	-	-
Fazenda Brasileiro	306	359	-	-	306	359	-	-
Mercedes	953	964	10,131	10,099	1,025	1,036	-	-
Ernesto/Pau-a-Pique	791	791	-	-	791	791	-	-
C1 Santa Luz	1,495	1,465	-	-	1,495	1,465	-	-
Pilar	1,440	1,440	-	-	1,440	1,440	-	-
Jeronimo (57%)	1,082	1,082	-	-	1,082	1,082	-	-
Alumbrera (12.5%)	310	376	-	-	310	376	213	259
Total Proven & Probable Mineral Reserves	17,676	17,037	89,191	82,940	19,329	18,566	2,687	2,569
Measured & Indicated Mineral Resources								
Chapada	2,296	2,190	3,775	3,775	2,372	2,266	1,097	986
El Peñón	432	447	12,040	11,384	673	675	-	-
Jacobina	2,077	2,391	-	-	2,077	2,391	-	-
Gualcamayo	1,171	1,119	-	-	1,171	1,119	-	-
Minera Florida	512	529	2,922	2,763	570	584	-	-
Fazenda Brasileiro	165	153	-	-	165	153	-	-
Mercedes	287	188	3,086	1,939	309	202	-	-
Ernesto/Pau-a-Pique	141	141	-	-	141	141	-	-
C1 Santa Luz	678	582	-	-	678	582	-	-
Pilar	267	267	-	-	267	267	-	-
Cerro Moro	884	-	53,500	-	1,954	-	-	-
Jeronimo (57%)	139	139	-	-	139	139	-	-
La Pepa	2,760	2,760	-	-	2,760	2,760	-	-
Suyai	2,286	2,286	3,523	3,523	2,356	2,356	-	-
Total Measured & Indicated Mineral Resources	14,095	13,192	78,846	23,384	15,632	13,635	1,097	986
Inferred Mineral Resources								
Chapada	839	1,182	982	982	859	1,202	565	1,218
El Peñón	962	1,107	40,493	46,458	1,772	2,036	-	-
Jacobina	1,215	1,362	-	-	1,215	1,362	-	-
Gualcamayo	552	626	-	-	552	626	-	-
Minera Florida	664	591	4,691	4,884	758	689	-	-
Fazenda Brasileiro	611	525	-	-	611	525	-	-
Mercedes	372	509	4,284	7,257	403	561	-	-
Ernesto/Pau-a-Pique	293	293	-	-	293	293	-	-
C1 Santa Luz	490	476	-	-	490	476	-	-
Pilar	1,377	1,065	-	-	1,377	1,065	-	-
Cerro Moro	222	-	13,408	-	490	-	-	-
Jeronimo (57%)	161	161	-	-	161	161	-	-
La Pepa	620	620	-	-	620	620	-	-
Suyai	274	274	575	575	286	286	-	-
Amancaya	351	351	3,270	3,270	416	416	-	-
Arco Sul	522	-	-	-	522	-	-	-
Lavra Velha	543	-	-	-	543	-	-	-
Total Inferred Mineral Resources	10,068	9,142	67,703	63,426	11,368	10,318	565	1,218

10. Liquidity, Capital Resources and Contractual Commitments

LIQUIDITY

During the fourth quarter of 2012, the Company continued to maintain a robust financial position and it expects its liquidity to remain strong through the availability of unused credit facilities and expected cash flows from operations which are impacted by higher forecast production levels and stable metal prices. As at December 31, 2012, the Company had met all of the externally imposed capital requirements.

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

As at December 31, (in thousands of United States Dollars)	2012	2011
Cash	$ 349,594	$ 550,438
Trade and other receivables	$ 175,297	$ 206,101
Long-term debt	$ 765,912	$ 431,769
Working capital (i)	$ 255,134	$ 608,021

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

Cash and cash equivalents as at December 31, 2012 of $349.6 million compared to $550.4 million as at December 31, 2011. Cash and cash equivalents are comprised of cash at bank and bank term deposits the sources and uses of which, during the period, are explained below. Cash and working capital was lower than the balance as at December 31, 2011 mainly due to the use of $364 million of cash in the purchase of Extorre.

Trade and other receivables at the end of the year were $175.3 million compared with $206.1 million as at December 31, 2011. 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 one to four weeks after shipping. Final assays and payment related to these sales are received approximately two to three months thereafter.

Working capital was $255.1 million as at December 31, 2012, compared to $608.0 million as at December 31, 2011. The decrease in working capital was mainly attributable to payment of the cash consideration in the acquisition of Extorre.

Twelve months ended December 31, (in thousands of United States Dollars of inflows/(outflows))	2012	2011
Cash flows from operating activities	$ 1,158,057	$ 1,225,782
Cash flows generated from operations before changes in non-cash working capital items	$ 1,044,946	$ 1,266,373
Cash flows used in financing activities	$ 146,399	$ (142,678)
Cash flows used in investing activities	$ (1,498,030)	$ (846,075)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operations after taking into effect changes in working capital items for the year ended December 31, 2012 were $1.16 billion, compared to inflows of $1.23 billion for the year ended December 31, 2011.

Changes in non-cash working capital items for the period ended December 31, 2012 period were cash inflows of $113.1 million compared to outflows of $40.6 million for 2011, mainly due to the favourable effect of the change of trade and other receivables related to Chapada concentrate receivable and increase in payables due to timing of construction payments.

Cash flows generated from operations before changes in non-cash working capital items (a non-GAAP measure, see *Section 15*) were $1.04 billion compared to $1.27 billion in the same quarter for 2011 mainly due to higher tax payments in 2012 and the absence of cash distributions from associates. The Company's 12.5% equity investment in Alumbrera did not pay a dividend in 2012, compared to cash dividends of $71.5 million in 2011.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities for 2012 were inflows of $146.4 million versus outflows of $142.7 million. The increase in cash flows from financing activities was mainly from the proceeds of the senior debt notes issued by the Company in March 2012, partly offset by the increase in dividend payments and repayment of long-term debt during the year.

CASH FLOWS TO INVESTING ACTIVITIES

Cash outflows for investing activities were outflows of $1.5 billion for the year ended December 31, 2012, compared to cash outflows of $846.1 million, of which substantially all relates to expenditures on property, plant and equipment. Higher outflows in 2012 were mainly due to the Extorre acquisition and the acquisition of property, plant and equipment from increased expenditures on the construction of new mines and expansion of existing assets.

The following is a summary of capital expenditures including sustaining, expansionary and capitalized exploration and evaluation by mine:

	Three months ended December 31,	*For the years ended December 31,*		
(in thousands of United States Dollars)	2012	2012	2011	2010
BRAZIL				
Chapada	$ 40,788	$ 155,396	$ 65,946	$ 64,549
Jacobina	20,960	60,494	64,212	53,298
Fazenda Brasileiro	18,771	32,025	34,679	22,536
Ernesto/Pau-a-Pique (i)	23,211	123,488	70,206	10,715
C1 Santa Luz (i)	40,677	122,973	59,682	15,920
Pilar (i)	34,629	135,453	78,444	27,059
CHILE				
El Peñón	30,325	109,481	117,181	145,176
Minera Florida	31,903	142,951	99,307	67,512
Jeronimo	2,944	8,783	9,670	2,567
ARGENTINA				
Gualcamayo	63,582	136,369	66,644	40,787
Cerro Moro (ii)	13,146	386,105	-	-
Agua Rica	390	910	8,444	8,047
Suyai	2,660	7,665	14,062	-
MEXICO				
Mercedes	12,292	52,076	119,736	65,835
CANADA & OTHER	33,228	63,825	14,010	7,080
Total capital expenditures	$ 369,506	$ 1,537,994	$ 822,223	$ 531,081

(i) Net of movement in accounts payable.

(ii) Includes cash consideration related to Cerro Moro on the acquisition of Extorre Gold Mines Limited.

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 15, 2013, the total number of shares outstanding were 752.3 million, the total number of stock options outstanding were 1.5 million, the total number of DSUs outstanding were 2.1 million and the total number of RSUs outstanding were 2.2 million.

During the quarter, the Company declared a quarterly dividend to $0.065 per share. Total dividend payments of $49.2 million for the quarter and $168.2 million for the year, increasing by 47% and 68% respectively, compared to the dividends paid of $33.5 million and $100.1 million in the quarter and year ended December 31, 2011.

The following table summarizes the weighted average common shares and dilutive equity instruments outstanding as at December 31, 2012:

(in thousands)	Equity instruments outstanding as at December 31, 2012	Dilutive equity instruments, three months ended December 31, 2012	Dilutive equity instruments, year ended December 31, 2012
Common shares	752,222	751,780	748,095
Options	1,539	407	539
RSUs	2,283	1,138	957
DSUs	2,029	-	-
	n/a	753,325	749,591

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

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, 2012, 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	$ 376,669	$ 330,826	$ 67,163	$ 9,770	$ 784,428
Long-term debt principal repayments (i)	-	15,000	73,500	681,500	770,000
Decommissioning, restoration and similar liabilities (undiscounted)	11,360	24,848	26,340	396,794	459,342
	$ 388,029	$ 370,674	$ 167,003	$ 1,088,064	$ 2,013,770

(i) Excludes interest expense.

11. Income Taxes

The Company recorded an income tax expense of $373.1 million for the year ($269.9 million for 2011). The income tax provision reflects a current income tax expense of $265.5 million ($266.1 million for 2011) and a deferred income tax expense of $107.6 million ($3.8 million for 2011).

The Consolidated Balance Sheet reflects recoverable tax installments in the amount of $8.9 million and an income tax liability of $103.5 million. Additionally, the balance sheet reflects a deferred tax asset of $124.8 million and a deferred tax liability of $2.1 billion.

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 movements, changes in tax laws and the impact of specific transaction and assessments. Due to the number of factors that can potentially impact the effective tax rate, 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 related to deferred income tax assets and liabilities 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, Argentinean Peso and Mexican Peso. See Note 29 to the Condensed Consolidated Interim Financial Statements for a breakdown of the foreign exchange and interest and penalties charged to the income tax expense.

During the second quarter, the Chilean government introduced significant changes to the Chilean taxation system. In 2010, the first category tax rate was temporarily increased because of the earthquake to 20% in 2011, reducing to 18.5% in 2012 and returning to 17% in 2013. On September 27, 2012, the new law was enacted to increase the tax rate to 20% beginning in 2012. The current tax expense includes an additional $3.1 million in taxes retroactive to the beginning of the year. The deferred taxes have also been adjusted by $86.2 million to reflect the new 20% rate. Of this amount, $82.0 million relates to the increase in the deferred tax liability on the allocation of the purchase price of acquisitions on the Chilean operating and exploration and evaluation assets.

The deferred taxes relating to the operating mines will reverse as the assets are depreciated or depleted. The deferred tax liabilities relating to exploration will not reverse until the property becomes a mine subject to depletion, is written off or sold. The deferred income taxes would only be paid on a direct disposition of the asset that may never occur. The adjustments related to prior periods have been added back for the purpose of determining adjusted earnings.

The largest components of the deferred tax liabilities relate to:

(in thousands of United States Dollars)	
Gualcamayo	$ 230,748
Agua Rica	$ 396,096
El Peñón	$ 161,573
Exploration Potential	$ 662,206

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, 2012. 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 precious metals could negatively impact the Company's future operations. As at December 31, 2012, the Company's exposure to commodity price is limited to the account receivable associated with provisional pricing and metal concentrate sales particularly copper. A 10% change in the price of copper has a $12.0 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, 2012, spot gold prices averaged $1,669 per ounce, or 6% higher, compared with $1,573 per ounce in 2011.

The higher prices year over year were driven by a strong increase in central bank gold demand for reserve diversification. Furthermore, global monetary easing programs, in particular the announcement of QE3 by the United States Federal Reserve provided a catalyst to higher gold prices as investors sought to protect against future currency devaluation and inflation. Exchange traded fund purchases also continued at a steady pace over the year. Overall, gold demand decreased modestly during 2012 but the factors above led to a higher gold price. Lower gold demand was seen by the jewelry sector and from bar and coin purchases. However, both jewelry and bar and coin demand rebounded sharply during Q4 of 2012, which overall was one of the strongest quarters of gold demand on record.

Demand from China and India, the dominant purchasers of gold, and purchases by central banks are expected to remain strong prospectively. However, the uncertainty of whether the United States Federal Reserve's would continue its quantitative easing monetary policy and for how long the policy will be continued is providing headwinds to a higher gold price currently.

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, 2012, spot copper prices averaged $3.61 per pound, representing a decrease of 10% compared with $4.00 per pound from in 2011.

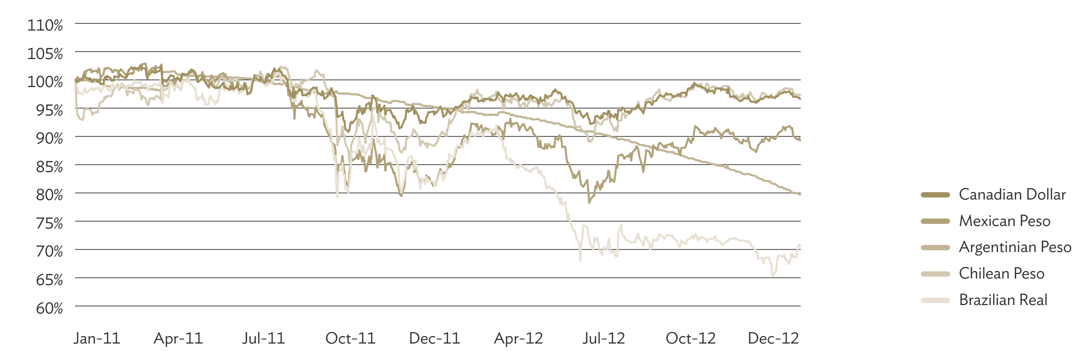
Copper prices are primarily being driven by tight supply/demand fundamentals and steady appetite from emerging markets, mainly China, however, during 2012. low growth in the developed world was a challenge to the copper price along with weaker demand from investors. Low global inventory levels and the potential for near to mid-term supply disappointments are supporting copper prices despite the fact that the copper market is forecast to be in a small surplus during 2013.

The Company periodically uses 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), Mexican Pesos (MXN) and to a lesser extent in Canadian Dollars (CAD). Accordingly, fluctuations in the exchange rates can significantly impact the results of operations. As at December 31, 2012, a 10% change in the price of BRL, CLP, ARG and MXN denominated monetary items has a $2.4 million, $8.7 million, 2.7 million and $1.3 million, respectively, pre-tax effect on profit or loss.

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



Average and Period-end Market Exchange Rates

Three months ended December 31,	2012	2011	Variance
Average Exchange Rate			
USD-CAD	0.9883	1.0196	-3.1%
USD-BRL	2.0566	1.7993	14.3%
USD-ARG	4.7688	4.2442	12.4%
USD-CLP	476.3971	506.8475	-6.0%
USD-MXN	12.9316	13.5150	-4.3%

Years ended December 31,	2012	2011	Variance
Average Exchange Rate			
USD-CAD	1.0003	0.9882	1.2%
USD-BRL	1.9537	1.6742	16.7%
USD-ARG	4.5272	4.1170	10.0%
USD-CLP	487.0558	481.7631	1.1%
USD-MXN	13.1773	12.3727	6.5%

December 31,	2012	2011	Variance	2010	Variance
Period-end Exchange Rate					
USD-CAD	0.9921	1.0213	-2.9%	0.9999	-0.8%
USD-BRL	2.0435	1.8758	8.9%	1.6660	22.7%
USD-ARG	4.9155	4.3000	14.3%	3.9713	23.8%
USD-CLP	479.2000	519.5500	-7.8%	461.9820	3.7%
USD-MXN	12.8533	13.9357	-7.8%	12.3401	4.2%

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 1,448.8 million Reais at an average rate of 2.15 Reais 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 2013 through to 2015.

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 377.0 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 2013 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. Although the currency hedging program has provided additional cash flow over the years in excess of $100 million, the value of the program can become negative in a short period of time due to the volatility of foreign currency relative to the dollar.

The following table summarizes the details of the currency hedging program as at December 31, 2012:

(Quantities in thousands)	Brazilian Real				Mexican Peso		
Year of Settlement	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at December 31, 2012	Year of Settlement	Mexican Peso Notional Amount	Contract Fixed Rate	Market rate as at December 31, 2012
2013	446,352	2.0969	2.0435	2013	156,000	13.3200	12.8533
2014	483,360	2.0677	2.0435	2014	156,000	13.3200	12.8533
2015	519,048	2.2828	2.0435	2015	65,000	13.3200	12.8533
	1,448,760	2.1495	2.0435		377,000	13.3200	12.8533

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. At December 31, 2012, the Company's long-term debt was carried at fixed rates, hence there is limited 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 trade and other receivables, 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.

In efforts to tighten capital flows and protect foreign exchange reserves, the Government of Argentina issued foreign exchange resolutions with respect to export revenues that resulted in a temporary suspension of export sales of concentrate at Alumbrera during the second quarter of 2012 as management evaluated how to comply with the new resolution. The Government of Argentina subsequently announced amendment to the foreign exchange resolution extending the time for exporters to repatriate net proceeds from export sales enabling Alumbrera to resume exports in July, subsequent to the quarter end. The Government of Argentina has also introduced certain protocols relating to the importation of goods and services and providing where possible for the substitution of Argentine produced goods and services. During the year, Alumbrera was unable to obtain permission to repatriate dividends although certain accommodations have since been made to permit distribution of profits from Argentina. Discussion between the joint venture and the Argentine government on approval to remit dividends are ongoing. The Company continues to monitor developments and policies in all its jurisdictions and the impact thereof to its operations.

As Brazil intends to introduce a new mining law in 2013, it is expected that full operational permits will be granted under the new Brazilian mining law for projects currently in construction or ramping up. While applicable governmental departments have provided assurances that provisional permits will continue to be issued to minimize the potential impact if the mining law is not passed within a reasonable and foreseeable timeframe, there will be an impact on new Brazilian mining projects if provisional permits are not issued or the new mining law is not passed. Ernesto/Pau-a-Pique has been granted a temporary provisional permit pending passage of the new legislation. The Company anticipates similar treatment for other development projects in Brazil.

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.

Nature and Climatic Condition Risk

The Company and the mining industry are facing continued geotechnical challenges, which could adversely impact the Company's production and profitability. No assurances can be given that unanticipated adverse geotechnical and hydrological conditions, such as landslides, droughts and pit wall failures, will not occur in the future or that such events will be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and considerable rainfall, which may lead to periodic floods, mudslides, wall instability and seismic activity, which may result in slippage of material.

Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's results of operations and financial position.

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 Condensed Consolidated Interim Financial Statements of the Company.

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

In December 2012, the Company received an assessment from the Brazilian federal tax authorities disallowing certain deductions permitted under debentures for the periods 2007-2010. The Company believes these debentures were issued on commercial terms permitted under applicable laws and as such, the Company believes that the assessment has no merit and is challenging same.

14. Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 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 $101.3 million (2011 – $89.6 million) of exploration and evaluation expenditures which includes acquired exploration and evaluation properties.

- Determination of economic viability of a project

  Management has determined that costs associated with projects under construction or developments 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.

- Completion of commissioning/commencement of 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 completion of commissioning as the date that a mine has achieved a sustainable level of production along with various qualitative factors including but not limited to the achievement of mechanical completion, 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. The Company determined that Mercedes completed commissioning on February 1, 2012.

- 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, 2012, a cumulative total of $129.0 million (2011 – $94.2 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.

- Determination of business combinations and asset acquisitions

  Management determines the assets acquired and liabilities assumed constitute a business if it consists of inputs and processes applied to those inputs that have the ability to create outputs. Accordingly, the transaction is considered a business combination. The Company acquired Extorre Gold Mines Limited in August 2012 and, at which time, concluded that the transactions did not qualify as a business combination under IFRS 3, *Business Combinations,* as significant inputs and processes that constitute a business were not identified.

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. In testing goodwill for impairment, the following are the key applicable assumptions: discount rate of 5.9% (2011 – 8.8%) as determined by Jacobina's weighted average cost of capital, long-term gold price of $1,375 per ounce (2011 – $1,400 per ounce), average future inflation index of 3.6% (2011 – 3.5%) using the country-specific rate from a third-party pricing service.

- 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 business combinations

  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 Condensed Consolidated Interim 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.

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.

CASH COSTS

The Company discloses "cash costs" 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, as determined under IFRS, are not necessarily indicative of operating profit or cash flows from operations. Cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard remains the generally accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Cash costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of amortization, reclamation, capital, development and exploration costs. Cash costs are computed on a co-product and by-product basis.

Cash costs per gold equivalent ounce on a by-product basis is calculated by 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. These costs are then divided by gold equivalent ounces produced. Gold equivalent ounces are determined by converting silver production to its gold equivalent using relative gold/silver metal prices at an assumed ratio 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 to metals, mainly gold and copper, based on an estimated or assumed ratio. These costs are then divided by gold equivalent ounces produced and pounds of copper produced to arrive at the cash costs of production per gold equivalent ounce and per pound of copper, respectively. Production of zinc is not considered a core business of the Company; therefore, the net revenue of zinc is always treated as a credit to the costs of gold production.

Effective 2013, the Company is adopting an all-in sustaining cash costs measure, which seeks to represent total sustaining expenditures of producing gold equivalent ounces from current operations, including by-product cash costs, mine sustaining capital expenditures, corporate general and administrative expense excluding stock-based compensation and exploration and evaluation expense. As such, it does not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, income tax payments, financing costs and dividend payments. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, our calculation of all-in sustaining cash costs does not include depletion, depreciation and amortization expense as it does not reflect the impact of expenditures incurred in prior periods. This performance measure has no standard meaning and is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP.

Cash costs per gold equivalent ounce and per pound of copper are calculated on a weighted average basis.

The measure of cash costs, along with revenue from sales, is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations. This data is furnished to provide additional information and is a non-GAAP measure. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS.

Per Gold Equivalent Ounce ("GEO")

The following tables provide a reconciliation of cost of sales per the consolidated 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 consolidated financial statements to co-product cash costs per GEO:

GEO *For the three months ended December 31,*	*In thousands of United States Dollars* 2012	2011	*United States Dollars per gold equivalent ounce* 2012	2011
Cost of sales *(i)(iii)*	$ 207,228	$ 178,384	$ 666	$ 684
Adjustments:				
Copper contained in concentrate related cash costs *(excluding related TCRC's) (ii)*	(48,222)	(47,214)	(154)	(181)
Treatment and refining costs ("TCRC") related to Chapada gold	1,279	1,259	4	5
Inventory movements and adjustments	10,375	2,506	33	10
Commercial selling costs	(8,305)	(7,982)	(27)	(31)
Total GEO co-product cash costs (excluding Alumbrera)	$ 162,355	$ 126,953	$ 522	$ 487
Minera Alumbrera (12.5% interest) GEO cash costs	3,695	3,482	343	450
Total GEO co-product cash costs *(iii)*	$ 166,050	$ 130,435	$ 516	$ 486
GEO produced excluding Alumbrera	310,947	260,734		
GEO produced including Alumbrera	321,716	268,480		

GEO *For the years ended December 31,*	*In thousands of United States Dollars* 2012	2011	*United States Dollars per gold equivalent ounce* 2012	2011
Cost of sales *(i)(iii)*	$ 831,754	$ 716,692	$ 728	$ 683
Adjustments:				
Copper contained in concentrate related cash costs *(excluding related TCRC's) (ii)*	(184,362)	(188,570)	(161)	(179)
Treatment and refining costs ("TCRC") related to Chapada gold	4,650	4,682	4	4
Inventory movements and adjustments	(13,976)	(7,056)	(12)	(7)
Commercial selling costs	(28,856)	(31,764)	(25)	(30)
Total GEO co-product cash costs (excluding Alumbrera)	$ 609,210	$ 493,984	$ 534	$ 471
Minera Alumbrera (12.5% interest) GEO cash costs	14,178	12,587	308	283
Total GEO co-product cash costs *(iii)*	$ 623,388	$ 506,571	$ 524	$ 463
GEO produced excluding Alumbrera	1,142,839	1,049,356		
GEO produced including Alumbrera	1,188,917	1,093,858		

(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 are excluded from both total cash costs and cost of sales.

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

Copper *For the three months ended December 31,*	*In thousands of United States Dollars* 2012	2011	*United States Dollars per pound of copper* 2012	2011
Cost of sales *(i)(iii)*	$ 207,228	$ 178,384	$ 5.12	$ 3.92
Adjustments:				
GEO related cash costs *(excluding related TCRC's) (ii)*	(161,076)	(125,694)	(3.99)	(2.77)
Treatment and refining costs ("TCRC") related to Chapada copper	7,634	7,517	0.19	0.17
Inventory movements and adjustments	10,375	2,506	0.27	0.06
Commercial selling costs	(8,305)	(7,982)	(0.21)	(0.18)
Total copper co-product cash costs (excluding Alumbrera)	$ 55,856	$ 54,731	$ 1.38	$ 1.20
Minera Alumbrera (12.5% interest) copper cash costs	18,220	15,984	2.15	2.59
Total copper co-product cash costs *(iii)*	$ 74,076	$ 70,715	$ 1.51	$ 1.37
Copper produced excluding Alumbrera (millions of lbs)	40.5	45.4		
Copper produced including Alumbrera (millions of lbs)	48.9	51.6		

Copper *For the years ended December 31,*	*In thousands of United States Dollars* 2012	2011	*United States Dollars per pound of copper* 2012	2011
Cost of sales *(i)(iii)*	$ 831,754	$ 716,692	$ 5.52	$ 4.31
Adjustments:				
GEO related cash costs *(excluding related TCRC's) (ii)*	(604,560)	(489,302)	(4.01)	(2.95)
Treatment and refining costs ("TCRC") related to Chapada copper	25,461	26,440	0.17	0.16
Inventory movements and adjustments	(13,976)	(7,057)	(0.09)	(0.04)
Commercial selling costs	(28,856)	(31,764)	(0.19)	(0.19)
Total copper co-product cash costs (excluding Alumbrera)	$ 209,823	$ 215,009	$ 1.40	$ 1.29
Minera Alumbrera (12.5% interest) copper cash costs	67,837	58,534	1.81	1.82
Total copper co-product cash costs *(iii)*	$ 277,660	$ 273,543	$ 1.48	$ 1.38
Copper produced excluding Alumbrera (millions of lbs)	150.6	166.1		
Copper produced including Alumbrera (millions of lbs)	188.0	198.3		

(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 are excluded from both total cash costs and cost of sales.

Reconciliation of Cost of Sales per the consolidated 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 three months ended December 31,	2012	2011	2012	2011
Cost of sales (i)	$ 207,228	$ 178,384	$ 666	$ 684
Adjustments:				
Chapada treatment and refining costs related to gold and copper	8,913	8,776	29	34
Inventory movements and adjustments	10,375	2,506	33	10
Commercial selling costs	(8,305)	(7,982)	(27)	(30)
Chapada copper revenue including copper pricing adjustment	(132,877)	(124,560)	(426)	(479)
Total GEO by-product cash costs (excluding Alumbrera)	$ 85,334	$ 57,124	$ 275	$ 219
Minera Alumbrera (12.5% interest) by-product cash costs	(21,666)	(10,466)	(2,012)	(1,351)
Total GEO by-product cash costs (i)	$ 63,668	$ 46,658	$ 198	$ 174
GEO produced excluding Alumbrera	310,947	260,734		
GEO produced including Alumbrera	321,716	268,480		

GEO	*In thousands of United States Dollars*		*United States Dollars per gold equivalent ounce*	
For the years ended December 31,	2012	2011	2012	2011
Cost of sales (i)	$ 831,754	$ 716,692	$ 728	$ 683
Adjustments:				
Chapada treatment and refining costs related to gold and copper	30,111	31,122	26	30
Inventory movements and adjustments	(13,976)	(7,057)	(12)	(7)
Commercial selling costs	(28,856)	(31,764)	(25)	(30)
Chapada copper revenue including copper pricing adjustment	(491,638)	(590,354)	(430)	(563)
Total GEO by-product cash costs (excluding Alumbrera)	$ 327,395	$ 118,639	$ 287	$ 113
Minera Alumbrera (12.5% interest) by-product cash costs	(53,815)	(64,434)	(1,168)	(1,448)
Total GEO by-product cash costs (i)	$ 273,580	$ 54,205	$ 230	$ 50
GEO produced excluding Alumbrera	1,142,838	1,049,356		
GEO produced including Alumbrera	1,188,915	1,093,858		

(i) Depletion, depreciation and amortization are excluded from both total cash costs and cost of sales.

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 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 trade and other receivables, other assets, inventories, trade and other payables.

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, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Financial results				
Revenues *(i)*	$ 629,505	$ 611,807	$ 535,705	$ 559,745
Mine operating earnings	$ 322,082	$ 279,158	$ 239,896	$ 280,134
Net earnings	$ 169,161	$ 59,965	$ 42,913	$ 170,025
Adjusted earnings *(ii)*	$ 197,368	$ 177,588	$ 134,887	$ 184,306
Cash flows from operating activities	$ 367,881	$ 363,059	$ 139,213	$ 287,902
Cash flows generated from operations before changes in non-cash working capital items *(ii)*	$ 298,064	$ 285,696	$ 240,767	$ 220,417
Cash flows to investing activities	$ (375,544)	$ (619,134)	$ (247,177)	$ (256,173)
Cash flows from (to) financing activities	$ (44,467)	$ (42,678)	$ (48,636)	$ 282,181
Per share financial results				
Earnings per share				
Basic	$ 0.23	$ 0.08	$ 0.06	$ 0.23
Diluted	$ 0.22	$ 0.08	$ 0.06	$ 0.23
Adjusted earnings per share (ii)				
Basic and diluted	$ 0.26	$ 0.24	$ 0.18	$ 0.25
Financial position				
Cash and cash equivalents	$ 349,594	$ 400,419	$ 698,884	$ 867,577
Total assets	$11,800,163	$11,495,917	$11,190,392	$11,238,213
Total long-term liabilities	$ 3,269,266	$ 3,248,086	$ 3,150,730	$ 3,117,393
Production				
Commercial GEO produced *(iii)*	321,716	308,629	288,700	269,873
Commissioning GEO produced *(iii)(iv)*	1,274	1,861	-	8,959
Total GEO produced *(iii)*	322,990	310,490	288,700	278,832
By-product cash costs per GEO produced, including 12.5% equity interest in Alumbrera *(ii)(iii)*	$ 198	$ 201	$ 244	$ 292
Co-product cash costs per GEO produced, including 12.5% equity interest in Alumbrera *(ii)(iii)*	$ 517	$ 531	$ 536	$ 518
Chapada concentrate production (tonnes)	72,518	70,151	71,801	53,665
Chapada copper contained in concentrate production (millions of lbs)	40.5	39.4	40.4	30.3
Chapada co-product cash costs per pound of copper	$ 1.38	$ 1.38	$ 1.34	$ 1.51
Alumbrera (12.5% interest) attributable concentrate production (tonnes)	14,669	17,830	18,492	14,149
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lbs)	8.5	10.4	10.5	8.0
Alumbrera co-product cash costs per lb of copper *(ii)*	2.15	1.92	1.41	1.85
Gold Equivalent Ounces Breakdown				
Total gold ounces produced	276,373	266,374	242,692	234,532
Total silver ounces produced (millions of ounces)	2.3	2.2	2.3	2.2
Sales				
Total GEO sales	317,615	315,972	271,683	281,721
Total gold sales (ounces)	272,524	271,380	226,521	236,990
Total gold sales, excluding Alumbrera (ounces)	258,978	252,814	223,279	228,763
Chapada concentrate sales (tonnes)	69,589	69,694	71,656	52,765
Chapada payable copper contained in concentrate sales (millions of lbs)	37.3	37.1	37.4	27.3
Total silver sales (millions of ounces)	2.3	2.2	2.3	2.2
Average realized gold price per ounce *(i)*	$ 1,692	$ 1,680	$ 1,605	$ 1,696
Average realized copper price per pound *(i)*	$ 3.54	$ 3.54	$ 3.60	$ 3.73
Average realized silver price per ounce *(i)*	$ 31.37	$ 30.76	$ 26.93	$ 32.94

(in thousands of United States Dollars)	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Financial results				
Revenues *(i)*	$ 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 *(ii)*	$ 184,242	$ 190,265	$ 186,181	$ 152,209
Cash flows from operating activities	$ 338,850	$ 342,268	$ 315,766	$ 228,898
Cash flows generated from operations before changes in non-cash working capital items *(ii)*	$ 320,434	$ 330,522	$ 331,038	$ 284,379
Cash flows to investing activities	$ (315,505)	$ (210,843)	$ (204,408)	$ (107,783)
Cash flows (to) from financing activities	$ (38,415)	$ (60,414)	$ (56,836)	$ 5,451
Per share financial results				
Earnings per share				
Basic and diluted	$ 0.12	$ 0.16	$ 0.26	$ 0.20
Adjusted earnings per share (ii)				
Basic and 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	$ 2,794,933	$ 2,835,027	$ 2,854,474
Production				
Commercial GEO produced	268,480	279,274	278,737	267,368
Commissioning GEO produced	8,438	-	-	-
Total GEO produced *(iii)*	276,918	279,274	278,737	267,368
By-product cash costs per GEO produced, including 12.5% equity interest in Alumbrera *(ii)(iii)*	$ 174	$ 94	$ (80)	$ 14
Co-product cash costs per GEO produced, including 12.5% equity interest in Alumbrera *(ii)(iii)*	$ 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) attributable 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 *(ii)*	2.59	1.58	1.54	1.85
Gold Equivalent Ounces Breakdown				
Total gold ounces produced	231,670	230,986	232,138	221,489
Total silver ounces produced (millions of ounces)	2.3	2.4	2.3	2.3
Sales				
Total GEO sales	272,491	277,528	274,293	265,500
Total gold sales (ounces)	228,539	226,157	232,743	219,547
Total gold sales, excluding Alumbrera (ounces)	218,830	214,980	220,376	208,135
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
Total Silver sales (millions of ounces)	2.2	2.6	2.1	2.3
Average realized gold price per ounce *(i)*	$ 1,670	$ 1,697	$ 1,509	$ 1,387
Average realized copper price per pound *(i)*	$ 3.36	$ 3.98	$ 4.22	$ 4.28
Average realized silver price per ounce *(i)*	$ 31.29	$ 37.52	$ 37.76	$ 33.99

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

(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.

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

(iv) Including commissioning gold ounces from Mercedes (Q4 2011 to Q1 2012) and Minera Florida's tailings retreatment project (Q3 2012 to Q4, 2012).

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 Conduct, our Insider Trading Policy, our Corporate Controls 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 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 consolidated 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 consolidated 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, 2012 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, 2012, 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 LLP, the Company's Independent Registered Chartered Accountants, have audited the annual consolidated financial statements of the Company for the year ended December 31, 2012, 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, 2012, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS OF CONTROLS AND PROCEDURES

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

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between December 31, 2012 and December 31, 2011 and results of operations for the periods ended December 31, 2012 and December 31, 2011.

This Management's Discussion and Analysis has been prepared as of February 20, 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 annual audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2012 (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, 2012 and the most recent Annual Information Form for the year ended December 31, 2012 on file with the Securities Commissions of all of the provinces in Canada, which are included in the 2012 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 expected production and exploration, development and expansion plans at the Company's projects discussed herein being met, the impact of proposed optimizations at the Company's projects, the impact of the proposed new mining law in Brazil, and 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 mineral resources and mineral reserves, risks related to non-core mine disposition, risks related to acquisitions, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risks 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 and the risk of government expropriation or nationalization 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 herein and in the Company's Annual Information Form 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 REGARDING MINERAL RESERVES AND MINERAL RESOURCES

Readers should refer to the Annual Information Form of the Company for the year ended December 31, 2012 and other continuous disclosure documents filed by the Company since January 1, 2013 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.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES

This Management's Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ in certain material respects from the disclosure requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") – CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the disclosure requirements promulgated by the Securities and Exchange Commission (the "Commission") and contained in Industry Guide 7 ("Industry Guide 7"). Under Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report mineral reserves, the three-year historical average price is used in any mineral reserve or cash flow analysis to designate mineral reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101. However, these terms are not defined terms under Industry Guide 7 and are not permitted to be used in reports and registration statements of United States companies filed with the Commission. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations. In contrast, the Commission only permits U.S. companies to report mineralization that does not constitute "mineral reserves" by Commission standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Management's Discussion and Analysis may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations of the Commission thereunder.

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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 exact 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 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 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 20, 2013

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, 2012 and December 31, 2011, and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, 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, 2012 and December 31, 2011, and their financial performance and their cash flows for the years then ended 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, 2012, 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 20, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

"Deloitte LLP"

Independent Registered Chartered Accountants
February 20, 2013
Vancouver, Canada

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 subsidiaries (the "Company") as of December 31, 2012, 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, 2012, 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, 2012 of the Company and our report dated February 20, 2013 expressed an unqualified opinion on those consolidated financial statements.

"Deloitte LLP"

Independent Registered Chartered Accountants
February 20, 2013
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)	2012	2011
Revenue	$ 2,336,762	$ 2,173,325
Cost of sales excluding depletion, depreciation and amortization (Note 24)	(831,754)	(716,692)
Gross margin	1,505,008	1,456,633
Depletion, depreciation and amortization	(383,738)	(356,759)
Mine operating earnings	1,121,270	1,099,874
Expenses		
General and administrative	(145,856)	(121,381)
Exploration and evaluation	(58,049)	(32,398)
Equity earnings from associate (Note 12)	50,642	39,019
Other operating expenses	(31,656)	(40,152)
Operating earnings	936,351	944,962
Finance income (Note 26)	4,079	14,148
Finance expense (Note 26)	(57,618)	(48,326)
Net finance expense	(53,539)	(34,178)
Impairment of investment in available-for-sale securities (Note 13)	(67,684)	(92,600)
Earnings before taxes	815,128	818,184
Income tax expense (Note 29)	(373,064)	(269,890)
Net earnings attributable to equity shareholders	$ 442,064	$ 548,294
Net earnings per share		
Basic	0.59	0.74
Diluted	0.59	0.74
Weighted average number of shares outstanding (Note 20(b))		
Basic	748,095	744,600
Diluted	749,591	746,144

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31 (In thousands of United States Dollars)	2012	2011
Net earnings	$ 442,064	$ 548,294
Other comprehensive income (loss), net of taxes (Note 21(a))	7,177	(71,774)
Total comprehensive income attributable to equity shareholders	$ 449,241	$ 476,520

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 (In thousands of United States Dollars)	2012	2011
Operating activities		
Earnings before taxes	$ 815,128	$ 818,184
Adjustments to reconcile earnings before taxes to net operating cash flows:		
Depletion, depreciation and amortization	383,738	356,759
Share-based payments (Note 22)	26,293	20,429
Decommissioning, restoration and similar liabilities paid (Note 19)	(3,239)	(4,281)
Equity earnings from associate (Note 12)	(50,642)	(39,019)
Finance income (Note 26)	(4,079)	(14,148)
Finance expense (Note 26)	57,618	48,326
Mark-to-market on sales of concentrate and price adjustments on unsettled invoices (Note 28(a))	(16,882)	40,381
Impairment of assets	73,859	96,995
Other non-cash operating expenses	18,921	21,993
Cash distributions from associate (Note 12)	-	71,502
Income taxes paid	(255,769)	(150,748)
Cash flows generated from operations before non-cash working capital	1,044,946	1,266,373
Net change in non-cash working capital (Note 30(b))	113,111	(40,591)
Cash flows from operating activities	$ 1,158,057	$ 1,225,782
Investing activities		
Acquisition of property, plant and equipment	$ (1,537,994)	$ (822,223)
Proceeds from option on mineral property (Note 11)	20,034	30,000
Proceeds on disposition of mineral interests	244	6,434
Realized derivative proceeds	-	1,626
Acquisition of available-for-sale securities	(2,796)	(25,443)
Acquisition of other long-term assets	-	(27,737)
Interest income received	2,110	8,890
Other assets and investments	20,372	(8,732)
Cash flows used in investing activities	$ (1,498,030)	$ (837,185)
Financing activities		
Issue of common shares upon exercise of options and warrants	$ 8,972	$ 34,980
Dividends paid (Note 20(c))	(168,244)	(100,108)
Interest and other finance expenses paid	(26,697)	(31,440)
Repayment of notes payable and long-term liabilities (Note 18)	(167,632)	(55,000)
Proceeds of notes payable and long-term liabilities (Note 18)	500,000	-
Cash flows from (used in) financing activities	$ 146,399	$ (151,568)
Effect of foreign exchange on non-United States Dollar denominated cash and cash equivalents	(7,270)	(17,089)
(Decrease) increase in cash and cash equivalents	$ (200,844)	$ 219,940
Cash and cash equivalents, beginning of year	550,438	330,498
Cash and cash equivalents, end of year	$ 349,594	$ 550,438
Cash and cash equivalents are comprised of the following:		
Cash at bank	$ 299,314	$ 340,551
Bank term deposits	$ 50,280	$ 209,887
Total	$ 349,594	$ 550,438

Supplementary cash flow information (Note 30).
The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 31, (In thousands of United States Dollars)	**2012**	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 349,594	$ 550,438
Trade and other receivables (Note 7)	175,297	206,101
Inventories (Note 8)	230,216	163,421
Other financial assets (Note 9)	4,516	9,629
Other assets (Note 10)	164,530	173,063
	924,153	1,102,652
Non-current assets:		
Property, plant and equipment (Note 11)	10,276,071	9,039,430
Investment in associates (Note 12)	219,744	169,102
Investments (Note 13)	20,480	81,353
Other financial assets (Note 9)	14,691	14,732
Deferred tax assets (Note 29(b))	124,843	156,785
Goodwill and intangibles (Note 14)	98,514	75,346
Other assets (Note 10)	121,667	130,540
Total assets	$11,800,163	$10,769,940
Liabilities		
Current liabilities:		
Trade and other payables (Note 15)	$ 522,932	$ 358,198
Income taxes payable	103,490	129,528
Other financial liabilities (Note 16)	13,790	1,545
Other provisions and liabilities (Note 17)	28,807	5,360
	669,019	494,631
Non-current liabilities:		
Long-term debt (Note 18)	765,912	431,769
Decommissioning, restoration and similar liabilities (Note 19)	215,695	178,526
Deferred tax liabilities (Note 29(b))	2,072,741	2,000,848
Other financial liabilities (Note 16)	109,133	69,867
Other provisions and liabilities (Note 17)	105,785	102,776
Total liabilities	$ 3,938,285	$ 3,278,417
Equity		
Share capital (Note 20)		
Issued and outstanding 752,222,459 common shares (December 31, 2011 – 745,774,300 shares)	6,304,801	6,209,136
Reserves (Note 21(b))	7,261	(5,280)
Retained earnings	1,503,016	1,240,867
Equity attributable to Yamana shareholders	$ 7,815,078	$ 7,444,723
Non-controlling interest (Note 23)	46,800	46,800
Total equity	7,861,878	7,491,523
Total equity and liabilities	$11,800,163	$10,769,940

Contractual commitments and contingencies *(Notes 32 and 33)*.

The accompanying notes are an integral part of the consolidated 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 interest	Total equity
Balance at January 1, 2011	$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
Balance at January 1, 2012	$6,209,136	$ 16,767	$ (6,091)	$ (15,956)	$ (5,280)	$1,240,867	$7,444,723	$ 46,800	$7,491,523
Net earnings	-	-	-	-	-	442,064	442,064	-	442,064
Other comprehensive income, net of income tax (Note 21(a))	-	-	(8,559)	15,736	7,177	-	7,177	-	7,177
Transactions with owners									
Exercise of stock options and share appreciation (Note 22(a))	11,346	(2,387)	-	-	(2,387)	-	8,959	-	8,959
Issued on vesting of restricted share units (Note 22(c))	9,923	(9,923)	-	-	(9,923)	-	-	-	-
Restricted share units (Note 22(a)(c))	-	14,090	-	-	14,090	-	14,090	-	14,090
Issued on acquisition of mineral interest (Note 6(a))	74,396	3,584	-	-	3,584	-	77,980	-	77,980
Dividends (Note 20(c))	-	-	-	-	-	(179,915)	(179,915)	-	(179,915)
Balance at December 31, 2012	$6,304,801	$ 22,131	$ (14,650)	$ (220)	$ 7,261	$1,503,016	$7,815,078	$ 46,800	$7,861,878

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and December 31, 2011 .
(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, 2012 comprise the Company, its subsidiaries *(Note 34(a))*, the Company's interest in its associate Alumbrera and its jointly controlled entity, Agua De La Falda ("ADLF").

The Company's net earnings and operating cash flows for the year result from operations in Brazil, Chile, Argentina and Mexico. 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, metal prices, exchange rates, inflation rates, 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, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 20, 2013.

(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 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 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 ADLF, is consolidated and the non-controlling interest of the Company's partner is recorded *(Note 23)*. All inter-company transactions and balances, revenue and expenses 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. ("Alumbrera"), which owns the Bajo de la Alumbrera Mine in Argentina, has been accounted for using the equity method. Profits are debited to the equity investment and 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, except as noted in *Note 32*.

3. Significant Accounting Policies

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

(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 would be required to write-down the recorded value of its work-in-process inventories to net realizable value.

Ore in stockpiles 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 least annually. 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*

The Company's tangible exploration and evaluation assets and depletable producing properties are comprised of mineral reserves, mineral resources, and exploration potential. The value associated with mineral resources and exploration potential is the value beyond proven and probable reserves. Acquisition costs of mineral properties, direct exploration and development expenditures, and pre-stripping costs are capitalized at cost. Purchased undeveloped mineral interests are acquired mineral rights and are recorded as tangible exploration and evaluation assets as part of acquired properties. The amount capitalized related to a property either as an individual assets acquisition or a business combination represents its fair value at the time it was acquired, which is determined by estimating the fair value of the property's mineral reserves, mineral resources, and exploration potential. 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. The values assigned to the tangible exploration and evaluation assets are carried at acquired costs until such time as the property enters the production stage and is depleted on a unit-of-production method or the assets are determined to be impaired.

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 stripping costs are not separately identifiable for the pits, the costs are allocated to the pits on a relevant production measure.
- In circumstances where the stripping costs incurred relate to improve access to ore body that benefit future period production, the Company capitalizes the stripping costs and amortizes the costs over life of the component of the ore body from which future benefits are expected.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. During the pre-production and also in the production period, these costs are deferred and classified as part of the 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 mineral reserves and the portion of the mineral resources expected to be classified as mineral 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 estimate of recoverable ounces. The depletable costs relating to the component of the mine in production are multiplied by the number of ounces produced divided by the estimated recoverable ounces, which includes proven and probable mineral reserves of the mine and the portion of mineral resources expected to be classified as mineral reserves. Management assesses the estimated recoverable ounces used in the calculation of depletion at least annually, or whenever facts and circumstances warrant that an assessment should be made.

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 completion of commissioning. Completion of commissioning is a convention for determining the point in time at which a mine and plant has achieved operational results that are expected to remain at a sustainable operational level over a period of time, after which production costs are no longer capitalized and are reported as operating costs. The determination of when completion of commissioning has been achieved 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

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, capitalized expenditures other than that on land, buildings, plant and equipment are 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 completion of commissioning 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.

Amortized Cost

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 cost of securities sold. AFS financial assets are reviewed quarterly for 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 facts 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 ("IAS39"), 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 is added to cost of sales to offset the foreign exchange effect recorded by the mines.
- Amount related to hedging of capital expenditures is added 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 reclassified 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 revokes 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 revokes 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.

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.

(g) Revenue Recognition

Revenue from the sale of precious metals, gold and silver, 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 is net of 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. This revenue is provisionally priced at the date of sale, 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) 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 equity section of the consolidated balance sheet. When the subsidiary company issues its own shares to outside interests and does not result in a loss of control, 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, an equity transaction, is included in equity.

(j) 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 other than goodwill. 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.

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.

(k) 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.

(l) 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 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.

(m) 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.

(n) 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 equity reserve is transferred to share capital.

(o) 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.

(p) 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. 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 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.

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: Mercedes, development projects in the segment
- Canada and other: Corporate office and other development projects outside of the above segments

(q) 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.

(r) Intangible Assets

Intangible assets acquired by way of an asset acquisition or business combination are recognized if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Intangible assets must be identifiable, controlled by the Company and with future economic benefits expected to flow from the assets. 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 asset's value in use.

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 year, the Company recognized an unrealized, non-cash impairment loss on certain equity investments in the amount of $67.7 million (2011 – $92.6 million).

- Capitalization of exploration and evaluation costs

  Management has determined that exploration and evaluation costs incurred during the year 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 $101.3 million (2011 – $89.6 million) of exploration and evaluation expenditures which includes $31.2 million of acquired exploration and evaluation properties.

- Determination of economic viability of a project

  Management has determined that costs associated with projects under construction or developments 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.

- Completion of commissioning/commencement of 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 completion of commissioning as the date that a mine has achieved a sustainable level of production along with various qualitative factors including but not limited to the achievement of mechanical completion, 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. The Company determined that Mercedes completed commissioning on February 1, 2012.

- 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, 2012, a cumulative total of $129.0 million (2011 – $94.2 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, representation on the board of directors, participation in policy-making processes material transactions between the Company and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

- Determination of asset and liability fair values and allocation of purchase consideration

  Business combinations require judgement and estimates to be made at the date of acquisition in relation to determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. For all significant acquisitions, the Company employs third party independent valuators to assist in determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities.

- Determination of business combinations and asset acquisitions

  Management determines the assets acquired and liabilities assumed constitute a business if it consists of inputs and processes applied to those inputs that have the ability to create outputs. Accordingly, the transaction is considered a business combination. The Company acquired Extorre Gold Mines Limited in August 2012 and, at which time, concluded that the transactions did not qualify as a business combination under IFRS 3, *Business Combinations,* as significant inputs and processes that constitute a business were not identified.

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 trade receivables. 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. In testing goodwill for impairment, the following are the key applicable assumptions: discount rate of 5.9% (2011 – 8.8%) as determined by Jacobina's weighted average cost of capital, long-term gold price of $1,375 per ounce (2011 – $1,400 per ounce), average future inflation index of 3.6% (2011 – 3.5%) using the country-specific rate from a third-party pricing service.

- 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 business combinations

  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 Pronouncements

(a) Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2012. Pronouncements that are not applicable to the Company have been excluded from those described below.

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 2012 consolidated annual financial statements.

(i) IFRS 10 *Consolidated Financial Statements* – no significant impact on the Company is expected.

(ii) IFRS 11 *Joint Arrangements* – no significant impact on the Company is expected.

(iii) IFRS 12 *Disclosure of Interests in Other Entities* – no significant impact on the Company is expected.

(iv) IAS 27 *Consolidated and Separate Financial Statements* – no significant impact on the Company is expected.

(v) IAS 28 *Investments in Associates and Joint Ventures* – no significant impact on the Company is expected.

(b) IFRS 13 *Fair Value Measurement* – no significant accounting impact on the Company is expected given the existing asset and liability mix of the Company where fair value accounting applies. The additional disclosures, which are required, are being evaluated by the Company.

(c) IAS 1 *Presentation of Financial Statements* – no significant impact on the Company is expected. The Company will continue to provide two separate statements in presenting its comprehensive income: statement of operations and statement of other comprehensive income, which is allowed by the Standard. Format of presentation of the statement of comprehensive income will be updated to meet the requirement of the Standard.

(d) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – the Company is in compliance with the previous Canadian GAAP EIC-160 Stripping Costs Incurred in the Production Phase of a Mining Operation. The Company has assessed all the open-pit mining operations and concluded the asset balance that resulted from stripping activity undertaken during the production phase will be reclassified as a part of an existing asset to which the stripping activity related. For each of asset balances, there is an identifiable component of the orebody with which the predecessor stripping asset can be associated.

(e) IFRS 9 *Financial Instruments* – the Company will assess the impact of this Standard closer to its implementation.

6. Acquisition of Mineral Interests

(a) Acquisition of Extorre Gold Mines Limited

On August 21, 2012 the Company acquired all the issued and outstanding common shares of Extorre Gold Mines Limited ("Extorre"). Extorre is a mining company with exploration and development stage precious metals projects, the most advanced of which is its Cerro Moro project, a high grade, gold silver deposit with approximately 1.36 million ounces of gold equivalent indicated mineral resources and 1.05 million ounces of gold equivalent inferred mineral resources, located in the province of Santa Cruz in Argentina. As of December 31, 2012, the estimated mineral resources have been upgraded to 1.95 million ounces of gold equivalent indicated mineral resources and 0.49 million ounces of gold equivalent inferred mineral resources.

Under the terms of the Agreement, each Extorre shareholder received $4.28 per share comprised of $3.50 in cash and 0.0467 of a Yamana common share for each Extorre common share held. Total consideration paid was approximately $451.5 million comprised of 4.7 million common shares, transaction costs and issued options. The purchase price was determined using the share price of $15.95 per share for Yamana stock as at August 21, 2012.

The acquisition has been accounted for by the Company as a purchase of assets and assumption of liabilities. The transactions did not qualify as a business combination under IFRS 3, *Business Combinations,* as significant inputs and processes that together constitute a business were not identified. The cost has been allocated to the assets acquired and liabilities assumed based upon their estimated fair value at the date of acquisition.

Total consideration paid of $451.5 million was calculated as follows:

Cash	$ 363,889
Issue of Yamana common shares	74,396
Fair value of 1,155,752 stock options assumed (Note 22(a))	3,584
Transaction costs	9,602
Purchase consideration	$ 451,471

The consideration has been allocated as follows:

Current assets net of current liabilities	$ 12,155
Mineral properties	439,316
Net identifiable assets	$ 451,471

The fair value of Yamana options has been estimated using the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.4%
Expected volatility	36%
Risk-free interest rate	1.21%
Expected life	0.10 – 4.65 years
Forfeitures	Nil

(b) Acquisitions of Mineral Interests in Mexico and Brazil

During the quarter ended June 2012, the Company acquired 100% of the outstanding shares of two companies, which held additional mineral interests in Mexico and Brazil, which include a high-grade vein system located in the State of Sonora, Mexico, 120 kilometres south of the U.S. border and 65 kilometres northeast of the Company's new Mercedes Mine, and the mining rights and exploration licenses in relation to areas near the Company's Chapada Mine along the south west trend of Corpo Sul, located in the State of Goias, Brazil.

The acquisitions were accounted for as purchases of assets and the assumption of liabilities by the Company. The transactions did not qualify as a business combination under IFRS 3, Business Combinations, as significant inputs and processes that together constitute a business were not identified. Total consideration transferred was $37.7 million, which was comprised of cash consideration of $17.7 million, return of shares and share purchase warrants of $0.5 million and deferred consideration of $19.5 million. The consideration was allocated to the assets acquired and the liabilities assumed based upon their estimated fair value at the date of acquisition, using a weighted average cost of capital of 5.0% to discount future cash consideration. A value of $23.9 million was allocated to tangible exploration and evaluation assets for the mineral interests in Mexico, and $13.8 million for the mineral interests in Brazil.

7. Trade and Other Receivables

December 31,	2012	2011
Financial assets		
Trade receivable *(i)*	$ 173,600	$ 199,597
Other receivables	1,697	6,504
	$ 175,297	$ 206,101

(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,	2012	2011
Product inventories	$ 48,967	$ 26,278
Metal in circuit and gold in process	41,627	34,239
Ore stockpiles	58,787	43,935
Materials and supplies	80,835	58,969
	$ 230,216	$ 163,421

The amount of inventories recognized as an expense during the year ended December 31, 2012, was $831.8 million (2011 – $716.7 million) and is included in cost of sales. There was a write-down of inventory to net realizable value of $1.2 million (2011 – $nil) included in cost of sales.

9. Other Financial Assets

December 31,	2012	2011
Deferred consideration receivable *(i)*	$ 10,000	$ 10,000
Derivative related assets (Note 28(a))	4,581	9,629
Other	4,626	4,732
	$ 19,207	$ 24,361
Current	4,516	9,629
Non-current	14,691	14,732
	$ 19,207	$ 24,361

(i) 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 San Andrés, São Francisco and São Vicente 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 abovementioned 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 (December 31, 2011 – $10.0 million).

10. Other Assets

December 31,	2012	2011
Tax credits receivables *(i)*	$ 209,195	$ 216,859
Advances and deposits	60,555	65,417
Other long-term advances	7,497	15,921
Income taxes receivable	8,950	5,406
	$ 286,197	$ 303,603
Current	164,530	173,063
Non-current	121,667	130,540
	$ 286,197	$ 303,603

(i) Tax credits receivable consist of South American sales taxes which are recoverable against other taxes payable and value added tax.

11. Property, Plant and Equipment

	Depletable producing properties (i)	Land, building, plant & equipment (ii)	Assets under construction (iii)(iv)	Tangible exploration & evaluation assets	Total
Cost, January 1, 2011	$ 2,869,090	$ 1,172,448	$ 94,505	$ 5,298,298	$ 9,434,341
Additions	177,263	156,373	374,648	109,478	817,762
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	$ 3,050,039	$ 1,330,041	$ 491,126	$ 5,357,778	$10,228,984
Additions	275,103	237,316	560,661	530,121	1,603,201
Transfers and other non-cash movements	195,442	141,603	(201,264)	(121,183)	14,598
Change in decommissioning, restoration & similar liabilities and effect of foreign currency exchange differences	33,287	5	-	(937)	32,355
Disposals	(410)	(1,122)	(103)	(20,741)	(22,376)
Cost, December 31, 2012	$ 3,553,461	$ 1,707,843	$ 850,420	$ 5,745,038	$11,856,762
Accumulated depreciation and impairment, January 1, 2011	$ 548,834	$ 273,629	$ -	$ -	$ 822,463
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	$ 800,519	$ 389,035	$ -	$ -	$ 1,189,554
Depreciation for the year	230,860	152,984	-	-	383,844
Impairment charges	200	7,093	-	-	7,293
Accumulated depreciation and impairment, December 31, 2012	$ 1,031,579	$ 549,112	$ -	$ -	$ 1,580,691
Carrying value, December 31, 2011	$ 2,249,520	$ 941,006	$ 491,126	$ 5,357,778	$ 9,039,430
Carrying value, December 31, 2012	$ 2,521,882	$ 1,158,731	$ 850,420	$ 5,745,038	$10,276,071

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

December 31,	2012	2011
Balance, beginning of the year	$ 94,192	$ 51,607
Additions	38,931	45,342
Amortization	(4,135)	(2,757)
Balance, end of year	$ 128,988	$ 94,192

(ii) Included in land, building, plant and equipment is $67.0 million of land which are not subject to depreciation (December 31, 2011 – $40.5 million).

(iii) During the year ended December 31, 2012, the Company capitalized $30.3 million (December 31, 2011 – $19.7 million) of interest costs for assets under construction. A weighted average capitalization rate of 5.5% (December 31, 2011 – 7.1%) was used to determine the amount of borrowing costs eligible for capitalization.

(iv) The Company commissioned Mercedes on February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors based on our policy as described in *Note 4, Critical Judgements and Estimation Uncertainties* in the consolidated financial statements. At that date, all related capitalized items have been reclassified to depletable producing properties and land, building, plant and equipment, and its financial results were incorporated into the consolidated financial results. During the year ended December 31, 2012, the Company capitalized $1.1 million (December 31, 2011 – $8.8 million) of interest costs for assets under construction related to Mercedes all of which was reclassified to depletable producing properties.

In March 2011, the Company announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that would facilitate the integration of its Agua Rica property into 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. In the year ended December 31, 2012, the Company received another payment of $20.0 million (December 31, 2011 – $30.0 million) which was recorded against the value of the tangible exploration and evaluation assets.

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,	2012	2011
Total assets	$ 1,502,167	$ 999,282
Total liabilities	427,597	404,576
Net assets	$ 1,074,570	$ 594,706
Company's share of net assets of associate (12.5%)	$ 134,321	$ 74,338

December 31,	2012	2011
Company's share of total revenues (12.5%) for the year	$ 204,914	$ 190,273
Company's share of earnings (12.5%) for the year	$ 50,642	$ 39,019

December 31,	2012	2011
Balance, beginning of the year	$ 169,102	$ 201,585
Equity in earnings	50,642	39,019
Cash distributions	-	(71,502)
Balance, end of year	$ 219,744	$ 169,102

13. Investments

December 31,	2012				2011			
Available-for-sale Securities	% (i)	Cost	Fair Value	Cumulative losses in AOCI	% (i)	Cost	Fair Value	Cumulative losses in AOCI
Aura Minerals Inc. ("Aura")	19.2%	$158,777	$ 13,511	$ -	19.2%	$158,777	$ 53,578	$ (12,599)
Other		12,800	6,969	(220)		31,132	27,775	(3,357)
Total		$171,577	$ 20,480	$ (220)		$189,909	$ 81,353	$ (15,956)

(i) % ownership on an undiluted basis.

Available-for-sale ("AFS") financial assets are reviewed quarterly for 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, 2012, after management's review and based on objective evidence, an impairment of $67.7 million (2011 – $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 *(i)*	Other intangibles *(ii)*	Total
Cost, January 1, 2011	$ 55,000	$ 1,141	$ 56,141
Acquisition though a business combination	-	18,534	18,534
Additions	$ -	$ 4,461	$ 4,461
Cost, December 31, 2011	**$ 55,000**	**$ 24,136**	**$ 79,136**
Additions	-	24,459	24,459
Cost, December 31, 2012	**$ 55,000**	**$ 48,595**	**$ 103,595**
Accumulated amortization and impairment, January 1, 2011	$ -	$ (1,960)	$ (1,960)
Amortization	-	(1,830)	(1,830)
Accumulated depreciation and impairment, December 31, 2011	**$ -**	**$ (3,790)**	**$ (3,790)**
Amortization	-	(1,291)	(1,291)
Accumulated depreciation and impairment, December 31, 2012	**$ -**	**$ (5,081)**	**$ (5,081)**
Carrying value, December 31, 2011	$ 55,000	$ 20,346	$ 75,346
Carrying value, December 31, 2012	**$ 55,000**	**$ 43,514**	**$ 98,514**

(i) 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, 2012 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 the key applicable assumptions:
- Discount rate of 5.9% (2011 – 8.8%) as determined by Jacobina's weighted average cost of capital,
- Long term gold price of $1,375 per ounce (2011 – $1,400 per ounce),
- Average future inflation index of 3.6% (2011 – 3.5%) 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.

(ii) As of December 31, 2012, included in Other Intangibles, the Company had $13.4 million (December 31, 2011 – $14.7 million) of identifiable intangibles, representing the intellectual property and other intangibles recognized in the acquisition of Constructora Gardilcic Ltda. and Constructora TCG Ltda and $29.1 million (December 31, 2011 – $4.7 million) of capitalized JD Edward costs.

15. Trade and Other Payables

December 31,	2012	2011
Financial liabilities		
Trade payables *(i)*	$ 305,271	$ 194,300
Other payables	217,661	163,898
	$ 522,932	$ 358,198

(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,	2012	2011
Derivative related liabilities (Note 28(a))	$ 27,284	$ 20,629
Royalty payable *(i)*	15,134	14,636
Severance accrual	25,401	13,529
Deferred Share Units liability (Note 22(b))	35,219	22,225
Deferred consideration on acquisition of mineral interests (Note 6(b))	19,492	-
Other	393	393
	$ 122,923	$ 71,412
Current	13,790	1,545
Non-current	109,133	69,867
	$ 122,923	$ 71,412

(i) 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,	2012	2011
Withholding taxes *(i)*	$ 81,170	$ 81,252
Provision for silicosis *(ii)*	11,502	14,024
Other liabilities	41,920	12,860
	$ 134,592	$ 108,136
Current	28,807	5,360
Non-current	105,785	102,776
	$ 134,592	$ 108,136

(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 $81.2 million (December 31, 2011 – $81.3 million) have been accrued on the assumption that the profits will be repatriated.

(ii) 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 $11.5 million as at December 31, 2012 (December 31, 2011 – $14.0 million). The decrease of $2.5 million in the year relates to a decrease 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,	2012	2011
$270 million senior debt notes (a)	$ 269,206	$ 268,822
$500 million senior debt notes (b)	496,706	-
$750 million revolving facility (c)	-	162,947
Long-term portion (i)	$ 765,912	$ 431,769

(i) Balances are net of transaction costs of $4.1 million net of amortization (December 31, 2011 – $5.9 million).

(a) Senior debt notes for a total of $270.0 million are unsecured and comprised of three series of notes 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.

(b) On March 23, 2012, the Company issued senior debt notes, through a private placement, for a total of $500.0 million in four series of unsecured notes as follows:

- Series A – $75.0 million at a rate of 3.89% with a maturity of March 23, 2018.
- Series B – $85.0 million at a rate of 4.36% with a maturity of March 23, 2020.
- Series C – $200.0 million at a rate of 4.76% with a maturity of March 23, 2022.
- Series D – $140.0 million at a rate of 4.91% with a maturity of March 23, 2024.

(c) The revolving facility has a credit limit of $750.0 million. The following summarizes the terms in respect to this facility as at December 31, 2012:

- The credit facility is unsecured and has a maturity date of February 28, 2017.
- Amounts drawn bear interest at a rate of LIBOR plus 1.5% to 2.75% per annum, depending upon the Company's leverage ratio defined as the net total debt to rolling twelve months earnings before interest, taxes, depreciation and amortization.
- Undrawn amounts are subject to a commitment fee of 0.34% to 0.62% per annum depending upon the Company's leverage ratio.

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

	Senior debt notes
2013	$ -
2014	15,000
2015	-
2016	73,500
2017	-
2018 and thereafter	681,500
	$ 770,000

19. Decommissioning, Restoration and Similar Liabilities

December 31,	2012	2011
Balance, beginning of year	$ 180,805	$ 167,290
Interest incurred in the current year for operating mines	6,814	5,698
Interest incurred in the current year for non-operating mines	1,788	2,254
Adjustments to decommissioning, restoration and similar liabilities during the year	37,764	20,257
Foreign exchange impact	(5,645)	(10,413)
Expenditures during the current year	(3,239)	(4,281)
Balance, end of year	$ 218,287	$ 180,805
Current	2,592	2,279
Non-current	215,695	178,526
	$ 218,287	$ 180,805

The Decommissioning, Restoration and Similar Liabilities are calculated as the net present value of estimated undiscounted future cash flows, which total $459.3 million (December 31, 2011 – $402.9 million) using discount rates specific to the liabilities of 2.4% to 16.1% (December 31, 2011 – 1.5% to 12.5%). The settlement of the obligations is estimated to occur through to 2032 (2011 – settlement of obligation is estimated to 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, 2012 (2011: none).

December 31,	2012		2011	
Issued and fully paid - 752,222,459 common shares (December 31, 2011 - 745,774,300 shares):	Number of common shares (000's)	Amount	Number of common shares (000's)	Amount
Balance, beginning of year	745,774	$ 6,209,136	741,362	$ 6,151,423
Exercise of options and share appreciation rights (i)	924	11,346	3,742	50,422
Issued on vesting of restricted share units (Note 22(c))	861	9,923	670	7,291
Issued on acquisition of mineral interests (Note 6)	4,663	74,396	-	-
Balance, end of year	752,222	$ 6,304,801	745,774	$ 6,209,136

(i) During the year ended December 31, 2012, the Company issued 0.9 million shares (December 31, 2011 – 3.7 million shares) to optionees on the exercise of their share options for cash proceeds of $0.6 million (December 31, 2011 – $35.0 million). Previously recognized share-based payment in the amount of $10.7 million (December 31, 2011 – $15.4 million) on the options exercised was added to share capital with a corresponding decrease to equity reserve.

(b) Weighted Average Number of Shares Outstanding for Earnings per Share Calculation

December 31,	2012	2011
Weighted average number of common shares	748,095	744,600
Weighted average number of dilutive Restricted Share Units (RSU)	957	788
Weighted average number of dilutive stock options	539	756
Dilutive weighted average number of common shares	749,591	746,144

Total options excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the year ended December 31, 2012 were 0.9 million (December 31, 2011 – nil).

(c) Dividends Paid and Declared

December 31,	2012	2011
Dividends paid during the year	$ 168,244	$ 100,108
Dividend declared in respect of the year	$ 179,915	$ 115,552
Dividend paid during the year (per share)	$ 0.23	$ 0.13
Dividend declared in respect of the year (per share)	$ 0.24	$ 0.15

21. Other Comprehensive Income and Reserves

(a) Other Comprehensive Income

December 31,	2012	2011
Net change in unrealized losses on available-for-sale securities:		
Change in fair value	$ (11,916)	$ (123,008)
Tax impact	-	1,984
Reclassification of losses recorded in earnings	27,652	92,931
	15,736	(28,093)
Net change in fair value of hedging instruments		
Change in fair value	(13,411)	(60,169)
Tax impact	4,852	16,488
	(8,559)	(43,681)
Other comprehensive income (loss) attributable to equity shareholders	$ 7,177	$ (71,774)

(b) Reserves

December 31,	2012	2011
Equity reserve		
Balance, beginning of year	$ 16,767	$ 30,196
Exercise of stock options and share appreciation	(2,387)	(15,441)
Issue of restricted share units	14,090	9,303
Transfer of restricted share units to share capital on vesting	(9,923)	(7,291)
Issued on acquisition of mineral interests	3,584	-
Balance, end of year	$ 22,131	$ 16,767
Hedging reserve		
Balance, beginning of year	$ (6,091)	$ 37,590
Net change in fair value of hedging instruments *(i)*	(8,559)	(43,681)
Balance, end of year	$ (14,650)	$ (6,091)
Available-for-sale reserve		
Balance, beginning of year	$ (15,956)	$ 12,137
Change in fair value of available-for-sale securities *(ii)*	(11,916)	(121,024)
Reclassification of losses on available-for-sale securities to earnings *(iii)*	27,652	92,931
Balance, end of year	$ (220)	$ (15,956)
Total reserve balance, end of year	$ 7,261	$ (5,280)

(i) Net of tax recovery of $4.9 million (2011 – tax recovery of $16.5 million).

(ii) Net of tax expense of $nil (2011 – tax recovery of $2.0 million).

(iii) Net of tax expense of $nil (2011 – $nil).

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 costs relating to share-based payments for the year ended December 31, 2012 were $26.3 million (December 31, 2011 – $20.4 million) and is comprised of the following:

December 31,	2012	2011
Equity-settled plans	$ 14,090	$ 9,302
Cash-settled plans	12,203	11,127
Total expense recognized as compensation expense	$ 26,293	$ 20,429
Total carrying amount of liabilities for cash-settled arrangements (Note 16)	$ 35,219	$ 22,225

(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 (2011 – 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.

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:

	2012		2011	
December 31,	Number of options (000's)	Weighted average exercise price (Cdn$)	Number of options (000's)	Weighted average exercise price (Cdn$)
Outstanding, beginning of year	1,532	$ 9.90	5,490	$ 9.42
Exercised	(936)	10.48	(3,798)	9.20
Expired	(161)	23.79	(160)	9.47
Granted (Note 6(a))	1,156	23.79	-	-
Cancelled	(52)	9.91	-	-
Outstanding, end of year	1,539	$ 18.53	1,532	$ 9.90
Exercisable, end of year	1,539	$ 18.53	1,532	$ 9.90

The weighted average share price at date of exercise for the year ended December 31, 2012 was $18.68 (December 30, 2011 – $12.14).

Stock options outstanding and exercisable as at December 31, 2012 are as follows:

	Outstanding		Exercisable	
Exercise price (Cdn$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$0.01-$7.99	26	1.86	26	1.86
$9.00-$12.99	599	1.39	599	1.39
$17.00-$19.99	271	1.64	271	1.64
$23.00-$26.99	590	2.36	590	2.36
$33.00-$33.99	53	3.79	53	3.79
Total	1,539	1.91	1,539	1.91

(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.

December 31,	2012 Number of DSU (000's)	2011 Number of DSU (000's)
Outstanding, beginning of year	1,494	901
Granted	535	593
Outstanding and exercisable, end of year	2,029	1,494

The value of the DSU as at December 31, 2012 was $35.2 million (December 31, 2011 – $22.2 million). In the year ended December 31, 2012, the Company recorded mark-to-market loss of $3.4 million (December 31, 2011 – loss of $3.3 million) which is included in other operating expenses. Expenses of $8.8 million (December 31, 2011 – $7.8 million) were recognized 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.

December 31,	2012 Number of RSU (000's)	2011 Number of RSU (000's)
Outstanding, beginning of year	1,965	1,192
Granted	1,263	1,498
Vested and converted to common shares	(861)	(670)
Forfeited	(84)	(55)
Outstanding, end of year	2,283	1,965

In the year ended December 31, 2012, the Company credited $9.9 million (December 31, 2011 – $7.3 million) to share capital in respect of RSU that vested during the year and granted 1,263,492 RSU (December 31, 2011 – 1,497,871 RSU) with a weighted average grant date fair value of Cdn$16.42 (December 31, 2011 – Cdn$13.04). The expense for the year ended December 31, 2012 of $14.1 million (December 31, 2011 – $9.1 million) is included in general and administrative expenses. The fair value of RSU as at December 31, 2012 was $20.7 million (December 31, 2011 – $14.8 million).

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.

December 31,	2012	2011
Agua De La Falda S.A.	$ 46,800	$ 46,800

24. Cost of Sales Excluding Depletion, Depreciation and Amortization

December 31,	2012	2011
Contractors and services	$ 266,575	$ 222,794
Employee compensation and benefits expenses (Note 25)	211,230	155,471
Repairs and maintenance	95,878	81,290
Royalties	8,006	7,621
Power	71,042	72,040
Consumables	220,417	193,692
Other	4,184	33,566
Change in inventories, ore stockpiles, material and supplies	(26,432)	(16,281)
Impact of foreign currency derivatives contracts (Note 28(a))	(19,146)	(33,501)
Cost of sales excluding depletion, depreciation and amortization	$ 831,754	$ 716,692

25. Employee Compensation and Benefit Expenses

December 31,	2012	2011
Wages and salaries	$ 239,869	$ 143,089
Pension plan (a)	141,614	92,507
Other benefits (b)	36,762	30,214
Total Employee compensation and benefits expenses	418,245	265,810
Less: Expensed within General and Administrative expenses	(115,550)	(56,140)
Less: Expensed within Exploration and evaluation expenses	(32,496)	(9,659)
Less: Capitalized to Property, Plant and Equipment	(58,969)	(44,540)
Employee compensation & benefit expenses included in Cost of sales (Note 24)	$ 211,230	$ 155,471

(a) The Company has defined contribution pension plans for all full-time qualifying employees. 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 $10.5 million (2011: $4.8 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at December 31, 2012, contributions of $4.4 million (2011: $2.8 million) due in respect of the 2012 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

	2012	2011
Interest income	$ 3,708	$ 12,522
Unrealized gain on derivatives	371	-
Realized gain on derivatives	-	1,626
Finance income	$ 4,079	$ 14,148
Unwinding of discounts on provisions	$ (8,602)	$ (7,952)
Net foreign exchange loss	(25,870)	(14,563)
Realized loss on interest rate swaps	(1,350)	(4,829)
Realized loss on derivatives	(20)	-
Interest expense on long-term debt	(7,921)	(17,441)
Bank, financing fees and other	(13,855)	(3,541)
Finance expense	$ (57,618)	$ (48,326)
Net finance expense	$ (53,539)	$ (34,178)

The above finance income and finance expense include the following interest income and expense in respect of assets and liabilities not recorded at fair value:

	2012	2011
Total interest income on financial assets	$ 3,708	$ 12,522
Total interest expense on financial liabilities	$ (56,248)	$ (43,497)

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)* continue to be 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, 2012, the Company has met all of the externally imposed financial covenants.

28. Financial Instruments

(a) Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade and other receivables, 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 are fair valued based on published and observable prices. 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 $765.9 million (December 31, 2011 – $431.8 million), which is comprised of a revolving facility and senior debt notes with fair values of $nil and $783.0 million, respectively (December 31, 2011 – $162.9 million and $268.8 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, 2012, 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, 2012

	Level 1 Input	Level 2 Input	Level 3 Input	Aggregate Fair Value
Assets:				
Available-for-sale securities (Note 13(a))	$ 20,480	$ -	$ -	$ 20,480
Derivative related assets (Note 9)	-	4,581	-	4,581
	$ 20,480	$ 4,581	$ -	$ 25,061
Liabilities:				
Derivative related liabilities (Note 16)	$ -	$ 27,284	$ -	$ 27,284
	$ -	$ 27,284	$ -	$ 27,284

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

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.

Fair value of derivatives

The following table summarizes the fair value of derivative related assets:

December 31,	2012	2011
Currency contracts		
Forward contracts (Note 9)	$ 4,581	$ 9,629
Less: Current portion	(4,516)	(9,629)
Non-current portion	$ 65	$ -

The following table summarizes the fair value of components of derivative related liabilities:

December 31,	2012	2011
Currency contracts		
Forward contracts	$ 27,284	$ 19,493
Interest Rate Contracts		
Interest rate swaps	-	1,136
Total derivative related liabilities (Note 16)	27,284	20,629
Less: Current portion	(5,313)	(1,545)
Non-current portion	$ 21,971	$ 19,084

The following table summarizes unrealized derivative gains:

December 31,	2012	2011
Non-hedge derivatives		
Available-for-sale securities	$ -	$ 143
Hedge effectiveness		
Currency contracts	-	(220)
Interest rate contracts	371	9,118
	$ 371	$ 9,041

The following table summarizes realized derivative (losses) gains:

December 31,	2012	2011
Commodity contracts	$ (20)	$ -
Currency contracts	-	1,626
	$ (20)	$ 1,626

Additionally, included in cost of sales excluding depletion, depreciation and amortization, are realized gains in the amount of $19.2 million (December 31, 2011 – $33.5 million) with respect to currency derivative contracts.

The Company entered into forward contracts to hedge against the risk of declining copper prices for a portion of its forecast copper concentrate sales during the period. Included in sales are realized gains in the amount of $0.03 million (December 31, 2011 – realized gains of $3.9 million) in respect of commodity contracts.

The interest rate swaps had been accounted for as a cash flow hedge with the effective portion of the hedge of $0.8 million gains for the year ended December 31, 2012 (December 31, 2011 – $5.5 million losses) recorded in other comprehensive income. Included in finance expenses are realized losses in the amount of $1.4 million (December 31, 2011 – $4.8 million) with respect to the interest rate swaps. On March 30, 2012, the Company repaid 100% of the remaining balance on the revolving line of credit; as a result, the related interest rate swaps ceased to be effective on this date.

The hedging reserve net balance as at December 31, 2012 is *negative* $14.7 million (December 31, 2011 – *negative* $6.1 million), of that the Company estimates that approximately $0.2 million of net gains (December 31, 2011 – $10.8 million net gains) will be reclassified to earnings over the next twelve months and after twelve months, $14.9 million of net losses (December 31, 2011 – $16.9 million net losses) will be reclassified from the hedging reserve to earnings.

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

December 31,	2012	2011
Effective portion of change in fair value of hedging instruments:		
Currency contracts	$ (14,176)	$ (54,719)
Interest rate contracts	765	(5,450)
Deferred income tax on the above	4,852	16,488
	$ (8,559)	$ (43,681)

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:

December 31,	2012	2011
Interest rate swaps – US dollar swaps		
Not later than one year	$ -	$ (1,136)
Forward exchange contracts		
US$ to Brazilian Reais		
Not later than one year	$ (975)	$ 9,629
Later than one year but not more than five years	$ (21,518)	$ (16,205)
US$ to Mexican Peso		
Not later than one year	$ 178	$ (409)
Later than one year but not more than five years	$ (388)	$ (2,879)

(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 following table summarizes the details of the currency hedging program as at December 31, 2012:

(Quantities in thousands)

Brazilian Real: Year of Settlement	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at December 31, 2012
2013	446,352	2.0969	2.0435
2014	483,360	2.0677	2.0435
2015	519,048	2.2828	2.0435
	1,448,760	2.1495	2.0435

Mexican Peso: Year of Settlement	Mexican Peso Notional Amount	Contract Fixed Rate	Market rate as at December 31, 2012
2013	156,000	13.3200	12.8533
2014	156,000	13.3200	12.8533
2015	65,000	13.3200	12.8533
	377,000	13.3200	12.8533

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 trade payables. 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.

(on 10% change in United States Dollars exchange rate)	2012 Effect on net earnings before tax	2012 Effect on other comprehensive income, before tax	2011 Effect on net earnings before tax	2011 Effect on other comprehensive income, before tax
Brazilian Reais	$ 2,442	$ 60,383	$ 15,889	$ 42,028
Argentine Peso	$ 2,748	$ -	$ 3,771	$ -
Canadian Dollar	$ 963	$ -	$ 720	$ -
Mexican Peso	$ 1,268	$ 2,674	$ -	$ 2,871
Chilean Peso	$ 8,727	$ -	$ 5,870	$ -

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, 2012, the Company's exposure to commodity price is limited to the trade receivables associated with provisional pricing of metal concentrate sales particularly copper. A 10% change in the price of copper has a $12.0 million before tax effect on profit or loss.

(d) Interest Rate Risk

As at December 31, 2012, all of the Company's long-term debt was at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

(e) Credit Risk

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

For cash and cash equivalents, trade and other receivables, derivative related assets, restricted cash, deferred consideration 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. 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,	2012	2011
Cash and cash equivalents	$ 349,594	$ 550,438
Trade and other receivables	175,297	206,101
Derivative related assets	4,581	9,629
Deferred consideration receivable	10,000	10,000
Long-term tax credits	209,195	114,002
	$ 748,667	$ 890,170

(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*.

29. Income Taxes

(a) Income Tax Expense

	2012	2011
Current tax expense (recovery)		
Current tax expense in respect of the current year	$ 269,550	$ 278,985
Adjustment for prior periods	2,951	1,950
Impact of foreign exchange	(7,098)	(10,757)
Penalties and interest	48	(4,124)
	$ 265,451	$ 266,054
Deferred tax expense (recovery)		
Deferred tax expense recognized in the current year	$ 80,806	$ (61,101)
Adjustment for prior periods	(15,297)	10,451
Impact of foreign exchange	42,104	54,486
	$ 107,613	$ 3,836
Total income tax expense	$ 373,064	$ 269,890

The following table reconciles income taxes calculated at statutory rates with the income tax expense in the consolidated statements of operations:

	2012	2011
Earnings before income taxes	$ 815,128	$ 818,184
Canadian statutory tax rate (%)	26.5%	28.3%
Expected income tax expense	216,009	231,137
Impact of lower (higher) foreign tax rates *(i)*	17,486	(3,452)
Impact of change in enacted tax rates *(ii)*	79,057	-
Interest and penalties	48	(4,173)
Permanent differences	6,161	(26,465)
Unused tax losses and tax offsets not recognized in deferred tax assets	37,844	40,895
Unrealized foreign exchange on intercompany debt	(2,983)	(6,256)
Unrealized foreign exchange	21,013	43,721
True-up of tax provisions in respect of prior years	(11,993)	(25,727)
Withholding taxes	13,330	15,716
Other	(2,908)	4,494
Income tax expense	$ 373,064	$ 269,890
Income tax expense is represented by:		
Current income tax expense	$ 265,451	$ 266,055
Deferred income tax expense	107,613	3,835
Net income tax expense	$ 373,064	$ 269,890

(i) The Company operates in multiple foreign tax jurisdictions that have tax rates that differ from Canadian statutory rate.

(ii) On September 27, 2012, the Chilean tax rate increased from 18.5% to 20% for the 2012 taxation year.

(b) Deferred Income Taxes

The following is the analysis of the deferred tax assets (liabilities) presented in the consolidated balance sheets:

December 31, The net deferred income tax assets (liabilities) are classified as follows:	2012	2011
Deferred income tax assets	$ 124,843	$ 156,785
Deferred income tax liabilities	(2,072,741)	(2,000,848)
	$ (1,947,898)	$ (1,844,063)

December 31, 2012	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Closing balance
Deductible temporary differences	$ 3,869	$ 3,205	$ -	$ -	$ 7,074
Amounts related to tax losses	22,250	41,057	-	(1,770)	61,537
Financing costs	383	-	-	1,770	2,153
Decommissioning, restoration and similar liabilities	5,790	6,214	-	-	12,004
Derivative liability	(2,979)	(3,115)	4,909	-	(1,185)
Property, plant and equipment	(1,635,366)	(394,194)	-	-	(2,029,560)
Unrealized foreign exchange losses	(258,301)	246,502	-	-	(11,799)
Available-for-sale securities	11,632	-	(57)	-	11,575
Other	8,659	(8,356)	-	-	303
Deferred income tax liabilities	$ (1,844,063)	$ (108,687)	$ 4,852	$ -	$ (1,947,898)

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)

A deferred tax asset in the amount of $57.7 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 $1.6 billion (December 31, 2011 – $1.2 billion) for which no deferred tax asset is recognized in the consolidated balance sheets.

Loss carry forwards at December 31, 2012 will expire as follows:

	Canada	U.S.	Brazil	Chile	Argentina	Other	Total
2013	$ -	$ 240	$ -	$ -	$ 392	$ -	$ 632
2014	6,947	5,089	-	-	659	-	12,695
2015	6,628	1,634	-	-	700	-	8,962
2016	-	12,383	-	-	5,460	-	17,843
2017	-	-	-	-	7,807	190	7,997
2018 and onwards	352,810	122,157	-	-	-	105,017	579,984
Unlimited	222,774	-	224,545	57,364	-	-	504,683
	$ 589,159	$ 141,503	$ 224,545	$ 57,364	$ 15,018	$ 105,207	$1,132,796

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

As at December 31, 2012 an aggregate temporary difference of $1.6 billion (December 31, 2011 – $1.4 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

	2012	2011
Interest capitalized to assets under construction	$ 30,328	$ 19,711
Issue of common shares on vesting of RSU (Note 22)	$ 9,923	$ 7,291
Transfer of equity reserve on exercise of stock options and share purchase appreciation rights	$ 2,387	$ 15,441
Issue of common shares and deferred consideration on acquisition of mineral interests (Note 6)	$ 93,888	$ -
Fair value of stock option assumed (Note 6)	$ 3,584	$ -
Shares received as consideration of settlement of notes receivable	$ -	$ 74,247

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

	2012	2011
Net decrease (increase) in:		
Trade and other receivables	$ 44,449	$ (33,537)
Inventories	(77,347)	(40,571)
Other assets	(6,226)	(1,238)
Net increase (decrease) in:		
Trade payable and other payables	141,554	19,092
Other current liabilities	16,532	(325)
Movement in above related to foreign exchange	(5,851)	15,988
	$ 113,111	$ (40,591)

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 Other segment, 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.

Effective February 1, 2012, the Mercedes mine completed commissioning upon achieving sustainable levels of operations based on the Company's qualitative and quantitative factors. At the completion of commissioning, all assets under construction related to Mercedes were reclassified to depletable producing properties and land, building, plant and equipment, and its financial results were incorporated into the consolidated financial results. This event changed the composition of the Company's reportable segments such that Mexico is now a reportable segment on its own. The Canada segment became "Canada and other". The corresponding information for prior periods was restated accordingly.

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, 2012	Brazil	Chile	Argentina	Mexico	Canada and Other	Total
Property, plant and equipment	$ 2,323,658	$ 4,793,576	$ 2,849,323	$ 270,718	$ 38,796	$10,276,071
Goodwill and intangibles	$ 60,568	$ 14,413	$ -	$ -	$ 23,533	$ 98,514
Investment in associate	$ -	$ -	$ 219,744	$ -	$ -	$ 219,744
Non-current assets	$ 2,485,746	$ 4,824,565	$ 3,131,177	$ 270,718	$ 163,804	$10,876,010
Total assets	$ 2,882,388	$ 4,711,383	$ 3,231,213	$ 581,250	$ 393,929	$11,800,163
Total liabilities	$ (612,628)	$ (1,330,384)	$ (922,770)	$ (36,333)	$ (1,036,170)	$ (3,938,285)

December 31, 2011	Brazil	Chile	Argentina	Mexico	Canada and Other	Total
Property, plant and equipment	$ 1,795,538	$ 4,708,566	$ 2,291,626	$ 232,208	$ 11,492	$ 9,039,430
Goodwill and intangibles	$ 56,206	$ 14,744	$ -	$ -	$ 4,396	$ 75,346
Investment in associate	$ -	$ -	$ 169,102	$ -	$ -	$ 169,102
Non-current assets	$ 1,990,788	$ 4,752,122	$ 2,549,633	$ 232,252	$ 142,493	$ 9,667,288
Total assets	$ 2,414,878	$ 4,825,723	$ 2,626,518	$ 500,954	$ 401,867	$10,769,940
Total liabilities	$ (532,067)	$ (1,253,196)	$ (822,944)	$ (21,320)	$ (648,890)	$ (3,278,417)

Segment Operating Earnings

2012	Brazil	Chile	Argentina	Mexico	Canada and Other	Total
Revenues	$ 812,999	$ -	$ -	$ -	$ 1,523,763	$ 2,336,762
Inter-segment revenue	162,099	922,663	228,241	210,760	(1,523,763)	-
Total segment revenue	975,098	922,663	228,241	210,760	-	2,336,762
Cost of sales excluding depletion, depreciation and amortization	(391,872)	(296,663)	(76,903)	(66,316)	-	(831,754)
Gross margin	583,226	626,000	151,338	144,444	-	1,505,008
Depletion, depreciation and amortization	(104,767)	(198,811)	(51,068)	(29,092)	-	(383,738)
Mine operating earnings	$ 478,459	$ 427,189	$ 100,270	$ 115,352	$ -	$ 1,121,270
Equity earnings	$ -	$ -	$ 50,642	$ -	$ -	$ 50,642
Income tax expense	$ (144,965)	$ (173,435)	$ (44,580)	$ (19,886)	$ 9,802	$ (373,064)
Capital expenditures	$ 636,398	$ 262,816	$ 532,408	$ 59,576	$ 46,796	$ 1,537,994

2011	Brazil	Chile	Argentina	Mexico	Canada and Other	Total
Revenues	$ 1,001,965	$ 59,274	$ -	$ -	$ 1,112,086	$ 2,173,325
Inter-segment revenue	-	878,720	233,366	-	(1,112,086)	-
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

32. Contractual Commitments

Construction and Service Contracts

	2012	2011
Within 1 year	$ 370,664	$ 316,726
Between 1 to 3 years	323,468	223,694
Between 3 to 5 years	63,560	9,586
After 5 years	8,823	6,219
	$ 766,515	$ 556,225

Operating Leases

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

	2012	2011
Within 1 year	$ 6,005	$ 4,980
Between 1 to 3 years	7,358	6,573
Between 3 to 5 years	3,603	4,622
After 5 years	947	1,948
	$ 17,913	$ 18,123

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.

December 31,	2012	2011
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.

In December 2012, the Company received an assessment from the Brazilian federal tax authorities disallowing certain deductions permitted under debentures for the periods 2007-2010. The Company believes these debentures were issued on commercial terms permitted under applicable laws and as such, the Company believes that the assessment has no merit and is challenging same.

34. Related Parties

Parent and Significant Subsidiaries

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

% Equity interest	Country of incorporation	2012	2011
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%

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)	2012	2011
Salaries	$ 22,110	$ 21,274
Share-based payments (i)	19,168	14,391
Other benefits	4,123	4,912
	$ 45,401	$ 40,577

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

MINERAL RESERVES (PROVEN AND PROBABLE)

	Proven Mineral Reserves			Probable Mineral Reserves			Total Proven & 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%)	26,250	0.36	304	838	0.23	6	27,088	0.35	310
Chapada	150,700	0.22	1,072	280,490	0.29	2,604	431,190	0.27	3,676
C1 Santa Luz	19,752	1.55	987	11,135	1.42	508	30,887	1.51	1,495
El Peñón	1,903	8.90	546	11,071	4.90	1,746	12,974	5.50	2,291
Ernesto/Pau a Pique	2,279	3.86	283	5,884	2.69	508	8,163	3.01	791
Fazenda Brasileiro	2,777	2.47	220	1,365	1.96	86	4,142	2.30	306
Gualcamayo	12,560	1.18	475	37,066	1.33	1,590	49,626	1.29	2,065
Jacobina	6,300	2.43	492	18,641	3.22	1,930	24,942	3.02	2,422
Jeronimo (57%)	6,350	3.91	798	2,331	3.79	284	8,682	3.88	1,082
Mercedes	758	6.39	156	5,844	4.24	797	6,602	4.49	953
Minera Florida Ore	2,631	3.85	326	2,739	3.75	330	5,369	3.80	656
Minera Florida Tailings	5,397	1.09	189	-	-	-	5,397	1.09	189
Total Minera Florida	8,028	1.99	515	2,739	3.75	330	10,766	2.44	845
Pilar	-	-	-	11,098	4.04	1,440	11,098	4.04	1,440
Total Gold Mineral Reserves	**237,657**	**0.77**	**5,847**	**388,502**	**0.95**	**11,829**	**626,159**	**0.88**	**17,676**
Agua Rica	384,871	0.25	3,080	524,055	0.21	3,479	908,926	0.22	6,559

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	1,903	216.00	13,218	11,071	167.00	59,369	12,974	174.00	72,587
Mercedes	758	74.63	1,820	5,844	44.23	8,311	6,602	47.73	10,131
Minera Florida Ore	2,631	23.74	2,008	2,739	25.49	2,244	5,369	24.63	4,252
Minera Florida Tailings	5,397	12.80	2,221	-	-	-	5,397	12.80	2,221
Total Minera Florida	8,028	16.38	4,229	2,739	25.49	2,244	10,766	18.70	6,473
Total Silver Mineral Reserves	**10,688**	**56.07**	**19,267**	**19,654**	**110.66**	**69,924**	**30,342**	**91.43**	**89,191**
Agua Rica	384,871	3.73	46,176	524,055	3.33	56,070	908,926	3.50	102,246

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%)	26,250	0.36	208	838	0.27	5	27,088	0.36	213
Chapada	150,700	0.29	967	221,620	0.31	1,507	372,320	0.30	2,474
Total Copper Mineral Reserves	**176,950**	**0.30**	**1,175**	**222,458**	**0.31**	**1,512**	**399,408**	**0.31**	**2,687**
Agua Rica	384,871	0.56	4,779	524,055	0.43	5,011	908,926	0.49	9,789

Zinc	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Minera Florida	2,631	1.21	70	2,739	1.13	68	5,369	1.17	138
Total Zinc Mineral Reserves	**2,631**	**1.21**	**70**	**2,739**	**1.13**	**68**	**5,369**	**1.17**	**138**

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%)	26,250	0.013	7.5	838	0.014	0.3	27,088	0.013	7.8
Total Moly Mineral Reserves	**26,250**	**0.013**	**7.5**	**838**	**0.014**	**0.3**	**27,088**	**0.013**	**7.8**
Agua Rica	384,871	0.033	279	524,055	0.030	350	908,926	0.031	629

MINERAL RESOURCES (MEASURED, INDICATED AND INFERRED)

Gold	Measured Mineral Resources			Indicated Mineral Resources			Total Measured & Indicated			Inferred Mineral Resources		
	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
Arco Sul	-	-	-	-	-	-	-	-	-	3,501	4.64	522
C1 Santa Luz	3,243	1.00	104	10,400	1.72	574	13,643	1.55	678	6,004	2.54	490
Chapada	37,173	0.19	226	263,389	0.24	2,070	300,562	0.24	2,296	118,632	0.22	839
Cerro Moro	-	-	-	4,157	6.60	884	4,157	6.60	884	3,598	1.90	222
El Peñón	637	11.34	232	1,365	4.55	200	2,002	6.71	432	5,108	5.86	962
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	164	3.31	17	2,406	1.91	148	2,570	2.00	165	6,131	3.10	611
Gualcamayo	7,297	1.41	330	25,896	1.01	841	33,193	1.10	1,171	10,355	1.66	552
Jacobina	12,666	2.36	960	12,290	2.83	1,117	24,956	2.59	2,077	12,551	3.01	1,215
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
Lavra Velha	-	-	-	-	-	-	-	-	-	3,934	4.29	543
Mercedes	29	3.22	3	2,633	3.36	284	2,661	3.36	287	2,725	3.49	305
Rey del Oro	-	-	-	-	-	-	-	-	-	704	2.98	67
Total Mercedes	29	3.22	3	2,633	3.36	284	2,661	3.36	287	3,429	3.37	372
Minera Florida	1,203	6.44	249	1,470	5.57	263	2,673	5.96	512	3,738	5.52	664
Pilar	-	-	-	1,797	4.62	267	1,797	4.62	267	11,184	3.83	1,377
Suyai	-	-	-	4,700	15.00	2,286	4,700	15.00	2,286	900	9.90	274
Total Gold Mineral Resources	79,137	1.01	2,564	466,653	0.77	11,532	545,790	0.80	14,095	234,342	1.34	10,068
Agua Rica	27,081	0.14	120	173,917	0.14	776	200,998	0.14	896	642,110	0.12	2,444

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
Cerro Moro	-	-	-	4,157	400.30	53,500	4,157	400.30	53,500	3,598	115.90	13,408
El Peñón	637	287.08	5,877	1,365	140.38	6,163	2,002	187.03	12,040	5,108	246.56	40,493
Mercedes	29	61.09	56	2,633	35.79	3,030	2,662	36.06	3,086	2,725	37.3	3,269
Rey del Oro	-	-	-	-	-	-	-	-	-	704	44.8	1,015
Total Mercedes	29	61.09	56	2,633	35.79	3,030	2,662	36.06	3,086	3,429	38.86	4,284
Minera Florida	1,203	39.06	1,511	1,470	30.00	1,411	2,673	34.00	2,922	3,738	39.00	4,691
Suyai	-	-	-	4,700	23.00	3,523	4,700	23.00	3,523	900	21.00	575
Total Silver Mineral Resources	1,869	123.88	7,444	96,486	23.02	71,401	98,355	24.93	78,846	45,716	46.06	67,703
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

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	37,173	0.20	164	181,228	0.23	933	218,401	0.23	1,097	91,079	0.28	565
Total Copper Mineral Resources	37,173	0.20	164	181,228	0.23	933	218,401	0.23	1,097	91,079	0.28	565
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

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	1,203	1.67	44	1,470	1.51	49	2,673	1.58	93	3,738	1.50	124
Total Zinc Mineral Resources	1,203	1.67	44	1,470	1.51	49	2,673	1.58	93	3,738	1.50	124

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
Total Moly Mineral Resources	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.

MINERAL RESERVE AND MINERAL RESOURCE REPORTING NOTES

1. Metal Prices and Cut-off Grades:

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 OP, 3.4 g/t Aueq UG
Arco Sul	N/A	2.5 g/t Aueq cut-off
Caiamar	N/A	1.5 g/t Au cut-off
Chapada	$950 Au, $2.50 Cu, $4.80 average cut-off for Chapada Mine	$1,500 Au, $3.5 Cu and $3.5 NSR cut-off out of pit for Chapada Mine
	$900 Au; 0.2 g/t Au cut-off for oxide ore and 0.3 g/t Au cut-off for sulphide ore in Suruca Gold Project	0.2 g/t Au cut-off for oxides and 0.3 g/t Au cut-off for sulphide in Suruca Gold Project
C1-Santa Luz	$950 Au for C1 and satellite orebodies except Mansinha and Mari ($750 Au), 0.5 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 Downdip Extension
Cerro Moro	N/A	1.0 g/t Aueq cut-off
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 UG, 0.3 g/t Au OP cut-off for Ernesto and PP and $950 Au, 0.7 g/t Au cut-off for Lavrinha	0.3 g/t OP, 1.0 g/t UG for Ernesto/PP and 0.3 g/t for Lavrinha
Fazenda Brasileiro	$950 Au, 1.00 g/t Au UG and 0.80 g/t Au OP cut-off	0.5 g/t cut-off UG and 0.25 g/t Au OP cut-off
Gualcamayo	$950 Au, 1.00 g/t Au UG and for OP, 0.25 g/t Au for QDD Upper and 0.5 g/t Au for AIM cut-off	1.0 g/t Au UG and for OP, 0.25 g/t Au for QDD Upper and 0.18 g/t for AIM cut-off
Jacobina	$950 Au, 1.45 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
Lavra Velha	N/A	$1,300 Au, $3.5 Cu and 0.2g/t Au, 0.1% Cu cut-off
Mercedes	$950 Au, $20.00 Ag, 2.9 g/t Aueq	2.0 g/t Aueq cut-off for Mercedes and 0.4 g/t Aueq cut-off for Rey del Oro
Minera Florida	$950 Au, $20.00 Ag, $1 lb Zn, 2.80 g/t Aueq cut-off and Florida tailings cut-off N/A	2.22 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, 2012.
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 this annual information form.

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.
Arco Sul	Not applicable	Chester M. Moore, P.Eng., Roscoe Postle Associates Inc.
Chapada	Emerson Ricardo Re, MSc, MAusIMM, Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Emerson Ricardo Re, MSc, MAusIMM, Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.
Cerro Moro	Not applicable	David (Ted) Coupland, BSc DipGeoSc CFSG ASIA MAusIMM (CP) MMICA), Director, Geological Consulting, Principal Geostatistician, Cube Consulting Pty Ltd.
C1 Santa Luz	Emerson Ricardo Re, MSc, MAusIMM, Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc.	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, 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, 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, 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, Member of Chilean Mining Commission, Corporate Manager R&R, Yamana Gold Inc. (for Gualcamayo, excluding QDD Lower) and Guillermo Bagioli, MAusIMM, 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, 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 , Member of Chilean Mining Commission, Metálica Consultores S.A.	Dominique François-Bongarçon, Ph.D, FAusIMM, Agoratek International
La Pepa	Not applicable	Chester M. Moore, P.Eng., Roscoe Postle Associates Inc.
Lavera Velha	Not applicable	Marcelo Antonio Batelochi, P.Geo., MAusIMM (CP), Geologist Consultant
Mercedes	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, 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.
Minera Florida	Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, 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, Member of Chilean Mining Commission, Metalica Consultores S.A. (for Jordino) and Emerson Ricardo Re, MSc, MAusIMM, 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, 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) and Maria Lazara
Suyai	Not applicable	Robin J. Young, P. Geo., Western Services Engineering, Inc.
Agua Rica	Enrique Munoz Gonzalez, MAusIMM	Evandro Cintra, Ph.D., P. Geo., Senior Vice President, Technical Services, Yamana Gold Inc.

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 and senior officers. 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; and develops and implements a process to handle any director nominees who are recommended by security holders.

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, code of conduct, 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 Management Information Circular.

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)
Company Director

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
Vice Chairman and Chief Executive Officer, MBAC Fertilizer Corp.

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

Gerardo Fernandez
Vice President, Country Manager, Chile and Mexico

Jason LeBlanc
Vice President, Finance and Treasurer

Ana Lucia Martins
Vice President, Safety, Health, Environment and Community

Rogerio de Matos Dias
Vice President, Strategic Planning

Nelson Munhoz
Vice President, Operations, Brazil

Khawar Nasim
Vice President, External Affairs

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

Ricardo Solovera
Vice President, Operations, Chile and Mexico

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, 2012)*

Common Shares (basic): 752.2 million
Common Shares (fully diluted): 753.7 million
Options: 1.5 million

2012 Common Share Trading Information

Stock Exchange	Ticker	Closing price	High	Low	Average Daily Volume
TSX	YRI-T	C$17.11	C$20.61	C$12.76	2,541,795
NYSE	AUY	US$17.21	US$20.59	US$12.67	6,104,227
LSE	YAU-LN	p10.625	p12.93	p7.97	3,677

Dividends

Yamana currently pays a quarterly dividend of US $0.065 per share

2012 Dividend Schedule		Anticipated 2013 Dividend Schedule	
Record Date	Payment Date	Record Date	Payment Date
March 30, 2012	April 13, 2012	March 28, 2013	April 11, 2013
June 29, 2012	July 13, 2012	June 28, 2013	July 12, 2013
September 28, 2012	October 12, 2012	September 30, 2013	October 11, 2013
December 31, 2012	January 14, 2013	December 31, 2013	January 14, 2014

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
320 Bay Street, Box 1
Toronto, Ontario
M5H 4A6
1-800-387-0825 (toll free in North America)
416-643-5500 (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 LLP

Legal Counsel

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

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Annual General Meeting

Wednesday, May 1, 2013
11:00 a.m. Eastern DST

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

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Printing: Merrill Corporation Canada

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

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