

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 40-F

(Check One)

Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended: December 31, 2011

Commission File number: 1-31880

YAMANA GOLD INC.

(Exact name of Registrant as specified in its charter)

Canada
(Province or Other Jurisdiction of
Incorporation or Organization)

1041
(Primary Standard Industrial Classification
Code Number, if applicable)

Not Applicable
(I.R.S. Employer Identification
Number, if applicable)

**Royal Bank Plaza, North Tower
200 Bay Street, Suite 2200
Toronto, Ontario M5J 2J3
(416) 815 0220**

(Address and Telephone Number of Registrant's principal executive office)

**Meridian Gold Company
9670 Gateway Drive
Suite 200
Reno, Nevada 89521-3952
(775) 850-3777**

(Name, Address and Telephone Number of Agent for Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange On Which Registered |
|-----------------------------|--|
| Common Shares, no par value | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act: **none**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **none**

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form

Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **745,774,300**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements in the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain “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 Yamana Gold Inc. (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, without limitation:

- the Company’s expectations in connection with its projects and exploration programs being met,
- the impact of general business and economic conditions,
- global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions,
- fluctuating metal prices (such as gold, copper, silver and zinc),
- currency exchange rates (such as the Brazilian Real, the Chilean Peso, the Argentine Peso and the Mexican Peso versus the United States Dollar),
- possible variations in ore grade or recovery rates,
- changes in the Company’s hedging program,
- changes in accounting policies,
- changes in the Company’s corporate mineral resources,
- risks related to non-core mine disposition,
- changes in project parameters as plans continue to be refined,
- changes in project development, construction, production and commissioning time frames,
- risk related to joint venture operations,
- the possibility of project cost overruns or unanticipated costs and expenses,
- higher prices for fuel, steel, power, labor and other consumables contributing to higher costs and general risks of the mining industry,
- failure of plant, equipment or processes to operate as anticipated,
- unexpected changes in mine life,
- final pricing for concentrate sales,
- unanticipated results of future studies,
- seasonality and unanticipated weather changes,
- costs and timing of the development of new deposits,

- success of exploration activities,
- permitting time lines,
- government regulation of mining operations,
- environmental risks,
- unanticipated reclamation expenses,
- title disputes or claims,
- limitations on insurance coverage and
- timing and possible outcome of pending litigation and labor disputes
- as well as those risk factors discussed or referred to in the Company's annual Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2011 included as exhibits to this annual report on Form 40-F.

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.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars on December 31, 2011, based upon the noon spot rate as reported by the Bank of Canada, was U.S.\$1.00 = CDN\$1.017.

RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form, which is attached hereto as Exhibit 99.1, has been prepared in accordance with the requirements of the securities laws in effect in Canada as of December 31, 2011, 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 reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate 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 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 resource is permitted disclosure under Canadian regulations. In contrast, the Commission only permits U.S. companies to report mineralization that does not constitute “reserves” by Commission standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report on Form 40-F, the documents attached hereto and the documents incorporated by reference herein containing descriptions of our mineral deposits 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.

DISCLOSURE CONTROLS AND PROCEDURES

A. Evaluation of disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that (i) information required to be disclosed by the Company in reports that it files or submits to the Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in the Company’s reports filed under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow for timely decisions regarding required disclosure.

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Company’s management, including the CEO and CFO, of the effectiveness of the design and operations of the Company’s disclosure controls and procedures (as defined in Rule 13a—15(e) and Rule 15d—15(e) under the Exchange Act). The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Company’s CEO and CFO have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective.

B. Management's annual report on internal control over financial reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011, based on the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

The Company's independent registered chartered accountants, Deloitte & Touche LLP, have audited the consolidated financial statements included in this annual report and have issued a report dated February 22, 2012 on the Company's internal control over financial reporting.

C. Attestation report of the registered public accounting firm. Deloitte & Touche LLP's attestation report, "Report of Independent Registered Chartered Accountants", accompanies the Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2011, which are attached hereto as Exhibit 99.3.

D. Changes in internal control over financial reporting. During the period covered by this annual report on Form 40-F, no change occurred 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.

No changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses, were made as a result of the evaluation.

The Company's management, including the CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, 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, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been 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 management override of the control. The design of any system 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; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended December 31, 2011.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's board of directors (the "Board") has determined that it has at least one audit committee financial expert serving on its audit committee. The Board has determined that Mr. Richard Graff is an audit committee financial expert and is independent, as that term is defined by the Exchange Act and the New York Stock Exchange's corporate governance standards applicable to the Company.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make Mr. Graff an "expert" for any purpose, impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Board in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Board.

CODE OF ETHICS

The Board has adopted a written code of ethics entitled, "Code of Business Conduct and Ethics" (the "Code"), by which it and all officers and employees of the Company, including the Company's principal executive officer, principal financial officer, principal accounting officer or controller, abide. There were no amendments, or waivers granted in respect of, the Code during the fiscal year ended December 31, 2011. The Code is posted on the Company's website at www.yamana.com. A copy of the Code may also be obtained by contacting the Corporate Secretary of the Company at the address or telephone number indicated on the cover page of this annual report on Form 40-F. If there is an amendment to the Code, or if a waiver of the Code is granted to any of Company's principal executive officer, principal financial officer, principal accounting officer or controller, the Company intends to disclose any such amendment or waiver by posting such information on the Company's website. Unless and to the extent specifically

referred to herein, the information on the Company's website shall not be deemed to be incorporated by reference in this annual report on Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP, independent registered chartered accountants, acted as the Company's independent registered chartered accountant for the fiscal year ended December 31, 2011. See page 95 of the Company's Annual Information Form, which is attached hereto as Exhibit 99.1, for the total amount billed to the Company by Deloitte & Touche LLP for services performed in the last two fiscal years by category of service (for audit fees, audit-related fees, tax fees and all other fees) in Canadian dollars.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

See page 94 of the Company's Annual Information Form, which is attached hereto as Exhibit 99.1. No audit-related fees, tax fees or other non-audit fees were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements, and the Company does not have any relationships with unconsolidated special purpose entities.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The disclosure provided under Section 10, "Liquidity, Capital Resources and Contractual Commitments—Contractual Commitments", on page 37 of Exhibit 99.2, "Management's Discussion and Analysis", is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and satisfies the requirements of Exchange Act Rule 10A-3. The Company's Audit Committee is comprised of John Begeman, Richard Graff, Patrick Mars and Carl Renzoni, all of whom, in the opinion of the Company's Board of Directors, are independent (as determined under Rule 10A-3 of the Exchange Act and the New York Stock Exchange Listed Company Manual) and are financially literate.

CORPORATE GOVERNANCE PRACTICES

There are certain differences between the corporate governance practices applicable to the Company and those applicable to U.S. companies under NYSE listing standards. A summary of the significant differences can be found on the Company's website at www.yamana.com.

INCORPORATION BY REFERENCE

The Company's annual report on Form 40-F for the Year Ended December 31, 2011 is incorporated by reference into the Registration Statement on Form F-10 (Commission File No. 333-173707) and the Registration Statements on Form S-8 (Commission File No. 333-159047, File No. 333-148048 and File No. 333-145300) of the Company.

**UNDERTAKING AND CONSENT TO
SERVICE OF PROCESS**

A. Undertaking

Yamana Gold Inc. undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Company has filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with respect to the class of securities in relation to which the obligation to file this Form 40-F arises.

SIGNATURES

Pursuant to the requirements of the Exchange Act, Yamana Gold Inc. certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 30, 2012

YAMANA GOLD INC.

By: /s/ Peter Marrone

Name: Peter Marrone

Title: Chairman and Chief Executive Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|---|
| 99.1 | Annual Information Form for the year ended December 31, 2011 |
| 99.2 | Management's Discussion and Analysis for the year ended December 31, 2011 |
| 99.3 | Audited annual financial statements for the fiscal year ended December 31, 2011 |
| 99.4 | Certificate of Peter Marrone required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 99.5 | Certificate of Charles Main required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 99.6 | Certificate of Peter Marrone pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.7 | Certificate of Charles Main pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.8 | Consent of Deloitte & Touche LLP, Independent Registered Chartered Accountants |
| 99.9 | Consent of Renato Petter |
| 99.10 | Consent of Evandro Cintra |
| 99.11 | Consent of Enrique Munoz Gonzalez |
| 99.12 | Consent of Marco Antonio Alfaro Sironvalle |
| 99.13 | Consent of Chester M. Moore |
| 99.14 | Consent of Emerson Ricardo Re |
| 99.15 | Consent of Stuart Collins |
| 99.16 | Consent of Greg Walker |
| 99.17 | Consent of Julio Bruna Novillo |

- 99.18 Consent of Robin J. Young
- 99.19 Consent of Raul Contreras
- 99.20 Consent of Guillermo Bagioli
- 99.21 Consent of Normand Lecuyer
- 99.22 Consent of H. Delboni
- 99.23 Consent of Kevin C. Scott
- 99.24 Consent of Dominique François-Bongarçon
- 99.25 Consent of Marcos Valencia
- 99.26 Consent of Sergio Brandão Silva
- 99.27 Consent of Marcelo Trujillo
- 99.28 Consent of Alvaro Vergara
- 99.29 Consent of Porfirio Cabaleiro Rodriguez

YAMANA GOLD INC.
ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

March 30, 2012

200 Bay Street, Suite 2200
Royal Bank Plaza, North Tower
Toronto, Ontario M5J 2J3

TABLE OF CONTENTS

| | |
|---|----|
| INTRODUCTORY NOTES | 3 |
| Cautionary Note Regarding Forward-Looking Statements | 3 |
| Currency Presentation And Exchange Rate Information | 4 |
| CORPORATE STRUCTURE | 4 |
| GENERAL DEVELOPMENT OF THE BUSINESS | 6 |
| Overview of Business | 6 |
| History | 6 |
| DESCRIPTION OF THE BUSINESS | 8 |
| Principal Products | 9 |
| Competitive Conditions | 9 |
| Operations | 9 |
| Environmental | 9 |
| Risks of the Business | 11 |
| Technical Information | 22 |
| Mineral Projects | 25 |
| Summary of Mineral Reserve and Mineral Resource Estimates | 25 |
| Material Mineral Properties | 28 |
| <i>Chapada Mine</i> | 28 |
| <i>El Peñón Mine</i> | 40 |
| <i>Jacobina Mining Complex</i> | 48 |
| <i>Gualcamayo Mine</i> | 56 |
| <i>Minera Florida Mine</i> | 69 |
| Other Producing Mines | 75 |
| <i>Fazenda Brasileiro Mine</i> | 75 |
| <i>Mercedes</i> | 76 |
| <i>Alumbreira Mine</i> | 77 |
| Development and Advanced Stage Exploration Projects | 78 |
| <i>Pilar/Caiamar</i> | 78 |
| <i>Ernesto/Pau-a-Pique</i> | 79 |
| <i>CI Santa Luz</i> | 80 |
| Additional Projects | 81 |
| <i>Agua Rica Project</i> | 81 |
| <i>Suyai Project</i> | 81 |
| <i>Jeronimo (Agua de la Falda)</i> | 82 |
| DIVIDENDS | 82 |
| DESCRIPTION OF CAPITAL STRUCTURE | 83 |
| MARKET FOR SECURITIES | 84 |
| DIRECTORS AND OFFICERS | 84 |
| PROMOTER | 92 |
| LEGAL PROCEEDINGS AND REGULATORY ACTIONS | 92 |
| INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS | 92 |
| TRANSFER AGENTS AND REGISTRAR | 93 |

| | |
|--|----|
| MATERIAL CONTRACTS | 93 |
| AUDIT COMMITTEE | 93 |
| INTERESTS OF EXPERTS | 95 |
| ADDITIONAL INFORMATION | 97 |
| SCHEDULE “A” — CHARTER OF THE AUDIT COMMITTEE | 98 |

ITEM 1
INTRODUCTORY NOTES

Cautionary Note Regarding Forward-Looking Statements

This annual information form contains or incorporates by reference “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Except for statements of historical fact relating to the Company (as defined herein), information contained herein constitutes forward-looking statements, including any information as to the Company’s strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as “plan”, “expect”, “budget”, “target”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the Company’s expectations in connection with the projects and exploration programs discussed herein being met, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating metal prices (such as gold, copper, silver and zinc), currency exchange rates (such as the Brazilian Real, the Chilean Peso, the Argentine Peso and the Mexican Peso versus the United States Dollar), possible variations in ore grade or recovery rates, changes in the Company’s hedging program, changes in accounting policies, changes in the Company’s corporate Mineral Resources (as defined herein), risks related to non-core mine disposition, changes in project parameters as plans continue to be refined, changes in project development, construction production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, final pricing for concentrate sales, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to herein and in the Company’s annual management’s discussion and analysis filed with the securities regulatory authorities in all provinces of Canada and available under the Company’s SEDAR profile at www.sedar.com. 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 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 the Company’s plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements contained herein or incorporated by reference herein, except in accordance with applicable securities laws.

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

This annual information form uses the terms “Measured”, “Indicated” and “Inferred” Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves (as defined herein). United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**

Currency Presentation And Exchange Rate Information

This annual information form contains references to both US dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars and Canadian dollars are referred to as “Canadian dollars” or “Cdn\$”.

The closing, high, low and average exchange rates for the US dollar in terms of Canadian dollars for the years ended December 31, 2011, December 31, 2010, December 31, 2009, and December 31, 2008 based on the noon spot rate reported by the Bank of Canada, were as follows:

| | Year-Ended December 31 | | | |
|------------|------------------------|---------|---------|---------|
| | 2011 | 2010 | 2009 | 2008 |
| Closing | \$ 1.02 | \$ 0.99 | \$ 1.05 | \$ 1.22 |
| High | 1.06 | 1.08 | 1.30 | 1.30 |
| Low | 0.94 | 0.99 | 1.03 | 0.97 |
| Average(1) | 0.99 | 1.03 | 1.14 | 1.07 |

Calculated as an average of the daily noon rates for each period.

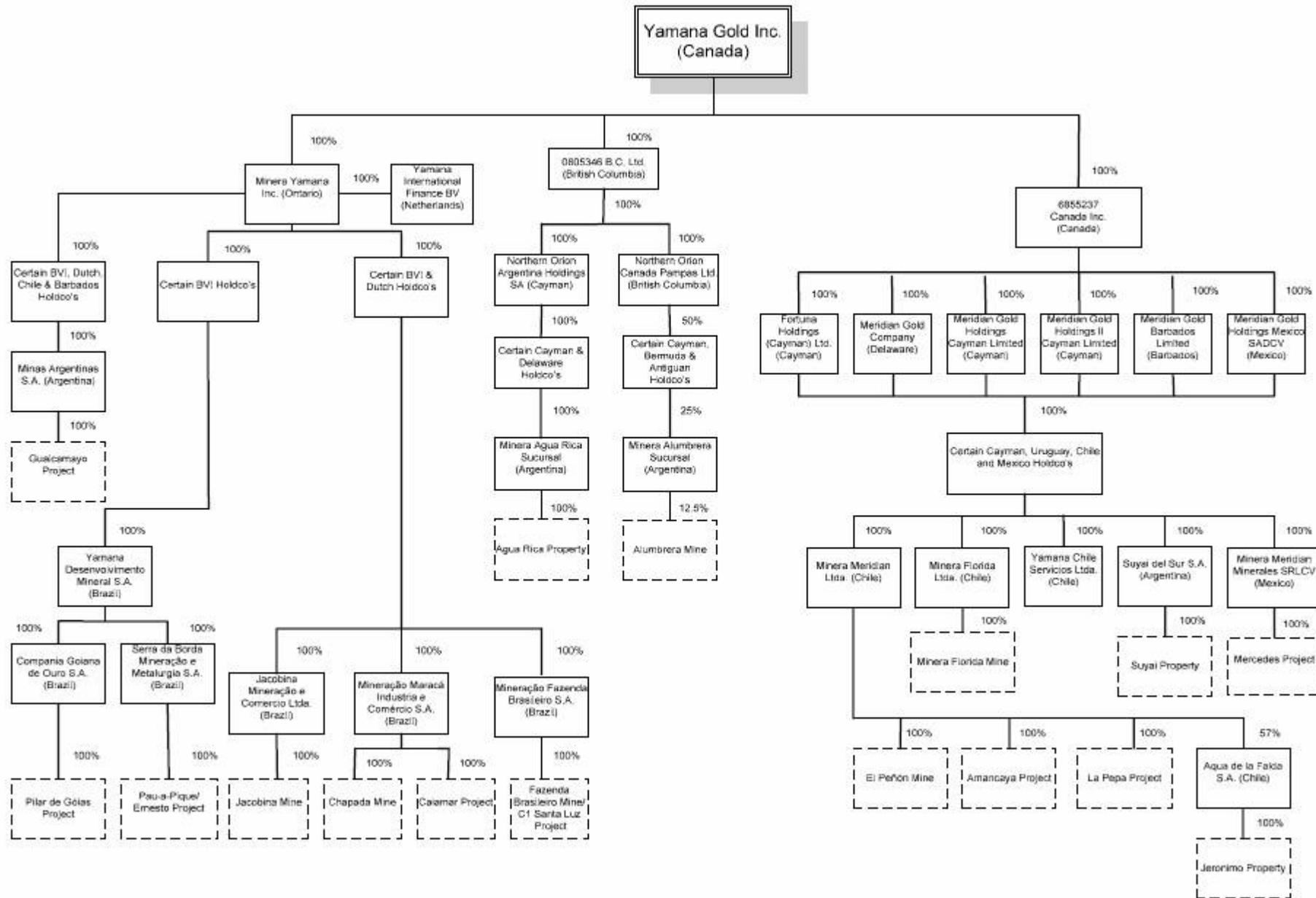
On March 29, 2012, the Bank of Canada noon rate of exchange was US\$1.00 = Cdn\$0.9999 or Cdn\$1.00 = US\$1.0001.

ITEM 2 CORPORATE STRUCTURE

Yamana Gold Inc. (the “Company” or “Yamana”) was continued under the *Canada Business Corporations Act* by Articles of Continuance dated February 7, 1995. On February 7, 2001, pursuant to Articles of Amendment, the Company created, and authorized the issuance of a maximum of 8,000,000, first preference shares, Series 1. On July 30, 2003, pursuant to Articles of Amendment, the name of the Company was changed from Yamana Resources Inc. to Yamana Gold Inc. On August 12, 2003, the authorized capital of the Company was altered by consolidating all of the then issued and outstanding common shares of the Company on the basis of one new common share for 27.86 existing common shares.

The Company’s head office is located at 200 Bay Street, Royal Bank Plaza, North Tower, Suite 2200, Toronto, Ontario M5J 2J3 and its registered office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2.

The corporate chart that follows on the next page illustrates the Company’s principal subsidiaries (collectively, the “Subsidiaries”), together with the jurisdiction of incorporation of each company and the percentage of voting securities beneficially owned, controlled or directed, directly or indirectly, by the Company. As used in this annual information form, except as otherwise required by the context, reference to the “Company” or “Yamana” means Yamana Gold Inc. and the Subsidiaries.



ITEM 3
GENERAL DEVELOPMENT OF THE BUSINESS

Overview of Business

Yamana is a Canadian-based gold producer with significant gold production, gold development stage properties, exploration properties and land positions in Brazil, Chile, Argentina, Mexico and Colombia. Yamana plans to continue to build on this base through existing operating mine expansions and throughput increases, the advancement of its exploration properties and by targeting other gold consolidation opportunities in the Americas.

The Company's portfolio includes: (i) seven operating gold mines, namely Chapada (copper/gold), El Peñón (gold/silver), Jacobina, Gualcamayo, Minera Florida (gold/silver/zinc), Fazenda Brasileiro, Mercedes (gold/silver) plus a 12.5% indirect interest in the Alumbrera mine (copper/gold/molybdenum), and (ii) various advanced and near development stage projects and exploration properties in Brazil, Chile and Argentina.

Set out below is a list of Yamana's main properties and mines:

Producing Mines

- Chapada Mine (Brazil)
- El Peñón Mine (Chile)
- Jacobina Mining Complex (Brazil)
- Gualcamayo Mine (Argentina)
- Minera Florida Mine (Chile)
- Fazenda Brasileiro Mine (Brazil)
- Mercedes (Mexico)
- Alumbrera Mine (Argentina) — 12.5% indirect interest

Development and Advanced Stage Exploration Projects

Unless otherwise stated, construction decisions have been made for the following properties:

- Pilar/Caiamar (Brazil)
- Ernesto/Pau-a-Pique (Brazil)
- C1 Santa Luz (Brazil)
- Minera Florida Tailings (Chile)
- QDD Lower West (Argentina)
- Jeronimo (Chile) — (no construction decision made)

Additional Projects

- Agua Rica (Argentina)
- Suyai (Argentina)

History

Over the three most recently completed financial years, the following events contributed materially to the development of the Company's business:

Gualcamayo Mine — Commercial Production and Expansion

Ore processing at the Gualcamayo gold mine began in early 2009. Commercial production of gold was declared at Gualcamayo effective July 1, 2009. The three main mineral deposits at Gualcamayo include the main Quebrada del Diablo (“QDD”) deposit, the Amelia Inés and Magdalena satellite (“AIM”) deposits and the QDD Lower West (“QDDLW”) underground deposit. In 2010, approximately \$6.6 million was allocated for further exploration of AIM and QDDLW and planned expansion to increase throughput to 1,500 tonnes per hour, which was completed in the fourth quarter of 2010. Continued drilling on the QDDLW deposit increased Mineral Reserves, particularly in the western extension. The Company made a construction decision on the development of the QDDLW in August 2010 and updated its production plan upon completion of an updated feasibility study. The feasibility study demonstrated increased Mineral Reserves and Mineral Resources as well as an increase in planned average annual production beginning in 2013. During 2009, the Company discovered an area of mineralization approximately 10 kilometres north of Gualcamayo, within the Gualcamayo area, called Salamanca. The Company’s evaluation of milling higher grade ore at Gualcamayo is subject to Mineral Resource increases into 2012 and 2013, in relation to which a scoping study is expected to be completed in mid-2012. See “Description of the Business — Mineral Projects”.

Chapada Mine — Expansion and Discovery of New Mineralized Zone

During 2009, Yamana completed an expansion of the Chapada copper-gold mine to 20 million tonnes per year, and the Company is focused on plant optimizations scheduled to increase throughput to up to 22 million tonnes per year before 2012. In 2009, the Company also discovered a new mineralized zone, Suruca, at Chapada for which drill results to-date demonstrate the potential to add ounces from areas surrounding the mine, further extending Chapada’s mine life of 16 years. During 2010, the Suruca pre-feasibility study was carried out to evaluate the economic viability of the Suruca project development. In late December 2011, the Company completed the feasibility study on the oxides at Suruca, which supports average production of 49,000 gold ounces per year over an initial five years beginning in 2013. See “Description of the Business — Mineral Projects”. The Company is now evaluating the gold and copper production contribution to Chapada from Corpo Sul, a mineralized zone that is a potential extension of the main Chapada deposit. Planned production for Chapada will decline in 2012 over 2011 levels, although will increase in terms of gold production in 2013 and in the years to follow, mostly as a result of the start-up of Suruca.

Agua Rica — Integration into Alumbreira

In September 2011, Xstrata Copper (“Xstrata”), Goldcorp Inc. (“Goldcorp”) and the Company reached a definitive agreement, pursuant to which Minera Alumbreira Limited Sucursal Argentina (“Minera Alumbreira”) holds an exclusive four-year option to acquire Yamana’s interest in the Agua Rica project for cumulative payments made by Xstrata and Goldcorp of \$110 million, as set out below. During the option period, Minera Alumbreira will manage the Agua Rica project and fund a feasibility study and all development costs. Minera Alumbreira can elect to exercise the option at any time during the four-year period. A formal decision to purchase Agua Rica will be made at the time of a construction decision. Should Xstrata and Goldcorp decide not to make a construction decision, or should the four year option period expire, Yamana will retain a 100% interest in Agua Rica, retain all payments received prior to termination and be entitled to all work product, technical studies and reports developed with respect to Agua Rica during the option period.

The terms of the definitive agreement provide for Yamana to receive from Xstrata and Goldcorp a combination of payments summarized as follows:

Initial payments totaling \$110 million, payable as follows:

- \$10 million payable upon announcement of the arrangement, which payment has been made;
- \$20 million payable upon execution of formal transaction documents (“closing”), which payment has been made;
- \$20 million payable 12 months from closing;
- \$30 million payable 24 months from closing; and
- \$30 million payable 36 months from closing.

Further payments totaling \$200 million, which include:

- \$150 million payable upon approval to proceed with construction; and
- \$50 million payable upon achieving commercial production.

In addition to the above consideration, the Company will also receive a deferred consideration revenue stream. The deferred consideration to be received by Yamana will be based on a formula (subject to certain adjustments) as follows: 65% of payable gold produced X the lesser of spot gold price and (spot gold price — [\$450 + 10% X (spot gold price - \$1000)]), up to a maximum of 2.3 million ounces paid to Yamana.

An update to the feasibility study for Agua Rica has been commenced and is expected to be complete in early 2013. Minera Alumbraera will work with stakeholders, including Yacimientos Mineros de Agua de Dionisio, to assess the optimum potential development of Agua Rica and complete environmental impact studies. Subject to a positive feasibility study, the option being exercised and all necessary corporate and government approvals, a construction decision is expected to follow, with construction potentially starting in 2013.

Mercedes Mine — Commercial Production

The Mercedes mine, located in Sonora, Mexico, is Yamana's newest mine reaching commercial production as of February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors. With mine development and plant commissioning well advanced and a sufficient stockpile having been created during the mine development period, a first gold pour occurred in mid-November 2011, marking the formal start-up of commissioning production at the mine, which was originally planned for the middle of 2012. Production is initially planned at 120,000 gold equivalent ounces per year although the Company is evaluating the potential to increase throughput to 1,800 tonnes per day through modest plant modifications and optimizations. To the end of February 2012, there have been over 11,000 metres of underground development completed, including the start of development of the Barrancas zone with the higher grade Lagunas Norte vein, one of the newest discoveries at the mine. Development of the vein structure in the Barrancas zone was not included in the original mine plan and represents a significant opportunity to increase production. With increased plant capacity along with the additional ore from Barrancas, and as accelerated underground development work advances during 2012, the Company expects production to increase to over 130,000 gold equivalent ounces in 2013.

Sale of San Andrés, São Francisco and São Vicente to Aura Minerals Inc.

On June 9, 2009, the Company entered into a purchase and sale agreement with Aura Minerals Inc. (the "Purchaser") in connection with the sale to the Purchaser of three of the Company's non-core operating mines, namely San Andrés in Honduras and São Francisco and São Vicente in Brazil, for total consideration at that time of approximately \$270.0 million consisting of a combination of cash, shares, secured promissory notes and deferred payments. The sale transaction was structured in two parts to accommodate jurisdiction-related regulatory requirements. The first disposition related to the sale of shares of the subsidiaries holding a 100% interest in the San Andrés mine, which closed on August 25, 2009, at which time the Company received consideration of approximately \$84.9 million. The second disposition related to the sale of assets that encompassed the São Francisco and São Vicente mines, which closed on April 30, 2010 for total consideration of \$166.6 million. Based on the final terms of the executed purchase and sale agreement with the Purchaser, the results of operations of the above-noted mines were retroactively reclassified as discontinued operations by the Company. In 2011, the Company restructured the debt and other amounts payable to Yamana by receiving 19,056,113 additional shares of the Purchaser, \$5 million in cash, plus a 1.5% net smelter royalty on the sales from San Andrés, São Francisco and São Vicente mines, up to \$16 million, commencing March 1, 2013. The Purchaser can purchase back the net smelter royalty within defined times and for defined payments.

ITEM 4 DESCRIPTION OF THE BUSINESS

Yamana is a Canadian-based gold producer with significant gold production, gold development stage properties, exploration properties and land positions in Brazil, Chile, Argentina, Mexico and Colombia. Yamana

plans to continue to build on this base through existing operating mine expansions and throughput increases, the advancement of its exploration properties and by targeting other gold consolidation opportunities in the Americas.

Principal Products

The Company's principal product is gold, with gold production forming a significant part of revenues. There is a global gold market into which Yamana can sell its gold and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold that it produces.

The Company began producing gold-copper concentrate in 2007 at its Chapada mine. The Company has contracts with a number of smelters, refineries and copper trading companies to sell copper-gold concentrate.

Competitive Conditions

The precious metal mineral exploration and mining business is a competitive business. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive precious metal mineral properties. The ability of the Company to acquire precious metal mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for precious metal development or mineral exploration.

Operations

Employees

As at December 31, 2011, the Company had the following employees and contractors at its operations:

| Country | Employees | Contractors | Total |
|----------------|------------------|--------------------|--------------|
| Brazil | 2,042 | 1,584 | 3,626 |
| Argentina | 577 | 264 | 841 |
| Chile | 2,053 | 2,092 | 4,145 |
| Mexico | 328 | 650 | 978 |
| Colombia | 9 | 9 | 18 |
| United States | 12 | 6 | 18 |
| Canada | 64 | 15 | 79 |

Foreign Operations

The Company's mine and mineral projects are located in Brazil, Chile, Argentina, Mexico and Colombia (see "General Development of the Business — Overview of Business" for a summary of the Company's projects). Any changes in regulations or shifts in political attitudes in any of these jurisdictions, or other jurisdictions in which Yamana has projects from time to time, are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety and receipt of necessary permits. The effect of these factors cannot be accurately predicted.

Environmental

In common with other natural resources and mineral processing companies, the Company's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil in compliance with local and international regulations and standards. There are numerous environmental laws in Brazil, Chile, Argentina, Mexico, Colombia, the United States and elsewhere in the Americas that apply to the Company's operations, exploration, development projects and land holdings. These laws address such matters as protection of the natural environment, air and water quality, emissions standards and disposal of waste.

Yamana's operating mine sites seek to adopt the best environmental practices programs to manage environmental matters and compliance with local and international legislation. Programs include: promotion of rational water use, solid wastes management, control of emissions and fossil fuel consumption, rationing of energy, soil and biodiversity protection, archaeological sites and ruins monitoring, environmental education, archaeological expositions, surface and groundwater monitoring, air monitoring, land reclamation and revegetation, fish monitoring, native seedlings production and native forest conservation.

In 2011, Yamana has continued to improve performance regarding environmental indicators. As compared to 2010, we have achieved positive results with respect to consumption of diesel, electricity and fresh water while also reducing non-mineral solid waste generation. Percentage reductions in these categories, compared to 2010 are as follows: diesel consumption (m³/GEO) is down 9%; electricity consumption (MWh/GEO) is down 3%; fresh water consumption (m³/GEO) is down 27%; and generation of non-mineral solid waste (t/GEO) is down 8%.

Yamana has a corporate integrated management system for Safety, Health, Environment, Community Relations and Social Responsibility (the "YMS") which was created in October 2006. This system was developed based on the best practices and international standards — ISO 14001 — Environmental Management System, OHSAS 18001 — Occupational Health and Safety Management System and SA 8000 — Social Accountability, and the International Cyanide Management Code.

In early 2009, the Company was added to the Jantzi Social Index ("JSI"). Companies included in the JSI must pass a set of broadly based environmental, social and governance criteria. Inclusion in this index is a testament to the Company's social, environmental, health and safety management programs which are considered by JSI to be above average. To date, all of the Company's six wholly-owned mines have achieved ISO 14001 certification for their Environmental Management Systems. This exceeds the industry average.

The YMS involves risk assessment, identification of all legal and contractual requirements, definition of Company objectives and targets, and includes systems to ensure that Yamana operates in compliance with its policies and management programs. The implementation of the YMS commenced in Brazil in 2007 and in Chile in 2008. Yamana has continued to consolidate YMS across existing operations and has extended this consolidation to both exploration and construction, notably with respect to Mercedes through its commencement of commercial operations and for other projects, including Pilar, Ernesto/Pau-a-Pique and C1 Santa Luz, moving forward in 2013. In order to verify compliance with the YMS, corporate cross audits are conducted at each mine site, exploration project and construction project. In 2011, adherence with the YMS was 87.5%, decreasing slightly from 91% in 2010.

Yamana has mapped all environmental risks at its mine sites as part of the YMS. High level risks, including those associated with tailings dam facilities, waste rock dumps or heap leach piles have had enhanced and specific management measures since 2010 in order to be better able to mitigate potential failures, spills or slides. Geomechanical and geochemical risks have been assessed by a third party consultant in order to minimize related risks, such as rock fall, as well as environmental contamination. These, and other high level, risks are dealt with as part of Yamana's emergency response plan with emergency simulation tests being conducted during the year to evaluate the plan's effectiveness.

Each of the Company's mining operations has established a Safety, Health, Environment and Community Committee ("SHEC") which is chaired by the General Manager. These committees meet at least once a month to discuss issues and solutions related to health, safety, environment, community relations and other operational practices. The goal of each SHEC Committee is to measure the effectiveness and performance of the Company's sustainability programs. In 2009, a corporate SHEC committee was formed, comprised of certain vice presidents and directors of the Company and chaired by the President and Chief Operating Officer of the Company, to discuss strategic SHEC issues and to deliberate solutions for the various mine sites.

Certain of the Company's mining operations utilize cyanide. These mines include the Jacobina and Fazenda Brasileiro mines in Brazil; the El Peñón and Minera Florida mines in Chile; the Mercedes mine in Mexico and the Gualcamayo mine in Argentina. The Jacobina, Fazenda Brasileiro, El Peñón and Minera Florida mines have been signatories to the International Cyanide Management Code (the "ICMC") since September 2008. Upon becoming a signatory to the ICMC, a company is granted three years to obtain certification confirming compliance with ICMC principles and standards. In late 2010, ICMC auditors recommended that the Company's Jacobina, Fazenda

Brasileiro, El Peñón and Minera Florida mines receive certification confirming compliance with the ICMC. In July 2011, the Company's Gualcamayo mine also received this recommendation. In 2011, Yamana received full compliance certification for its Jacobina and Minera Florida mines while its El Peñón, Fazenda Brasileiro and Gualcamayo mines are expected to receive full compliance certification in 2012.

The Company has also made several investments in connection with infrastructure improvements to enhance community relations in the locations where it operates. The Company sponsors programs that support and improve health, education and culture in the local communities.

The Company's social responsibility programs are focused on local development, income generation and improvements in quality of life in the local communities. Through programs such as the Partnership Seminar, the Integration Program and the Open Doors Program, Yamana has provided support to local communities in many different areas such as education, culture, health, environment and the generation of employment and income.

The Company's compliance with its environmental policies and obligations is overseen by the Sustainability Committee.

Risks of the Business

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Yamana's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, copper and silver, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property and environmental damage, all of which may result in possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as fire, rock falls, geomechanical issues, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Yamana will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Yamana not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by Yamana towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, water quality standards and land reclamation and regulate the generation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-

compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that the Company has been or will at all times be in full compliance with all environmental laws and regulations or hold, and be in full compliance with, all required environmental and health and safety permits. The potential costs and delays associated with compliance with such laws, regulations and permits could prevent the Company from proceeding with the development of a project or the operation or further development of a mine. There is no assurance that existing or future environmental laws, regulations and permits, and the potential costs and delays associated with compliance therewith, will not materially adversely affect the Company's business, financial condition and results of operations.

At the Alumbra Mine, in which Yamana holds a 12.5% interest, a sulphate seepage plume has developed in the natural groundwater downstream of the tailings facility, currently within the mining concession. After completing the original model, an initial pump back well mesh was designed and completed before start up, in order to capture the seepage, which is characterized by high levels of dissolved calcium and sulphate. It will be necessary to augment the pump-back wells over the life of the mine in order to contain the plume within the concession and to provide for monitoring wells for the Vis Vis River. Based on the latest groundwater model, the pump-back system will need to be operated for several years after mine closure. The concentrate pipeline at the Alumbra Mine crosses areas of mountainous terrain, significant rivers, high rainfall and active agriculture. Although various control structures and monitoring programs have been implemented, any rupture of the pipeline poses an environmental risk from spillage of concentrate. Yamana does not have any indemnities from the previous vendors of its interests in the Alumbra Mine against any potential environmental liabilities that may arise from operations, including, but not limited to, potential liabilities that may arise from the seepage plume or a rupture of the pipeline.

Environmental hazards may also exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties.

Government environmental approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

In certain jurisdictions, the Company may be required to submit, for government approval, a reclamation plan for each of its mining/project sites. The reclamation plan establishes the Company's obligation to reclaim property after minerals have been mined from the sites. In some jurisdictions, bonds or other forms of financial assurances are required as security to ensure performance of the required reclamation activities. The Company may incur significant reclamation costs which may materially exceed the provisions the Company has made for such reclamation. In addition, the potential for additional regulatory requirements relating to reclamation or additional reclamation activities may have a material adverse effect on the Company's financial condition, liquidity or results of operations. When a previously unrecognized reclamation liability becomes known or a previously estimated cost is increased, the amount of that liability or additional cost may be expensed, which may materially reduce net income in that period.

Production at certain of the Company's mines involves the use of sodium cyanide which is toxic material if not handled properly. Should sodium cyanide leak or otherwise be discharged from the containment system then the Company may become subject to liability for clean-up work that may not be insured. While appropriate steps will be

taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards that it may not be insured against. The Company became a signatory to the International Cyanide Code in September 2008. Further information regarding the International Cyanide Code can be found at the International Cyanide Management Institute website located at www.cyanidecode.org.

Counterparty, Credit, Liquidity and Interest Rate Risks and Access to Financing

The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash and short term investments; (ii) companies that have payables to the Company, including concentrate and bullion customers; (iii) providers of its risk management services; (iv) shipping service providers that move the Company's material; (iv) the Company's insurance providers; and (v) the Company's lenders. The Company limits counterparty 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. For cash, cash equivalents and accounts receivable, credit risk is represented by the carrying amount on the balance sheet. For derivatives, the Company assumes no credit risk when the fair value of the instruments is negative. When the fair value of the instruments is positive, this is a reasonable measure of credit risk. The Company is also exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. 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. The Company is exposed to interest rate risk on its variable rate debt and enters into interest rate swap agreements to hedge this risk. These factors may impact the ability of the Company to obtain loans and other credit facilities and refinance existing facilities in the future and, if obtained, on terms favourable to the Company.

Construction and Start-up of New Mines

The success of construction projects and the start up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of ore passes, the ADR plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful; that the Company will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

The Company's projects have no operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. Thus, it is possible that actual costs may change significantly and economic returns may differ materially from the Company's estimates.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified Mineral Reserves, convert Mineral Resources into Mineral Reserves, increase its Mineral Resource base by adding new Mineral Resources

from areas of identified mineralized potential, and/or undertake successful exploration or acquire new Mineral Resources.

The figures for Mineral Reserves and Mineral Resources contained in the annual information form are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the Indicated level of recovery will be realized or that Mineral Reserves could be mined or processed profitably. Actual Mineral Reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its Mineral Reserve estimates from time to time or may render the Company's Mineral Reserves uneconomic to exploit. Mineral Reserve data are not indicative of future results of operations. If the Company's actual Mineral Reserves and Mineral Resources are less than current estimates or if the Company fails to develop its Mineral Resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of Mineral Reserves and Mineral Resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of Inferred Mineral Resource is often the least reliable Mineral Resource category and is subject to the most variability. The Company regularly evaluates its Mineral Resources and it often determines the merits of increasing the reliability of its overall Mineral Resources.

Replacement of Depleted Mineral Reserves

Given that mines have limited lives based on Proven and Probable Mineral Reserves, the Company must continually replace and expand its Mineral Reserves at its gold mines. The life-of-mine estimates included in this annual information form may not be correct. The Company's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to expand Mineral Reserves at existing mines.

Uncertainty Relating to Mineral Resources

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven and Probable Mineral Reserves as a result of continued exploration.

Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities produced, as well as the cost and availability of commodities which are consumed or otherwise used in connection with the Company's operations and projects, including, but not limited to diesel, fuel, natural gas, electricity, steel, concrete and cyanide. Commodity prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, Mineral Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Joint Ventures

Yamana holds an indirect 12.5% interest in the Alumbreira Mine, the other 37.5% and 50% interests being held by Goldcorp and Xstrata, respectively. The Company accounts for this investment under the equity method of accounting. The Company's interest in the Alumbreira Mine is subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition: disagreement with joint venture partners on how to develop and operate mines efficiently; inability of joint venture partners to meet their obligations to the joint venture or third parties; or litigation arising between joint venture partners regarding joint venture matters.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Permitting

The Company's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property.

Insurance and Uninsured Risks

Yamana's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures or unavailability of materials and equipment, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Yamana maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. Yamana may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production such as underground coverage is not generally available to Yamana or to other companies in the mining industry on acceptable terms. Yamana might also become subject to liability for pollution or other hazards that may not be insured against or that Yamana may elect not to insure against because of premium costs or other reasons. Losses from these events, the lack of, or insufficiency of insurance coverage could cause Yamana to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

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; hostage taking; terrorism; military repression; violent crime; extreme fluctuations in currency exchange rates; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favour or require the company to award contracts in, employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in any of the jurisdictions in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of parts and supplies, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The governments in those countries are currently generally supportive of the mining industry but changes in government laws and regulations including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological compliance, expropriation of property and shifts in the political stability of the country could adversely affect the Company's exploration, development and production initiatives in these countries.

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

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Increase in Production Costs

Changes in the Company's production costs could have a major impact on its profitability. Its main production expenses are personnel and contractor costs, materials, and energy. Changes in costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or Mineral Reserve estimates. Many of these factors may be beyond the Company's control.

The Company relies on third party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability by the Company to source third party suppliers for the supply of its raw materials, could have a material adverse effect on the Company's results of operations or financial condition.

The Company prepares estimates of future cash costs and capital costs for its operations and projects. There is no assurance that actual costs will not exceed such estimates. Exceeding cost estimates could have an adverse impact on the Company's future results of operations or financial condition.

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.

Land Title

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The Company's Mining Concessions May be Terminated in Certain Circumstances

The Company's mining concessions may be terminated in certain circumstances. Under the laws of the jurisdictions where the Company's operations, development projects and prospects are located, Mineral Resources belong to the state and governmental concessions are required to explore for, and exploit, Mineral Reserves. The Company holds mining, exploration and other related concessions in each of the jurisdictions where it is operating and where it is carrying on development projects and prospects. The concessions held by the Company in respect of its operations, development projects and prospects may be terminated under certain circumstances, including where minimum production levels are not achieved by the Company (or a corresponding penalty is not paid), if certain fees are not paid or if environmental and safety standards are not met. Termination of any one or more of the Company's mining, exploration or other concessions could have a material adverse effect on the Company's financial condition or results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Additional Capital

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Currency Fluctuations

Currency fluctuations may affect the Company's capital costs and the costs that the Company incurs at its operations. Gold is sold throughout the world based principally on a United States dollar price, but a portion of the

Company's operating and capital expenses are incurred in Brazilian reals, Argentine pesos, Chilean pesos, Mexican pesos and, to a lesser extent, the Canadian dollar and the Euro. The appreciation of foreign currencies, particularly the Brazilian real and the Chilean peso, against the United States dollar would increase the costs of gold production at such mining operations, which could materially and adversely affect the Company's earnings and financial condition. The Company has hedged only a portion of its Brazilian real risks and Mexican pesos risks, and none of the other currencies in which it functions, and is therefore exposed to currency fluctuation risks.

Write-downs and Impairments

Mineral interests are the most significant assets of the Company and represent capitalized expenditures related to the development and construction of mining properties and related property, plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with mining properties are separately allocated to exploration potential, Mineral Reserves and Mineral Resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests and any associated or allocated goodwill for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the recoverable value of the asset is less than the carrying amount of the asset. An impairment loss is measured and recorded to the net recoverable value of the asset. The recoverable value of the asset is the higher of: (i) value in use (being the net present value of total expected future cash flows); and (ii) fair value less costs to sell.

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 for all assets other than goodwill. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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 asset in an arm's length transaction. This is often estimated using discounted cash flow techniques. 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 International Accounting Standards 36 in a discounted cash flow model. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. 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. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

The assumptions used in the valuation of work-in process inventories by the Company include estimates of metal contained in the ore stacked on leach pads, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, estimates of metal contained in ore stock piles, assumptions of the amount of metal that will be crushed for concentrate, estimates of metal-in-circuit, estimated costs of completion to final product to be incurred and an assumption of the gold, silver and copper price expected to be realized when the gold, silver and copper 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 to net realizable value, which would reduce the Company's earnings and working capital. Net realizable value is determined as the difference between costs to complete production into a saleable form and the estimated future precious metal prices based on prevailing and long-term metal prices. 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 lower of the new net reliable value or the original cost.

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.

Available for sale financial assets are reviewed quarterly for possible significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the fact and circumstances of the financial assets, the market price of actively traded securities, as well as the severity of loss, the financial position and near-term prospects of the investment, credit risk of the counterparties, the length of time the fair value has been below costs, both positive and negative evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook. When a decline in the fair value of an available-for-sale investment has been recognized in Other Comprehensive Income ("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 to net income in that period as an impairment loss. The reclassification 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 net income for an investment are subject to reversal, except for an equity instrument classified as available-for-sale.

Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company is currently involved in litigation of a non-material nature and may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

In 2004, a former director of Northern Orion Resources Inc. ("Northern Orion") commenced proceedings in Argentina against Northern Orion claiming damages in the amount of \$177 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitle 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 indirect 12.5% equity interest in the Alumbraera 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 considers 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. See "Legal Proceedings and Regulatory Actions".

Use of Derivatives

From time to time the Company uses or may use certain derivative products to manage the risks associated with changes in gold prices, silver prices, copper prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk — the risk of default on amounts owing to the Company by the counterparties with which Company has entered into such transaction; (ii) market liquidity risk — risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; (iii) unrealized mark-to-market risk — the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Governmental Regulation of the Mining Industry

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations.

Labour and Employment Matters

While the Company has good relations with both its unionized and non-unionized employees, production at its mining operations is dependent upon the efforts of the Company's employees. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

Foreign Subsidiaries

The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Market Price of Common Shares

The common shares are listed on the Toronto Stock Exchange (the "TSX"), the New York Stock Exchange (the "NYSE") and the London Stock Exchange (the "LSE"). The price of the common shares is likely to be significantly affected by short-term changes in gold prices or in the Company's financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that

may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dividend Policy

The Company paid its first quarterly dividend of \$0.01 per common share on October 13, 2006 and began paying monthly dividends of \$0.01 per common share from July 2008 through December 2008. The Company has established a dividend policy providing for a dividend yield that is consistent with the yield of comparable companies' dividend rates and will be reviewed on a periodic basis and assessed in relation to the growth of the operating cash flows of the Company. As of the end of 2008, the dividend yield in respect of the common shares had become significantly more than the yield implied by comparable companies' dividend rates and the yield implied on the common shares when the Company's dividend policy was initially instituted. In January 2009, the Company's board of directors amended the Company's dividend policy to return to quarterly dividends of \$0.01 per share commencing in the first quarter of 2009, which policy was further amended for each of the second, third and fourth quarters of 2010 to increase quarterly dividends paid per share to \$0.015 for the second quarter, \$0.02 for the third quarter and \$0.03 per share for the fourth quarter of 2010. The Company also declared a special dividend of \$0.01 per share in the fourth quarter of 2010. In May 2011, the Company's board of directors amended the Company's dividend policy to increase quarterly dividends paid per share to \$0.045 commencing in the third quarter of 2011, which policy was further amended in November 2011 to increase quarterly dividends paid per share to \$0.05 commencing in the fourth quarter of 2011.

Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition, comparability of the dividend yield to peer gold companies and current and anticipated cash needs.

Dilution to Common Shares

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, the holders are given an opportunity to profit from a rise in the market price of the common shares with a resulting dilution in the interest of the other shareholders. The Company's ability to obtain additional financing during the period such rights that are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares. Substantially all of the common shares not held by affiliates of the Company can be resold without material restriction either in the United States, in Canada or both.

Dependence Upon Key Management Personnel and Executives

The Company is dependent upon a number of key management personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel. The Company has entered into employment agreements with certain of its key executives.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Canada Business Corporations Act* and any other applicable law.

Disclosure and Internal Controls

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required decisions. The Company has invested resources to document and analyze its system of disclosure controls and its internal control over financial reporting. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Technical Information

The estimated Mineral Reserves and Mineral Resources for the Company's various mines and mineral projects set forth herein, with the exception of the Alumbreira Mine (see "JORC Code Definitions", below), have been calculated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Council — Definitions adopted by CIM Council on December 11, 2005 (the "CIM Standards"). The following definitions are reproduced from the CIM Standards:

The term "***Mineral Resource***" means a concentration or occurrence of diamond, natural, solid, inorganic or natural solid fossilized organic material including base and precious metals, coals, and industrial minerals in or on the Earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The term "***Inferred Mineral Resource***" means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term "***Indicated Mineral Resource***" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing

information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

The term “**Measured Mineral Resource**” means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The term “**Mineral Reserve**” means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

The term “**Probable Mineral Reserve**” means the economically mineable part of an Indicated Mineral Resource and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term “**Proven Mineral Reserve**” means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

JORC Code Definitions

The estimated Ore Reserves and Mineral Resources for the Alumbreira Mine have been calculated in accordance with the current (2004) version of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (the “JORC Code”), the Australian worldwide standards. The JORC Code has been accepted for current disclosure rules in Canada under NI 43-101. The following definitions are reproduced from the JORC Code:

The term “**Mineral Resource**” means a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The term “**Inferred Mineral Resource**” means that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

The term “**Indicated Mineral Resource**” means that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

The term “**Measured Mineral Resource**” means that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through

appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.

The term “**Ore Reserve**” means the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

The term “**Probable Ore Reserve**” means the economically mineable part of an Indicated, and in some circumstances Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

The term “**Proved Ore Reserve**” means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

The foregoing definitions of Ore Reserves and Mineral Resources as set forth in the JORC Code have been reconciled to the definitions set forth in the CIM Standards. If the Ore Reserves and Mineral Resources for the Alumbreira Mine were estimated in accordance with the definitions in the CIM Standards, there would be no substantive difference in such Ore Reserves and Mineral Resources.

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

This section uses the terms “Measured”, “Indicated” and “Inferred” Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**

Average Cash Costs

The Company discloses “average 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 are not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. Average 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 is the 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. Average 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. Average cash costs are computed both on a co-product and by-product basis.

Cash costs per gold equivalent ounce are calculated on a co-product and by-product basis applying zinc and copper net revenue as a credit to the cost of gold production and as such the by-product gold equivalent ounce cash costs are impacted by realized zinc and copper prices. 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 separately to metals (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 average cash costs of production per gold equivalent ounce and per pound of copper, respectively.

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

The measure, along with 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.

Mineral Projects

Summary of Mineral Reserve and Mineral Resource Estimates

Mineral Reserves (Proven and Probable)

The following table sets forth the Mineral Reserve estimates for the Company's mineral projects as at December 31, 2011. See "Interests of Experts" for a listing of the qualified persons responsible for such estimates.

| Gold | Proven Mineral Reserves | | | Probable Mineral Reserves | | | Total Proven & Probable | | |
|------------------------------------|-------------------------|----------------|--------------------------|---------------------------|----------------|--------------------------|-------------------------|----------------|--------------------------|
| | 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) |
| Alumbraera (12.5%) | 31,000 | 0.37 | 369 | 1,000 | 0.24 | 8 | 32,000 | 0.36 | 376 |
| Chapada | 135,650 | 0.22 | 970 | 278,880 | 0.26 | 2,347 | 414,530 | 0.25 | 3,317 |
| C1 Santa Luz | 19,752 | 1.55 | 987 | 10,860 | 1.37 | 478 | 30,612 | 1.49 | 1,465 |
| El Peñón | 1,636 | 7.95 | 418 | 9,719 | 5.71 | 1,783 | 11,355 | 6.03 | 2,202 |
| Ernesto/Pau a Pique | 2,279 | 3.86 | 283 | 5,884 | 2.69 | 508 | 8,163 | 3.01 | 791 |
| Fazenda Brasileiro | 3,123 | 2.57 | 258 | 1,488 | 2.10 | 101 | 4,611 | 2.42 | 359 |
| Gualcamayo | 15,400 | 1.05 | 518 | 43,500 | 1.20 | 1,676 | 58,900 | 1.16 | 2,194 |
| Jacobina | 6,482 | 2.16 | 450 | 16,315 | 2.96 | 1,555 | 22,797 | 2.74 | 2,005 |
| Jeronimo (57%) | 6,350 | 3.91 | 798 | 2,331 | 3.79 | 284 | 8,682 | 3.88 | 1,082 |
| Mercedes | 492 | 9.12 | 144 | 4,804 | 5.31 | 820 | 5,296 | 5.66 | 964 |
| Minera Florida Ore | 2,998 | 3.50 | 338 | 2,005 | 4.74 | 306 | 5,004 | 4.00 | 643 |
| Minera Florida Tailings | 5,661 | 1.09 | 198 | — | — | — | 5,661 | 1.09 | 198 |
| Total Minera Florida | 8,659 | 1.93 | 536 | 2,005 | 4.74 | 306 | 10,665 | 2.45 | 842 |
| Pilar | — | — | — | 11,098 | 4.04 | 1,440 | 11,098 | 4.04 | 1,440 |
| Total Gold Mineral Reserves | 230,824 | 0.77 | 5,732 | 387,885 | 0.91 | 11,305 | 618,709 | 0.86 | 17,038 |
| Agua Rica | 384,871 | 0.25 | 3,080 | 524,055 | 0.21 | 3,479 | 908,926 | 0.22 | 6,559 |

| Silver | Tonnes (000's) | Grade (g/t) | Contained oz. (000's) | Tonnes (000's) | Grade (g/t) | Contained oz. (000's) | Tonnes (000's) | Grade (g/t) | Contained oz. (000's) |
|-------------------------|-------------------|----------------|-----------------------------|-------------------|----------------|--------------------------|-------------------|----------------|--------------------------|
| El Peñón | 1,636 | 225.82 | 11,879 | 9,719 | 174.83 | 54,631 | 11,355 | 182.18 | 66,511 |
| Mercedes | 492 | 106.77 | 1,690 | 4,804 | 54.44 | 8,408 | 5,296 | 59.31 | 10,099 |
| Minera Florida Ore | 2,998 | 20.19 | 1,946 | 2,005 | 31.42 | 2,026 | 5,004 | 24.69 | 3,972 |
| Minera Florida Tailings | 5,661 | 12.96 | 2,359 | — | — | — | 5,661 | 12.96 | 2,359 |

| | Proven Mineral Reserves | | | Probable Mineral Reserves | | | Total Proven & Probable | | |
|--------------------------------------|-------------------------|--------------|------------------|---------------------------|---------------|------------------|-------------------------|--------------|------------------|
| Total Minera Florida | 8,659 | 15.46 | 4,305 | 2,005 | 31.42 | 2,026 | 10,665 | 18.46 | 6,330 |
| Total Silver Mineral Reserves | 10,788 | 51.54 | 17,875 | 16,528 | 122.44 | 65,065 | 27,316 | 94.44 | 82,940 |
| Agua Rica | 384,871 | 3.73 | 46,176 | 524,055 | 3.33 | 56,070 | 908,926 | 3.50 | 102,246 |
| Copper | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Alumbreira (12.5%) | 31,000 | 0.37 | 253 | 1,000 | 0.28 | 6 | 32,000 | 0.37 | 259 |
| Chapada | 135,650 | 0.30 | 891 | 220,010 | 0.29 | 1,419 | 355,660 | 0.29 | 2,310 |
| Total Copper Mineral Reserves | 166,650 | 0.31 | 1,144 | 221,010 | 0.29 | 1,425 | 387,660 | 0.30 | 2,569 |
| Agua Rica | 384,871 | 0.56 | 4,779 | 524,055 | 0.43 | 5,011 | 908,926 | 0.49 | 9,789 |
| Zinc | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Minera Florida | 2,998 | 0.99 | 65 | 2,005 | 1.34 | 59 | 5,004 | 1.13 | 125 |
| Total Zinc Mineral Reserves | 2,998 | 0.99 | 65 | 2,005 | 1.34 | 59 | 5,004 | 1.13 | 125 |
| Molybdenum | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Alumbreira (12.5%) | 31,000 | 0.013 | 9 | 1,000 | 0.014 | 0.3 | 32,000 | 0.013 | 9 |
| Total Moly Mineral Reserves | 31,000 | 0.013 | 9 | 1,000 | 0.014 | 0.3 | 32,000 | 0.013 | 9 |
| Agua Rica | 384,871 | 0.033 | 279 | 524,055 | 0.030 | 350 | 908,926 | 0.031 | 629 |

Mineral Resources (Measured, Indicated and Inferred)

The following table set forth the Mineral Resource estimates and for the Company's mineral projects as at December 31, 2011. See "Interests of Experts" for a listing of the qualified persons responsible for such estimates.

| Gold | Measured Mineral Resources | | | Indicated Mineral Resources | | | Total Measured & Indicated | | | Inferred Mineral Resources | | |
|-------------------------------------|----------------------------|--------------|------------------|-----------------------------|--------------|------------------|----------------------------|--------------|------------------|----------------------------|--------------|------------------|
| | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) |
| Amancaya | — | — | — | — | — | — | — | — | — | 1,390 | 7.90 | 351 |
| C1-Santa Luz Shallow | 3,243 | 1.00 | 104 | 5,792 | 1.07 | 199 | 9,035 | 1.04 | 303 | 2,638 | 1.19 | 101 |
| C1-Downdip Extension | — | — | — | 3,046 | 2.85 | 279 | 3,046 | 2.85 | 279 | 3,217 | 3.63 | 376 |
| Total C1 Santa Luz | 3,243 | 1.00 | 104 | 8,837 | 1.68 | 478 | 12,081 | 1.50 | 582 | 5,855 | 2.53 | 476 |
| Chapada | 40,760 | 0.16 | 212 | 258,681 | 0.24 | 1,978 | 299,441 | 0.23 | 2,190 | 358,960 | 0.10 | 1,182 |
| El Peñón | 604 | 10.17 | 198 | 1,306 | 5.93 | 249 | 1,910 | 7.28 | 447 | 5,257 | 6.55 | 1,107 |
| Ernesto/Pau a Pique | 204 | 6.28 | 41 | 2,083 | 1.50 | 100 | 2,287 | 1.92 | 141 | 4,868 | 1.87 | 293 |
| Fazenda Brasileiro | 127 | 1.82 | 7 | 2,361 | 1.92 | 146 | 2,488 | 1.91 | 153 | 4,728 | 3.45 | 525 |
| Gualcamayo | 7,244 | 1.20 | 279 | 26,325 | 0.99 | 840 | 33,569 | 1.04 | 1,119 | 10,259 | 1.90 | 626 |
| Jacobina | 12,259 | 2.22 | 876 | 15,303 | 3.08 | 1,515 | 27,562 | 2.70 | 2,391 | 15,814 | 2.68 | 1,362 |
| Jeronimo (57%) | 772 | 3.77 | 94 | 385 | 3.69 | 46 | 1,157 | 3.74 | 139 | 1,118 | 4.49 | 161 |
| La Pepa | 15,750 | 0.61 | 308 | 133,682 | 0.57 | 2,452 | 149,432 | 0.57 | 2,760 | 37,900 | 0.50 | 620 |
| Mercedes | 57 | 7.50 | 14 | 1,809 | 3.00 | 174 | 1,866 | 3.13 | 188 | 3,293 | 3.98 | 421 |
| Rey del Oro | — | — | — | — | — | — | — | — | — | 4,020 | 0.68 | 88 |
| Total Mercedes | 57 | 7.50 | 14 | 1,809 | 3.00 | 174 | 1,866 | 3.13 | 188 | 7,313 | 2.16 | 509 |
| Minera Florida | 1,321 | 6.21 | 264 | 1,471 | 5.60 | 265 | 2,792 | 5.89 | 529 | 3,457 | 5.32 | 591 |
| Pilar | — | — | — | 1,094 | 4.51 | 159 | 1,094 | 4.51 | 159 | 6,785 | 4.19 | 915 |
| Pilar - Caiamar | — | — | — | 703 | 4.76 | 108 | 703 | 4.76 | 108 | 1,380 | 3.30 | 150 |
| Total Pilar | — | — | — | 1,797 | 4.62 | 267 | 1,797 | 4.62 | 267 | 8,165 | 4.06 | 1,065 |
| Suyai | — | — | — | 4,700 | 15.00 | 2,286 | 4,700 | 15.00 | 2,286 | 900 | 9.90 | 274 |
| Total Gold Mineral Resources | 82,347 | 0.91 | 2,397 | 458,743 | 0.73 | 10,796 | 541,090 | 0.76 | 13,192 | 465,991 | 0.61 | 9,142 |
| Agua Rica | 27,081 | 0.14 | 120 | 173,917 | 0.14 | 776 | 200,998 | 0.14 | 896 | 642,110 | 0.12 | 2,444 |
| Silver | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) | (000's) | (g/t) | oz. (000's) |
| Amancaya | — | — | — | — | — | — | — | — | — | 1,390 | 73.00 | 3,270 |
| Chapada | — | — | — | 82,161 | 1.43 | 3,775 | 82,161 | 1.43 | 3,775 | 27,553 | 1.11 | 982 |
| El Peñón | 604 | 231.90 | 4,505 | 1,306 | 163.87 | 6,879 | 1,910 | 185.40 | 11,384 | 5,257 | 274.89 | 46,458 |
| Mercedes | 57 | 34.51 | 63 | 1,809 | 32.25 | 1,876 | 1,866 | 32.32 | 1,939 | 3,293 | 41.97 | 4,443 |
| Rey del Oro | — | — | — | — | — | — | — | — | — | 4,020 | 21.77 | 2,814 |
| Total Mercedes | 57 | 34.51 | 63 | 1,809 | 32.25 | 1,876 | 1,866 | 32.32 | 1,939 | 7,313 | 30.87 | 7,257 |
| Minera Florida | 1,321 | 32.00 | 1,354 | 1,471 | 30.00 | 1,409 | 2,792 | 30.78 | 2,763 | 3,457 | 44.00 | 4,884 |
| Suyai | — | — | — | 4,700 | 23.00 | 3,523 | 4,700 | 23.00 | 3,523 | 900 | 21.00 | 575 |

| | Measured Mineral Resources | | | Indicated Mineral Resources | | | Total Measured & Indicated | | | Inferred Mineral Resources | | |
|---------------------------------------|----------------------------|--------------|------------------|-----------------------------|--------------|------------------|----------------------------|--------------|------------------|----------------------------|--------------|------------------|
| Total Silver Mineral Resources | 1,982 | 92.92 | 5,922 | 91,447 | 5.94 | 17,462 | 93,429 | 7.78 | 23,384 | 45,870 | 43.01 | 63,426 |
| Agua Rica | 27,081 | 2.35 | 2,042 | 173,917 | 2.89 | 16,158 | 200,998 | 2.82 | 18,200 | 642,110 | 2.33 | 48,124 |
| Copper | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Chapada | 40,760 | 0.19 | 167 | 176,520 | 0.21 | 818 | 217,280 | 0.21 | 986 | 331,407 | 0.17 | 1,218 |
| Total Copper Mineral Resources | 40,760 | 0.19 | 167 | 176,520 | 0.21 | 818 | 217,280 | 0.21 | 986 | 331,407 | 0.17 | 1,218 |
| Agua Rica | 27,081 | 0.45 | 266 | 173,917 | 0.38 | 1,447 | 200,998 | 0.39 | 1,714 | 642,110 | 0.34 | 4,853 |
| Zinc | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Minera Florida | 1,321 | 1.75 | 51 | 1,471 | 1.70 | 55 | 2,792 | 1.72 | 106 | 3,457 | 1.43 | 109 |
| Total Zinc Mineral Resources | 1,321 | 1.75 | 51 | 1,471 | 1.70 | 55 | 2,792 | 1.72 | 106 | 3,457 | 1.43 | 109 |
| Molybdenum | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained | Tonnes | Grade | Contained |
| | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) | (000's) | (%) | lbs (mm) |
| Agua Rica | 27,081 | 0.049 | 29 | 173,917 | 0.037 | 142 | 200,998 | 0.039 | 172 | 642,110 | 0.034 | 480 |

Note: Mineral Resources are exclusive of Mineral Reserves.

Yamana Gold Inc. Mineral Reserve and Mineral Resource Reporting Notes:

1. Metal Prices and Cut-off Grades:

| <u>Mine</u> | <u>Mineral Reserves</u> | <u>Mineral Resources</u> |
|---------------------|---|---|
| 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 |
| Caiamar | N/A | 1.5 g/t Au cut-off |
| Chapada | \$950 Au, \$2.50 Cu, \$4.40 NSR cut-off for Chapada Mine \$900 Au; 0.2 g/t Au cut-off for oxides and 0.3 g/t Au cut-off for sulphide in Suruca project | \$3.53 NSR cut-off out of pit for Chapada Mine 0.2 g/t Au cut-off for oxides and 0.3 g/t Au cut-off for sulphide in Suruca project |
| C1-Santa Luz | \$950 Au for C1, Antas 2, Antas 3 and \$750 Au Mansinha and Mari, 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 |
| 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 0.15 g/t Au Open Pit cut-off | 1.00 g/t Au UG and 0.15 g/t Au OP cut-off |
| Jacobina | \$950 Au, 1.17 g/t Au cut-off | 0.5 g/t Au cut-off for Jacobina Mines and 1.5 g/t Au cut-off for Pindobaçu Project |
| Jeronimo | \$900 Au, 2.0 g/t Au cut-off | 2.0 g/t Au cut-off |
| La Pepa | N/A | \$780 Au, 0.30 g/t Au cut-off |
| Mercedes | \$950 Au, \$20.00 Ag, 3.0 g/t Aueq | 2.0 g/t Aueq cut-off for Mercedes and 0.4 g/t Aueq cut-off for Rey del Oro |
| Minera Florida | \$950 Au, \$20.00 Ag, \$1 lb Zn, 2.51g/t Aueq cut-off and Florida tailings cut-off N/A | 2.5 g/t Aueq cut-off |
| Pilar | \$900 Au; 2.0 g/t Au cut-off | 2.0 g/t Au cut-off |

| Mine | Mineral Reserves | Mineral Resources |
|-----------|---|--------------------|
| 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 |

- 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 Alumbreira mine which have been calculated in accordance with the JORC Code which is accepted under NI 43-101.
- All Mineral Resources are reported exclusive of Mineral Reserves.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
- Mineral Reserves and Mineral Resources are reported as of December 31, 2011.
- 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.

Material Mineral Properties

Chapada Mine

Unless otherwise stated, the information, tables and figures that follow relating to the Chapada Mine are derived from, and in some instances are extracts from, the technical report entitled “Chapada Mine and Suruca Project, Goiás State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011 (the “Chapada Report”), prepared by (the “Chapada Qualified Persons”) Sergio Brandão Silva, P.Geo., Exploration Director of Yamana, Greg Walker, P.Geo., Senior Manager, Resources Estimation of Yamana, Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R of Yamana, Homero Delboni, Jr., Ph.D., Senior Consultant of HDA Serviços s/s Ltda., Raul Contreras, MAusIMM, Senior Consultant, Resource Estimation of Metálica Consultores S.A. (“Metálica”) and Renato Petter, P. Eng., Technical Services Director of Yamana. The technical information contained in this section of the annual information form, other than the technical information set forth under the heading “— Current Exploration and Development”, has been reviewed and approved by the Chapada Qualified Persons, each of whom is a “qualified person” for the purpose of NI 43-101. See “Interests of Experts”.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Chapada Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on the Company’s SEDAR profile at www.sedar.com.

Property Description and Location

Mineração Maracá controls the Chapada property through a series of mining concessions and exploration permits and claims totaling 17,182 hectares. The mining concession covering the Chapada deposit was granted in 1979 and has been renewed periodically. It amounts to approximately 3,000 hectares of the land package.

Mineração Maracá controls surface rights in the area of the Chapada deposit and covers the sites for all project buildings and fixed installations, as well as the areas for waste dumps and tailings disposal through about year 2012 of the current mine plan. Yamana believes that it can acquire the right to dispose of waste rock and tailings on additional surface property, if and when required. Mineração Maracá’s land ownership is registered with the Registrar of Real Estate in Mara Rosa, Goiás.

Other than statutory royalties which are paid to the Brazilian government based on commercial copper and gold production, the Company is not aware of any rights, agreements or encumbrances to which the Chapada property is subject, which would adversely affect the value of the property or Mineração Maracá’s ownership interest therein. The Company is not aware of any environmental liabilities to which the property is subject.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Chapada property is located in northern Goiás State, Brazil, approximately 320 kilometres north of the state capital Goiânia and 270 kilometres northwest of the national capital of Brasília. The property is accessible via the paved federal road BR-153. The town of Alto Horizonte, which has a dirt airstrip suitable for small aircraft, is within 10 kilometres of the property, and the towns of Campinorte and Nova Iguacu are within 6 and 30 kilometres respectively and Uruaçu is within 50 kilometres. A proposed new rail line, which is currently being built, is expected to pass within 25 kilometres of the property. Adequate paved roads are available for the delivery of supplies to the site and for the transportation of mineral concentrates to various ports and smelters.

The average elevation of the property is approximately 300 metres above sea level and the topography is characterized by low rolling hills, with adjacent large flat areas. Suitable sites are available for all required waste disposal, processing and ancillary project facilities. Annual temperatures typically range from a minimum of about 4° Celsius to a maximum of about 45° Celsius. Average annual rainfall is approximately 1,500 millimetres. Climatic conditions permit year-round open pit mining operations.

Electricity is provided from the Brazilian national grid via a 230 kilovolt transmission line. The mine has the applicable Water Usage Permit for water supply from Rio dos Bois which is valid until 2012. The current operation requires about 1,000 cubic metres per hour of new water. Rios Dos Bois is currently supplying about 750 cubic metres per hour. Mine drainage water, rainfall, and industrial drainage areas supply the remaining requirement.

History

The following table summarizes the history of the Chapada Mine.

| | |
|-----------|--|
| 1975-1976 | INCO Ltda completes a 2000m x 500m grid drilling program. Parsons-Eluma Projetos e Consultoria S/C, a Brazilian copper company acquires a 50% interest in the project. |
| 1976-1979 | INCO Ltda and Parsons-Eluma Projetos e Consultoria S/C completes 200m x 100m drill grid. A 92m deep shaft is completed with 255m of crosscuts for exploration and metallurgical sampling. |
| 1979-1979 | Mining concession Number 2394 covering 3,000 hectares is issued to Mineracao Alonte by the Departamento Nacional da Producao Mineral. |
| 1980-1981 | Soil drilling was completed in the future plant, tailing ponds, and potential water dam areas. |
| 1981 | Feasibility study completed by Parsons-Eluma Projetos e Consultoria S/C. |
| 1994-1995 | A 4500m drilling program re-evaluates a near surface gold deposit. A preliminary feasibility study was completed by Watts, Griffis and McQuat. |
| May 1994 | Mineração Santa Elina Industria e Comercio S/A acquires the Chapada deposit through a subsidiary named Mineracao Maraca Industria e Comercio. |
| July 1994 | Echo Bay acquires an initial interest in Mineração Santa Elina Industria e Comercio S/A by purchasing 5% of the outstanding shares from Sercor. |
| Dec 1994 | Mineração Santa Elina Industria e Comercio S/A completes its initial public offering. |
| Sep 1995 | Mineração Santa Elina Industria e Comercio S/A and Echo Bay approve the Chapada Project joint venture. Santa Elina issues about 3% of the outstanding shares to Echo Bay. Echo Bay receives the option to acquire 50% interest in the project. |
| May 1996 | Mineração Santa Elina Industria e Comercio S/A is privatized and Sercor and Echo Bay become equal owners of the company. |

| | |
|----------|--|
| Dec 1996 | Mineração Santa Elina Industria e Comercio S/A completes an in-fill drilling program |
| Dec 1997 | Independent Mining Consultants, Inc. reviews the Echo Bay model and completes a mine feasibility study. |
| Jan 1998 | Kilborn Holdings Inc., now SNC-Lavalin Group Inc., completes the Chapada Project Bankable Feasibility Study (the 1997 study referenced in this document). |
| Nov 1999 | The initial environmental license was issued (LP) |
| May 2000 | PINUS acquires 100% of Mineracao Maraca. |
| Apr 2001 | The construction license was issued (LI) |
| 2003 | The project was acquired by Yamana. |
| 2004 | Yamana engaged Hatch Limited, Independent Mining Consultants, Inc. and other consultants to progress various aspects of the feasibility of developing the property. The study was completed in August 2004 |
| 2004 | Yamana secured \$100 million in debt financing for the construction of the Chapada Project in October. A formal construction decision was made in December. |
| 2005 | Plant construction and mine waste stripping commence. |
| 2006 | Construction completed during the fourth quarter of 2006 with concentrate production in November. |
| 2007 | Commercial production declared on February 11, 2007. |
| 2007 | Yamana re-started exploration program with 9 holes/1924 meters of diamond drill holes in east Chapada deposit for check extension mineralization intercepted for old drill executed in 1996 by joint venture Santa Elina-Echo Bay and for test easter sinclinal using model of mineralization associate volcanogenic massive sulphide. |
| 2008 | Yamana commenced work on the mine expansion at Chapada initially to increase production from 16 Mtpy to 20 Mtpy and subsequently to 22 Mtpy. |
| 2010 | Yamana developed exploration drill holes on the SW area of the main pit and infill hole to support mineral resource reclassification. No Resource estimation was developed using the new set of drilling. |

The Suruca Target has been explored by different companies since the 1970's and in the 1980's was exploited by garimpeiros. See below the summary activities:

- Suruca was worked by several companies : Inco/Eluma (1980 to 1981), Cominco (1987 to 1988), WMC (1993 to 1994) and Santa Elina/Echo Bay (1996 to 1997);
- 1980's exploited by "Garimpeiros";
- In 2008 Yamana began exploration work with geological mapping, chip sampling and shallow drilling (Suruca South); and
- In 2009 Yamana completed further drilling in a magnetic anomaly and the Suruca Garimpo with positive results.

Geological Setting

The Chapada deposit is located in the northern part of Goiás State which is a significant mineral producing state, hosting a number of mines producing gold, nickel, phosphate and asbestos.

The regional geology of the Chapada area is composed of Proterozoic greenstones made up of volcanic and sedimentary sequences which have been locally cross cut by granitic intrusions. The greenstones have been metamorphosed to biotite and amphibolite schist in the Chapada mineralized area.

The Chapada area is located between the Amazonian craton to the northwest and the San Francisco craton to the southeast. This area is part of a large system of mobile belts that have a complex history of deformation. The component units vary widely in age.

In the immediate area of the Chapada deposit, the biotite and amphibolite schist units have been folded into a broad anticline with a northeasterly fold axis. The two limbs of the anticlinal structure dip to the northwest and southeast. There is a minor secondary synclinal fold of the major antiform so that the northeast and southwest ends are somewhat higher than the central zone of the structure in the middle of the deposit. This combination of folds gives the deposit a broad “saddle” shape.

The Chapada mineralization is hosted in the biotite and amphibolite schists described above. The best grade of the deposit appears to be located at the axis of the anticline indicating that perhaps the structural preparation associated with folding provided better conduits for hydrothermal fluids. There are intrusive pegmatites within the deposit that are essentially barren.

The bedrock schists are overlain by approximately 25 metres of saprolite material. There is a minor lateritic component near the top of the saprolite zone. Within that laterite component there is a “Ferricrete” or Iron Shot zone at surface that will be useful as road base and provides a sound initial working surface in the mine area.

The Suruca geology was grouped from the base to the top as: Amphibolite (ANF), Intermediate Metavolcanic rocks (MVI) and Metasediments (MTS), there are several intrusions of Quartz Diorite porphyry (QDP) that occur preferentially in the intermediate metavolcanic rocks (MVI) and Metasediments (MTS). The hydrothermal alteration overprints the lithologies and is characterized by inner and outer halos: i) Inner halo occurs in the intermediate rocks, metasediments and diorites with strong and pervasive sericitic alteration (MVA); ii) outer halo is characterized by a propylitic halo that occurs mainly in the amphibolites.

Exploration

Anomalous copper values were first discovered in the Chapada area in 1973, during a regional programme of stream sediment sampling. The Chapada deposit was identified during follow-up work that was conducted in 1974 and 1975, and included detailed stream sediment surveys, soil geochemistry, geophysics, trenching and broadly spaced initial target drilling. Additional copper-gold anomalies have been identified along the general trend defined by the northwest strike of the Chapada deposit. Exploration of the approximately 50 kilometre trend has been undertaken by Yamana predecessors with geophysical, geochemical and drill sampling with some success.

Due to the presence of a ubiquitous lateritic-saprolitic soil cover, outcrops in the Chapada area are sparse. Consequently, deposit definition required extensive diamond drill exploration. Development drilling of the deposit occurred in several campaigns from 1976 through 1996 by Inco, Eluma, Eluma-Noranda, Santa Elina, and Santa Elina/Echo Bay.

Exploration work was restarted by Yamana in 2007 with diamond drilling mainly in the east of the pit to check extension mineralization potentially hosted in a synclinal structure based on a model of mineralization associated with volcanogenic massive sulfide.

In early 2008, consultant Richard Sillitoe defined a genetic model of mineralization with a typical porphyry copper-gold system (Cu-Au-Mo association) that underwent intense isoclinal folding and amphibolite facies metamorphism during continental collision at the end of the Neoproterozoic. However, original mineralogy may not have been so profoundly changed, because of the stability of minerals like quartz, anhydrite, pyrite, chalcopyrite,

magnetite and biotite under amphibolite facies conditions. The economic mineralization is in a zone of remobilized chalcopyrite structurally controlled in the axial zone of an asymmetric D2 anticlinal fold. A total of 5,500 metres of diamond drilling was undertaken in 2008 for resource extension in a 100 x 100 m grid.

See also “— Current Exploration and Development”.

Mineralization

The primary copper-gold mineralization at Chapada is epigenetic. Copper is principally present as chalcopyrite with minor bornite. Fine-grained gold is closely associated with the sulphide mineralization and was likely contemporaneous with copper. The shearing and the metasomatic event resulted in the appearance of at least two tabular zones of biotite schist which host the disseminated mineralization.

Copper mineralization occurs as finely disseminated sulphide crystals, elongated pods, lenses along foliation, crosscutting stringers and coarse clots in occasional late stage quartz veins or pegmatites. The copper mineralization and grade are somewhat better in the central zone of the deposit along the anticline axis than in the surrounding anticlinal limbs. However, copper mineralization is pervasive over a broad area. Gold mineralization is more uneven spatially and may have been remobilized by post mineral low temperature alternation events.

The Chapada copper-gold deposit has generally a tabular shape that strikes northeast within the anticlinal fold that hosts the mineralization. The general strike length is roughly 3500 metres with a width of 900m and a depth of as much as 220 metres. The deposit is near surface with only minor saprolite cover. Laterite and saprolites are essentially barren, but ore grade mineralization begins immediately at the bedrock contact in the center of the deposit. Some oxide copper minerals are present at the bedrock-saprolite contact, but they are minor and are not currently considered economic. Secondary copper minerals have not been observed in any measurable quantity.

Drilling

Between 1976 and 1996, 856 diamond core drill holes totaling 67,314 metres of drilling and 47,939 sample intervals were completed in the vicinity of the Chapada deposit, in several campaigns conducted by Inco, Eluma/Noranda, Santa Elina and Santa Elina/Echo Bay.

The drilling consists of two hole series: (1) short CHD series holes that were drilled to test saprolite material; and (2) longer M series holes. The drilling has delineated the main deposit areas at a spacing of 100 metres by 50 metres, with a tighter 50 metre pattern in the central portion of the deposit.

A total of 680 of the 856 holes were drilled in the 1995-1996 drilling campaigns, and were NQ or NX size core holes. The longer M series holes only tended to be approximately 150 metres in length due to the shallow nature of the deposit, thus significant deviation in hole orientation is not expected. Documentation exists of several reverse circulation holes that appear to have been drilled for condemnation purposes. There were also some early S series holes in the saprolite material.

The Chapada deposit is flat lying and the drill holes are mainly vertical, thus mineral intercepts represent true thickness.

Sampling and Analysis

During the most recent drilling campaigns in 1995 and 1996, all core drilled by Santa Elina was logged, with both geological and geotechnical information being recorded. The data recorded on the logs include rock type, degree of oxidation, degree of alteration, estimated percentage of sulphide minerals and the presence of additional minerals.

The most common sample length is 1.5 metres, but there is considerable variation since samples were selected to honour lithological contacts or other geological features. Core recovery averaged 95%.

Micon International Limited, in its July 2003 report entitled “Technical Report on the Chapada Copper-Gold Property, Goias State, Brazil”, concluded that the sampling procedures used by Santa Elina have provided

representative samples of the deposit being tested. Micon report that it was not aware of any drilling, sampling or recovery factors that could materially affect the accuracy of the results obtained. Subsequently, IMC concluded that the sampling, sample preparation and assaying procedures used have resulted in representative samples of the Chapada deposit.

Sampled core was sawn in half, with one half being retained for reference and the other being submitted for sample preparation and assay. The entire half-core submitted for analysis is first reduced in size to minus ¼ inch in a jaw crusher, and is then further reduced to minus one millimetre in a roll crusher. The crushed product is split into three portions, two of which are retained. The third portion is pulverized to minus 150 mesh to provide 500 grams of the final pulp.

The gold analysis utilized a 30 gram sample that was fire assayed by atomic absorption. The total copper analysis utilized a 0.25 gram sample that was dissolved with a four acid digestion (hydrochloric, nitric, hydrofluoric and perchloric). This was evaporated and analyzed for copper by atomic absorption.

The principal assay laboratory used by Yamana was Geolab (now part of the ALS Chemex laboratories group), located in Belo Horizonte, Brazil, although another Brazilian laboratory, Nomos, was used to analyze samples obtained from the shallow saprolite drilling conducted in 1995. It was Micon's understanding that the ALS Chemex laboratories group has obtained ISO 9002 certification. Usually the jaw crushing and roll crushing were done at the Chapada sample preparation facility at Alto Horizonte. During times of peak drilling, however, some half core samples were sent to Geolab.

In 1996 Echo Bay became actively involved in the drilling and sampling program for the Chapada Project. A rigorous quality control program was commenced making use of standard, blanks and duplicate assays to monitor results. Geolab was selected as the primary assay laboratory. A large number of samples were also sent to various labs in North America for check assays.

IMC reviewed several reports from K.A. Lovstrom, a United States based geochemical consultant, describing the quality control program. IMC also reviewed the data file of all quality control assays and concluded that the quality control program was sufficient to ensure consistent and relatively high quality assays for the Chapada Project.

IMC randomly selected 31 drillholes from the Chapada drillhole database to audit the procedures. The 31 holes represent about 3.6% of the drillholes and about 5% of the holes with significant mineralization and covered all the drilling campaigns since 1979. IMC requested assay certificates and geology logs for the holes to compare with the assays in the computer database. The available hard copy data was compared with the assay database to verify that the database was assembled in a proper fashion.

The database management procedures are appropriate and no serious errors or omissions occurred in assembling the database. The audit trail for the Santa Elina/Echo Bay data meets the industry standards. The available quality control data for the older drilling is not as complete as the new drilling. It should, however, be noted that the deposit has largely been re-drilled by newer holes and comparisons between the old and new drilling is possible.

IMC did a review of the Chapada assay database. IMC did not do any independent assaying, but did review considerable existing data. It was IMC's opinion that the database was of sufficient quality for a feasibility level study.

There is evidence that the recent copper analysis done at Geolab is about 6% high when compared with North American labs and the old drilling data. There is also evidence that the recent gold assays are 2 to 3% low compared to North American labs and the old data.

The Chapada database, which incorporates all drilling performed since 1976, contains 47,939 individual sample intervals.

Security of Samples

It is reported that the chain of custody of drill core samples is as follows. Core was placed in wooden storage boxes at the drill rig under the supervision of geotechnicians. The core boxes were transported to the secure sample preparation facility in Alto Horizonte (an office-warehouse-bunkhouse complex in a walled compound), where the core was logged for geotechnical characteristics and is marked longitudinally prior to being sawn in half. Sawing took place at a separate location, two blocks from the sample preparation facility, because of noise considerations in the surrounding residential area. The sawn core was then replaced in the core boxes and returned to the sample preparation facility, where it was logged geologically by geologists. The core was then divided into individual sample lengths for the sample preparation procedures described above.

The sample preparation and assaying have been performed using procedures that are accepted as standard in the mining industry. The security procedures are also reasonable given the high volume of samples and relatively low mineral concentrations of the samples. The half-core, coarse rejects, and pulps from the 1995-1996 drilling campaigns are still located at the core storage facility at Alto Horizonte.

Mineral Resource and Mineral Reserve Estimates

See “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”.

The main economic parameters used in the estimate of Mineral Reserves as at December 31, 2010 in the Chapada Report are summarized below:

| <u>DESCRIPTION</u> | <u>UNIT</u> | <u>VALUE</u> |
|--------------------------------|-------------|---------------|
| Copper Price | US\$/lb | 2.50 |
| Gold Price | US\$/oz | 900.00 |
| Mining | US\$/t | 1.5400 |
| Processing | US\$/t | 3.6900 |
| G&A | US\$/t | 0.2500 |
| Average Plant Copper Recov. | % | 85.43% |
| Average Plant Gold Recov. | % | 51.07% |
| Smelter Payable Copper | % | 96.5% |
| Smelter Payable Gold | % | 97.0% |
| Copper Smelter, Refin, Freight | US\$/lb | 0.49 |
| Gold Refining | US\$/Oz | 5.00 |
| Copper Royalty, Sales Taxes | % of Gross | 2.82 |
| Gold Royalty | % of Gross | 1.00 |
| Copper NSR Factor (1) | US\$/t | 41.26 |
| Gold NSR Factor (2) | US\$/t | 27.63 |
| NSR Breakeven cutoff | US\$/t | 5.48 |
| NSR Internal cutoff | US\$/t | 3.94 |
| NSR Stockpile | US\$/t | 3.53 |

Metallica carried out a block model (with blocks measuring 10 metres by 10 metres by 5 metres) validation to support the mine plan production and the definition of ore reserves. The block model included new criteria for ore resources classification. Validation was performed for the following variables: category, copper and gold grade, and copper and gold correlation. The review was based on benches every 20 metres between 250 m.a.s.l. and 350 m.a.s.l.

The resource model used by Yamana was built according to international standards and successfully reflects the true variability of grade within the deposit. The model can be used in the development of long-term production plans. The block model is found to be sufficiently robust to define the respective mineral reserves according to the mining plans to be carried out. The relationship between copper and gold grades is related to the depth or ore deposit bench, with the lower benches showing a more direct relationship.

The resources at the Suruca property will be mined by open-pit. AMEC has developed an ultimate pit design and a pre-feasibility level production plan with separated sulphide and oxide gold bearing ore types. AMEC has included only Indicated Mineral Resources in this assessment.

The block model used for mine planning was provided by Yamana. Mineral reserves for the Suruca Project are classified in accordance with the 2005 CIM Definition Standards for Mineral Resources and Mineral Reserves, and are reported to a gold price of US\$900/oz.

Suruca ultimate pit design criteria:

The Micromine software was used to generate an optimized pit shell using the Lerch Grossman algorithm. Using the defined limits of the optimized open pit shell a series of phases and the ultimate pit design were completed. The table below shows the parameters which were used in Micromine to generate the ultimate pit. This pit was validated by Yamana and AMEC.

Ultimate Pit Input Parameters

| Parameter | unit | value |
|--------------------------------------|--------------|--------------|
| Metal price Au | US\$/oz | 900 |
| Mining Cost | US\$/t mined | 1.80 |
| Processing cost - leaching | US\$/t ore | 3.00 |
| Processing cost - flotation | US\$/t ore | 5.01 |
| Sales and G&A costs | US\$/oz | 12.44 |
| Recovery with leaching process | % | 80.0 |
| Recovery with flotation/CIL process | % | 80.0 |
| Marginal Cut-off grade (OxideOre) | g/t Au | 0.20 |
| Marginal Cut-off grade (SulphideOre) | g/t Au | 0.30 |
| Ore recovery in the pit | % | 97.0 |
| Ore dilution in the pit | % | 3.0 |
| Pit slope - oxide | degrees | 30 |
| Pit slope -sulphide | degrees | 35 |

Geotechnical & Slope Angle Selection

AMEC — MINPROC contracted VOGBR Consulting to develop the geotechnical and slope selection study. The result of this study shows two slope zones defined for different rock types. The first zone (“saprolitos” and oxide material), indicates that from the top of the pit to the 350 bench the pit design can have a maximum bench face angle of 45°. This material requires the addition of a 7 meter wide berm with each 10 meters in depth (double bench).

In the second zone (sulphide material) from bench 350 to the bottom of the pit, the maximum bench face angle is 70°, with a berm of 12 meters every 30 meters in depth (6 benches). Accordingly, pit slopes are 30° and 53° respectively for both zones.

Mining Operations

Mining Method and Metallurgical Process

Mining at Chapada is by conventional open pit methods. Benches are 10 metres high, doubling to 20 metres towards the limit of the pit, except in upper benches, where the benches are 10 metres high in soil. Six operating phases have been designed to support the mine production from initial topography of January 2009 up to the final pit geometry. To allow the future operations of 150 tonne trucks, haulage ramps of 30 metres wide are required with a maximum gradient of 10%. The interamp angle by zone used to design the pit wall ranges from 45° up to 56° for more stable rock zone. An in-pit primary crusher will be built in bench 300 metres elevation at the beginning of year 2012, allowing a more flexible operation for ore blending to plant and reducing major truck fleet requirements.

The plant has been in operation since 2007 in accordance with a feasibility study completed in 2004. The mine plan developed by Metalica is based on supplying ore to a conventional copper sulphide flotation plant over four years at an increasing rate up to 22 million tonnes of ore.

Consequently, to achieve this ore production the removal of 42 million tonnes in 2009 (ore and waste rock), 42 million tonnes in 2010 and 55 million tonnes in 2011. Once the mine plan schedule on a yearly basis was completed, Yamana estimated the metallurgical recoveries year to year for copper and gold. For the fifteen year mine plan, a global copper recovery of 86% is estimated and 65% for gold, thus resulting in a fine metal production of 2,098 million pounds of copper and 1,607 K ounces of gold.

Recoveries are based on a copper tail grade of 0.04% copper, a gold tail grade of 0.12 g/t and a 28% copper concentrate grade. For example, for a copper grade of 0.332% the copper recovery and concentration ratio from the standard two product formulas are:

$$\begin{aligned}\text{Copper Recovery} &= 100\% \times 28 \times (0.332 - 0.040) / (0.332 \times (28 - 0.040)) = 88.1\% \\ \text{Concentration Ratio} &= (28 - 0.040) / (0.332 - 0.040) = 95.8\end{aligned}$$

Assuming the same concentration ratio for gold, the gold concentrate grade for a gold grade, for example of 0.239 g/t is:

$$\begin{aligned}\text{Gold Concentrate Grade} &= 95.8 \times (0.239 - 0.120) + 0.120 = 11.5 \text{ g/t} \\ \text{Gold Recovery} &= 100\% \times 11.5 \times (0.239 - 0.120) / 0.239 \times (11.5 - 0.120) = 50.3\%\end{aligned}$$

It can be shown algebraically that the equation for recovered gold simplifies to:

$$\begin{aligned}\text{Recovered Gold Grade} &= \text{gold} - \text{tail} + \text{tail}/\text{concentration ratio} \\ \text{Recovered Gold} &= 0.239 - 0.120 + 0.120/95.8 = 0.120 \text{ g/t} \\ \text{And } 0.120 / 0.239 &= 50.3\% \text{ recovery.}\end{aligned}$$

This also shows that the gold recovery is not sensitive to the concentration ratio and concentrate grade assumptions.

A significant amount of metallurgical testwork has been performed on samples taken from the Chapada deposit, with the first preliminary work being conducted in 1975. The testwork, which has used samples representative of all of the major mineralized rock types, has included: mineralogical examinations; grindability testing and the determination of bond work indices; studies of the relationship between grind size and metallurgical recovery, including an evaluation of regrinding the rougher flotation concentrate; flotation testwork, including evaluation of reagents, pulp density, pH and residence time; and settling tests. Test results indicate that a clean, predominately chalcopyrite concentrate can be produced with associated gold. Tests and design work indicate that a concentrate grade of 28% copper is achievable with acceptable recoveries of copper and gold.

Markets

The product of the Chapada concentrator is a copper concentrate that tends to be 27% to 28% copper that has been readily marketable on world markets. Gold is recovered from the concentrate during the refining stage of the processing.

Sales Contracts

The Chapada mine has long term sales contracts with Hindalco Industries Limited - Birla Copper Group of India covering a total volume of 70,000 dmt in 2007, 130,000 dmt during 2008 and 100,000 dmt from 2009 up to 2018; Atlantic Copper-Freeport MacMoRan Copper & Gold Inc Group of Spain covering a total volume of 30,000 dmt in 2007 and 50,000 dmt for 2008 through to 2011; and Caraiba Metais S/A - Paranapanema Group of Brazil covering a total of 16,000 dmt in 2007 and 24,000 dmt each per year during 2008 and 2009. Chapada also has contracts with two trading companies: Trafigura AG, 40,000 dmt in 2007 and 30,000 dmt in 2008 through to 2010; and Louis Dreyfus Commodities Metals Suisse SA covering a total of 30,000 dmt each during the period 2007 to 2008 and 40,000 dmt each per year from 2009 to 2011.

Environmental Conditions

A substantial amount of environmental study, analysis and regulatory review has been undertaken at the Chapada Project. In November 1996, Geomina Consultants, from Goiânia, State of Goiás, Brazil, developed an Environmental Impact Study. This study was used for public comment and was used in support of the Company's application for environmental permits. Yamana obtained the three environmental permits required for mine operations in Brazil. The first environmental license was issued in December 1999; the construction license was issued in April 2001 (and was renewed twice in April 2003 and April 2006) and the operation license was issued in November 2006, and is valid until April 2008. In December 2007, the Company submitted to the State of Goiás Environmental Agency all necessary documents to obtain the renewal of the operational environmental license for the Chapada Mine. All required licenses have been obtained and are in good standing for the Chapada Mine.

The following is a summary of the Environmental Impact Study carried out by Geomina Consultants:

Environmental and socioeconomic characterization of the mine influence area was done by using existing available data, and by obtaining site-specific information. No ethnic minorities or tribal groups were identified in the mine area of influence. A non-intervening archaeological inspection, developed in May 2004, led to the identification and registration of 8 and 9 archaeological sites and occurrences, respectively. The archaeological rescue identified 19 sites and 8 occurrences effectively. The pieces rescued are entrusted at Porangatu Museum. During 2009 a new archeological rescue effort will be done at the new sites that will be flooded to increase the tailings dam.

Site vegetation survey identified 118 species of six types of vegetation, reinforcing the tropical (savannah) characteristics of the natural vegetative covers. Four protected species were found. Deforestation licenses were approved. Two forest reservations (186 and 234 hectares) were created according to the legislations, and the land use in these areas is restricted. Fauna studies identified a total of 121 species, 6 of them being protected. According to the environmental impact study, minimal impacts to these species are expected.

An environmental characterization test program was conducted on the unprocessed rock and mill products during year 1997 by using EPA standards protocols. The results have suggested low Acid Rock Drainage potential. Aluminum, iron and manganese were found in drill holes within concentrations detected in the local groundwater. The potential implication of selenium presence in some cases should be reviewed during operation. Surface water background concentrations are higher than expected discharges. Yamana is clarifying Class 2 water quality compliance, according to the National Environmental Council (CONAMA) Rule 357/2006. Effluent physicochemical treatment facilities include a specific pond for tailing dam overflow and/or contaminated excess pit water. A monitoring program will assure water quality compliance. Storm water runoff and hazardous liquids handling are adequately addressed using Best Management Practices. Sewage treatment plant is operating in order to attend all mine sanitary. Industrial, sanitary and solid waste have been disposed of at the Chapada facilities, respectively in a Temporary Deposit for Waste and in the Alto Horizonte landfill.

Closure and reclamation plan is being revised in order to improve environmental and human life protection, reducing long-term monitoring, maintenance, and potential liabilities. An amount of approximately \$51 million is estimated for closure and abandonment costs by the end of mine life.

Taxes

It was reported to IMC that income taxes are 34% of taxable cash flow. This is made up of two components, a 25% corporate tax rate and a 9% social contribution. In addition to direct operating costs, royalty payments and capital depreciation are deducted to calculate taxable cash flow.

Mine Life

Based on the Metalica current mine plan, open pit operations will go through most of 2020. Processing of low grade stockpile material would potentially extend the project life to about 2023.

Current Exploration and Development

During 2010, the Suruca pre-feasibility study was carried out to evaluate the economic viability of the Suruca project development. In late December 2011, the Company completed the feasibility study on the oxides at Suruca, which supports average production of 49,000 gold ounces per year over an initial five years beginning in 2013. The project target is to achieve an average annual gold sale of:

- 49 koz/year of oxide ore gold from 2013 to 2017, generating a total of 245 koz;
- 104 koz/year of sulphide ore gold from 2017 to 2022, generating a total of 626 koz; and
- 14 koz/year of gold generated from the increased recovery of gold at the Chapada Mine where the sulphide ore will be processed. The carbon in leach system (“CIL”) used in the sulphide ore processing will be implemented at the beginning of the project, increasing the recovery of gold from 2013 through 2029 generating an additional 230 koz during that period.

Mineral reserves for the Suruca project are classified in accordance with the 2005 CIM Definition Standards for Mineral Resources and Mineral Reserves, and are estimated based on a gold price of US\$900/oz. Mineral reserves evaluated by AMEC Minproc Engenharia e Consultoria.

The block model used in this pre-feasibility study includes only Indicated and Inferred Mineral Resources. The pit optimization was completed using only indicated resources. Inferred blocks were classified as waste material. Total reserves amount to approximately 1.1 million ounces, broken down as follows:

Suruca Probable Mineral Reserve, Effective Date December 2011

| Suruca Project | Probable Reserves | | Contained Metal (oz) |
|-----------------|--------------------|----------|----------------------|
| | Tonnes (tx1000) | Au (g/t) | Au (oz x 1,000) |
| Oxide | 18,391 | 0.458 | 271 |
| Sulphide | 40,473 | 0.585 | 761 |
| Total | 58.870 | 0.545 | 1,032 |

Notes:

1. All Mineral Reserves are in the Probable category.
2. Mineral Reserves are estimated using a US\$ 900/oz gold price and economic function that includes operating costs, metallurgical recoveries and selling costs has been applied.
3. Rounding as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.
4. Tonnage and grade measurements are in metric units. Gold ounces are reported as troy ounces.

Project construction for Suruca oxide ore and Chapada’s gold recovery increase will take place in 2012 and the production phase of the project will start in 2013.

The Chapada gold recovery rate increase will happen in two stages:

1. The first stage is associated with the CIL plant and gravity concentrator implementation at the beginning of the project (Phase 1), adding 10% to the average recovery rate; and

2. The second stage occurs on completion of the Suruca sulphide plant in 2016 (Phase 2), adding an additional 10% to the recovery rate.

The cash flow analysis was completed by Yamana based upon data generated in the pre-feasibility study. The main assumptions related to the base case are:

- Gold price equal to US\$ 1,300/oz in 2013 and US\$ 1,100/oz in subsequent years
- Rate of exchange equal to R\$ 1.80/US\$
- Sale tax (CEFEM): 1% of annual sales value
- Investment made with 100% own capital
- Third party mine operation
- Processing plant operated by the Company
- Discount rate of 5% in real terms per year
- Interest on equity equal to 10% per year (annual “Selic” rate of the Brazil Central Bank)
- Use of the following incentives: Special Regime for Acquisition of Capital Assets by Exporting Companies (RECAP) and drawback incentive for international supplies acquisition.
- Depreciation: according the present Brazilian legislation
- Income tax of 25% plus social contribution of 9% generating a total income tax of 34%
- Residual value composed by assets sells, tax credit recover of 70% for States taxes (the Federal Tax credits is recovered in the life project) and working capital return

The following table presents the sensitivity analysis for the 5% net present value of the project and the internal rate of return respectively. For example, a 10% price change impacts the projects net present value and after-tax internal rate of return by approximately US\$ 61.0 million (\$117.2 million — \$56.2 million) and 5.2% (15.0% - 9.8%) respectively.

Sensitivity Analysis — Net Present Value x Discount Rate to the Firm

| Discount Rate | NPV |
|----------------------|-------------|
| 15.00% | 184,120 |
| 12.50% | 18,143,413 |
| 10.00% | 41,961,762 |
| 7.50% | 73,882,126 |
| 5.00% | 117,180,852 |
| 0.00% | 259,946,288 |

During 2011, Yamana maintained the exploration drill holes on the SW area and developed exploration drill hole on the South area of the main pit and infill hole to support mineral resource reclassification. A new mineral resource and mineral reserves estimation was developed by Coffey Mining Pty. 145 drill holes were completed for 32,623 meters. The drilling focused on the delineation and extension, to depth and along strike, of the newly discovered Corpo Sul deposit. The Corpo Sul discovery has now been traced by drilling along a strike length of at least 4 kilometers from the SW end of the current Chapada pit. The mineralization remains open to the SW.

The Company is now evaluating the gold and copper production contribution to Chapada from Corpo Sul. Planned production for Chapada will decline in 2012 over 2011 levels, although will increase in terms of gold production in 2013 and in the years to follow, mostly as a result of the start-up of Suruca.

El Peñón Mine

Unless otherwise stated, the information, tables and figures that follow relating to the El Peñón Mine are derived from, and in some instances are extracts from, the technical report entitled “Technical Report on the El Peñón Mine, Northern Chile” dated December 7, 2010 (the “El Peñón Report”), prepared by (the “El Peñón Qualified Persons”) Stuart E. Collins, P.E., Chester M. Moore, P. Eng., Kevin C. Scott, P. Eng., Scott Wilson Roscoe Postle Associates Inc. (“Scott Wilson RPA”). The technical information contained in this section of the annual information form, other than the technical information set forth under the heading “— Current Exploration and Development”, has been reviewed and approved by the El Peñón Qualified Persons, each of whom is a “qualified person” for the purpose of NI 43-101. See “Interests of Experts”.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the El Peñón Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on the Company’s SEDAR profile at www.sedar.com.

Property Description and Location

The El Peñón property is located in the Atacama Desert in northern Chile, approximately 165 kilometres southeast of Antofagasta. Yamana owns 256 individual mining claims comprising an area of 49,302 hectares covering the El Peñón mine, the Fortuna area and surrounding exploration lands. The Company became the 100% owner of El Peñón when it completed the final step of the acquisition of Meridian Gold Inc. (“Meridian”) on December 31, 2007. The mine operates on a year round basis.

The El Peñón mine is subject to a 4% royalty payment calculated over annual taxable income, which amounts to approximately \$6,000,000. In addition, a 2% net smelter return is payable to Gold Fields Limited as agreed in the purchase of the Nado claims covering the Fortuna area. Approximately \$1,000,000 is payable by Minera Meridian Limitada to Gold Fields Limited on a yearly basis.

The El Peñón mine has been operating since 1999 and has sufficient surface rights for mining and processing operations. As well, the El Peñón mine has sufficient water, power and labour supplies and sufficient areas for tailings and waste disposal.

At the El Peñón mine, the Company holds all the necessary environmental licenses and permits to operate the mine.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Antofagasta is the principle source of supply for the mine. It is a port city with a population of 302,000 and daily air service to Santiago. The mine is accessible by a paved road, with travel time from Antofagasta to the mine being approximately 2.5 hours.

The climate in the Atacama is very arid, with a mean annual precipitation in most areas of virtually zero. The temperature ranges from near freezing to +29°C. The mine is contained in a desert climate characterized by an extreme dryness, little to no precipitation, and great thermal amplitude (- 0.5°C to +30°C).

Currently, the physical plant site includes administrative offices, open pit and underground mine workings, a mill, laboratories, ore stockpiles, waste dumps, coarse ore storage, tailings storage, workshops, warehouses and the accommodation complex and associated facilities such as cafeterias and recreation facilities. The mine has access to facilities which provide basic infrastructure to it such as electric power, water treatment and supply and sewage treatment. Underground infrastructure includes mine ramps, ventilation raises, maintenance shops and mobile equipment fleet.

The mine is at an elevation of approximately 1,800 metres above sea level. Relief in the area is modest, with widely dispersed hills and peaks separate by very broad open valleys. There is little or no vegetation or wildlife in the area around the mine, and the principal land use is mining.

History

The discovery of El Peñón was the result of successful grassroots exploration carried out by geologists of FMC Gold, predecessor to Meridian, through the early 1990s. In July 1998, Meridian made the decision to place the property in production, and construction on a 2,000 tonnes per day mine and mill facility commenced later that same year. Production began in September 1999, ramping up to full capacity by January 2000 and has continued to the present day. Since September 1999, the operation has run continually at design and increased capacity, treating both open pit and underground ore.

As of December 31, 2009, the mine produced approximately 8,409,000 tonnes of ore grading 11.3 grams per tonne of gold and 264 grams per tonne of silver.

Historical Mine Production to December 31, 2009

| Year | Tonnes | Au Grade (g/t) | Ag Grade (g/t) |
|-------------------|------------------|-------------------|-------------------|
| 1999 | 369,290 | 13.96 | 215.08 |
| 2000 | 640,045 | 14.71 | 215.43 |
| 2001 | 707,199 | 18.92 | 300.08 |
| 2002 | 582,478 | 17.89 | 270.94 |
| 2003 | 542,616 | 16.40 | 247.50 |
| 2004 | 568,170 | 13.90 | 222.04 |
| 2005 | 734,372 | 12.35 | 236.69 |
| 2006 | 861,224 | 8.71 | 230.00 |
| 2007 | 968,159 | 8.17 | 291.45 |
| 2008 | 1,044,176 | 6.91 | 298.70 |
| 2009 | 1,391,486 | 5.82 | 289.22 |
| Mine Total | 8,409,215 | 11.29 | 263.55 |

The mineralized veins at El Peñón have received significant amount of underground development. In total, approximately 87,600 metres of underground development has been carried out from 1998 to December 2009.

Underground Development, 1998-2009

| Year | Mine Development (m) |
|--------------|-------------------------|
| 1998 | 2,901 |
| 1999 | 9,445 |
| 2000 | 4,386 |
| 2001 | 5,262 |
| 2002 | 5,678 |
| 2003 | 5,893 |
| 2004 | 7,493 |
| 2005 | 9,249 |
| 2006 | 8,610 |
| 2007 | 9,547 |
| 2008 | 9,573 |
| 2009 | 9,599 |
| Total | 87,635 |

Geological Setting

The El Peñón mine is located in the Central Depression of the Atacama Desert. The region is underlain by Late Cretaceous to Early Eocene magmatic arc rocks, known as the Paleocene belt. Rocks in the region consist of basaltic to rhyolitic lavas and tuffs, subvolcanic porphyritic intrusions, and granitoid stocks, which extend from southern Peru to central Chile. This belt hosts many epithermal deposits and subvolcanic porphyry systems.

The mineralization at El Peñón is hosted by near-horizontal to gently dipping Eocene to Paleocene basaltic to rhyolitic volcanic rocks. The stratigraphic sequence consists of a lower sequence of volcanic breccia and andesitic to basaltic flows, overlain by rhyolitic to dacitic pyroclastic rocks, dacitic to andesitic flows, and volcanic breccia. Rhyolitic intrusives, domes, and associated flows are intercalated with earlier volcanic units. The distribution of Cretaceous and Eocene volcanic rocks is controlled by graben structures bounded by north-northeast trending faults. These are steeply dipping regional-scale structures with displacements in the order of hundreds of metres. The principal direction for late dikes and many of the highest grade mineralized faults is parallel to the bounding faults. Mineralized faults dip steeply eastward on the east side of the property and westward on the west side, in a fashion implying a horst/graben extensional structure. Most of the mining takes place along north-trending veins. A relatively minor amount of production has taken place along northeast-striking structures.

Exploration

Regional exploration focusing on Early to Mid-Eocene volcanic belts in northern Chile led to the acquisition of the El Peñón property in 1993. Trenching carried out that year, followed by a 13-hole drilling program, discovered significant gold and silver mineralization. The next year, the first hole of a follow-up program intersected 100 metres grading 10.9 grams per tonne of gold and 123.4 grams per tonne of silver in what eventually became the Quebrada Orito deposit.

In 2009, 57,935 metres of exploration drilling and 58,149 metres of infill drilling were completed. This drilling was designed to locate the extensions of known veins and discover new veins in order to replace the reserves and resources extracted in the mining areas. The 2009 exploration program included resource definition and extension drilling in various areas such as Abundancia and Esmeralda, Al Este, Bonanza Norte, and Martillo Flats. New discoveries were made at Martillo Central Sur, and Martillo Flats Hangingwall, and vein extensions were located at Bonanza Norte, Pampa Campamento, and Sorpresa. Resource infill drilling occurred at Bonanza Norte and Pampa Campamento.

In 2010, to the end of September, a total of 39,905 metres of exploration and 54,820 metres of infill drilling were completed. The 2010 drilling is designed to locate the extensions of known veins and discover new veins in order to replace the reserves and resources extracted in the mining areas. The 2010 exploration program included resource definition drilling at Al Este, Dorada, Providencia, Sorpresa, Pampa Campamento, and Martillo Central Sur. Extension drilling took place in various areas such as Abundancia and Esmeralda, Al Este Norte, Bonanza Norte, Fortuna, and Martillo Flats.

See also “— Current Exploration and Development”.

Mineralization

The deposits at El Peñón are low to intermediate epithermal gold-silver deposits, hosted in steeply dipping fault-controlled veins. Gold and silver mineralization consists of disseminated electrum, native gold, native silver, silver sulphosalts, and silver halides occurring in a gangue of predominantly quartz, adularia, carbonate, and clay. Electrum is the most common form of precious metals in the deposit and occurs as micron to millimetre-size subrounded and irregular grains. Two phases of electrum are present: a primary phase, which contains approximately 55% to 65% gold, and a secondary phase, which has resulted from supergene processes that have remobilized silver and which typically consist of over 95% gold.

Sulphide minerals are relatively rare, and this may be due to oxidation, or to an initial low overall abundance such as would occur in a low sulphidation environment. Abundant iron and manganese oxyhydroxides are common with only trace occurrences of relict sulphides. In order of abundance, trace amounts of pyrite, galena,

sphalerite, chalcocite, and covellite can be present. Gangue minerals comprise fracture and breccia-filling and replacement quartz, adularia, carbonates, and clay minerals. Vein textures often display crustiform textures, although the highest grade gold-silver mineralization is reported to be associated with massive banded quartz-adularia. Gangue minerals occur as open space filling as well as replacements of primary host rock mineral phases.

There are thirteen main vein zones and many subsidiary veins in nine vein systems that have supported, support currently, or are planned to support surface and underground mining operations. The veins strike predominantly north-south and dip steeply to the east and west. North-northeast to northeast-striking fault zones are also host to mineralized zones, however, the relative proportion of the overall deposit is small. The principal mineralized veins are Al Este, Bonanza, Cerro Martillo/Dorada, Dominador, El Valle/Discovery Wash, Fortuna, Martillo Flats, Pampa Campamento, Playa, Providencia, Quebrada Colorada, Quebrada Orito, and Vista Norte.

The deposit comprises several individual tabular, steeply dipping zones or shoots that are amenable to mining by both underground and surface methods. Vein widths range from decimetre-scale to over 20 metres. Individual mineralized shoots measure from less than one kilometre to four kilometres in strike length, and up to 350 metres in the down-dip direction. Gold grades range up to hundreds of grams per tonne but are more typically less than 30 grams per tonne. Silver grades are in the order of hundreds to thousands of grams per tonne.

Drilling

Systematic testing of the gold-bearing zones was started by Meridian in 1993 and continues to the present. Exploration work has continued in order to develop drill targets to replace reserves. Drilling is carried out on a nominal 60 m x 60 m pattern, with infill holes drilled on a 30 m x 30 m pattern. Preliminary mineral resource estimates are made using the drill information. Later, the estimates are refined using chip sample assays collected from the underground development. Underground definition drilling is completed on a 30 m x 30 m spacing where required and some drilling is carried out on a 15 m x 15 m pattern if needed for grade control purposes, and to aid in resolving local structural complexities. Short test holes are also used to locate veins to assist mining and grade control.

Surface drilling is mostly reverse circulation, with at least one diamond drill hole per 30 m section. Often, holes are collared with reverse circulation equipment, until the hole is almost in the zone, and then changed over to diamond core. Some are cored for the entire length. Core size is HQ (63.5 mm core diameter), sometimes reduced to NQ (47.6 mm diameter). Reverse circulation holes are drilled with 146 mm diameter equipment, which produces a hole approximately 152 mm in diameter.

See also “— Current Exploration and Development”.

Sampling and Analysis

Samples are taken by surface and underground drilling and by panel sampling of mine headings. Surface drilling typically is carried out to trace the structures and estimate mineral resources. Mine sampling comprises both definition diamond drilling as well as sampling of development headings for grade control. The exploration samples consist of reverse circulation cuttings and half-core splits of diamond drill core. The mine samples are drift face panel samples and whole drill core.

Exploration reverse circulation samples are taken at two-metre intervals outside and one-metre intervals inside a mineralized zone. The drillers take two samples from every interval, splitting the cuttings with a riffle-type sampler. Each sample represents 18.75% of the total sample. Samples are placed in plastic bags and transported to the on-site Acme Analytical Laboratories Ltd. (“Acme”) sample preparation facility. One sample is kept for reference and the other is prepared for analysis. Specimens are also collected in chip trays for logging.

Surface drill core is delivered to the logging and sampling facility located near the mill/office complex. Core is logged and marked for sampling by the geologist. Sampling technicians photograph the intact core, split the core samples, place them in plastic bags, and deliver them to the sample preparation facility. All surface samples are assayed by Acme in La Serena.

Mine drill hole samples are collected in the same fashion as exploration holes, except that they are delivered to the mine site laboratory.

Each underground drift face is mapped and sampled by the grade technicians. Samples comprise chips taken from panels measuring approximately one metre high and a maximum of one metre wide. Minimum sample widths are 30 cm in the vein and 50 cm in the waste. Boundaries to the sampled areas are placed at vein contacts and major structures. The sample sizes are constrained to between five kilograms and nine kilograms. The geological technicians measure the distance and direction from the nearest survey station to the sampled interval. The samples for each face are rendered as linear strings of samples in a fashion similar to drill holes (pseudo-drill holes). The “collar” of the drill hole is the left-hand end of the sample string. The “azimuth” is approximated as the direction parallel to the drift face. Sample lengths are projected to the face onto a linear trace of the pseudo-drill hole to account for irregularities or curvature of the face.

El Peñón used Acme, an ISO 9001:2000 certified laboratory in Santiago, Chile, and Geoanalitica Ltda. (“Geoanalitica”), an ISO/IEC 17025 certified laboratory in Coquimbo, Chile, for all assaying of the surface and underground exploration plus infill drilling. Pulp samples are sent for analysis in sealed batches by truck/air. The El Peñón laboratory handles all production samples from the mine. Certified standards and duplicates, as well as pulp blanks and sterile sample, were used for quality control purposes. Pulp samples were resubmitted to a second outside laboratory (Andes Analytical Assay Ltda. (“Andes”) ISO 9001:2000 in Santiago, Chile).

In 2010, El Peñón began submitting pulp samples to ALS Chemex in La Serena, Chile, as well as Acme and Geoanalitica.

The following procedure was used for El Peñón’s sample preparation and assaying:

- A submittal form was filled out by a geologist or technician and delivered with the samples to the Acme preparation facility.
- Samples were opened and dried at 60°C as required.
- The entire samples were crushed to better than 85% -10 mesh. Crushers were cleaned with compressed air between every sample and with barren waste every 5th sample and quartz every 40th sample. Granulometric checks were done every 20 samples.
- A 500-gram subsample was taken and the split was pulverized using a chrome-steel ring mill to better than 85% - 150 mesh. Granulometric checks were done every 20 samples. Pulverizers were cleaned with compressed air between every sample and with waste every 5th sample.
- Two 250-gram pulps were separated, one for analysis and one for storage.

Standard fire assay (“FA”) methods using a 50-gram pulp sample were used to determine total gold content. Samples assaying greater than or equal to 5 parts per million of gold using FA with an atomic absorption spectrometry (“AAS”) finish were reassayed (FA) with a gravimetric finish for accuracy. Assays for silver were completed using an aqua regia digestion of a sample followed by AAS. Samples for which the preliminary assay is greater than 100 grams per tonne of silver but less than 5 grams per tonne of gold (i.e., high silver but low gold) are rerun using a four-acid digestion and AA.

In 2009 (to November 9), Acme prepared 38,896 samples and sieve tests indicate that the preparation of the samples was completely acceptable. A total of 1,599 tests (4.1%) for crushing and 1,561 tests (4.0%) for pulverizing were completed. Only one pulverizing test returned a result under 95% passing 150 mesh and it was 94.72%, which is acceptable.

Between January 1 and November 9, 2009, a total of 41,343 samples were shipped to Acme, Geoanalitica, and Andes for analysis. A total of 15 standards at various gold and silver grades were used. During this period, Acme prepared 34,301 pulps from 201 surface drill holes and inserted 739 control samples in the analytical stream with these samples. Results from 127 sterile samples inserted to monitor sample preparation were 100% satisfactory for both gold and silver. Results from 186 sample blanks inserted to monitor contamination during analysis were 97% acceptable for gold and 100% acceptable for silver. The results for the 305 standard samples inserted into the sample stream were 100% acceptable for gold and 97% for silver. The silver failures were reanalyzed as required.

A total of 732 preparation duplicates and 265 analytical duplicates were analyzed for El Peñón. Only seven preparation duplicates and five analytical duplicates required remedial action. Overall correlation was excellent for both gold and silver.

As well, 28,025 production samples (drill core, channel samples, muck samples) were shipped to the El Peñón laboratory in 2009, which uses similar protocols to Acme.

Security of Samples

Sample security is considered adequate since all samples are collected and prepared in secure sites and transported by Yamana personnel and/or selected contractors.

Mineral Resource and Mineral Reserve Estimates

See “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”.

The methodology of estimating Mineral Resources includes:

- Statistical analysis and variography of gold and silver values in the assay database as well as on sample composites.
- Construction of a block model using Vulcan software.
- Grade interpolation using kriging method, and inverse distance squared (ID2) method for veins which did not have sufficient data to calculate variograms.

All Mineral Reserves are estimated using modern software programs. Vulcan is the general mine package used in conjunction with Microsoft Excel and AutoCAD.

The economic value of each potential mining outline is calculated using forecast long-term prices per ounce of gold and per ounce of silver, using diluted tonnes and grades, as stated in the “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”. Net block values are weighed against forecast costs and metallurgical recoveries for each potential mining outline. These combined economic revenue and cost models are part of the Selective Mining Unit (“SMU”) models.

The procedure for determining the reserve blocks for Proven Mineral Reserves and Probable Mineral Reserves is summarized below:

- The geological interpretation and resource estimation is supplied by the geology staff.
- An SMU is determined based on the mining method employed, geomechanical rock properties, dilution expected, and the block values.
- SMU solids are designed in Vulcan and AutoCAD.
- Additional economic criteria are applied which include metal prices, operating costs, and recoveries.
- Blocks are analyzed for inclusion into the life of mine plan (the “LOM Plan”).
- If the value of the mining block is positive, then a development cost analysis is applied to the block before final inclusion in the LOM Plan.

Mining Operations

Mining Method and Metallurgical Process

The primary mining method is an underground bench and fill method and all access to the veins is by ramps and crosscuts. Veins are separated by a distance of 100 metres to 500 metres. The application of this method will vary between veins, but it is usually applied to sublevels spaced between 10 metres and 18 metres. Vein dips are steep and the bench drifts are built along the strike of the vein. A top access drift is driven for drilling, and a bottom access drift is driven for ore extraction. Depending on the vein width, the access drift dimensions are generally 3.5 metres wide by 4.0 metres high. Both the drill access drift and the lower ore extraction drift are grade-control sampled every drill, blast, load and haul cycle.

For design and operating, the typical parameters for the SMU are for stope dimensions of one metre to six metres width by six metres to 16 metres height by 15 metres length. Vein widths will dictate how much dilution will be realized during the mining of the stope.

Options to reduce the mining dilution are either to use narrower stope widths or employ a resueing mining method. Resue (split blasting) mining consists of mining the ore first in a drift, and then blasting and loading just enough width to allow for mining equipment access. If narrow stope widths are used to reduce dilution, then smaller equipment is needed to work in the narrower underground openings.

Once the drifts are established and the required ground control support is applied, the production stoping of the ore body commences. Backfilling is performed after the stope is mined out.

El Peñón has employed open pit mining in the past. There are no significant open pits planned for the El Peñón veins, but small tonnages of near-surface, lower-grade material may be mined in the future to provide additional mill feed.

All underground mining drift, cross cut, and stope areas are first approved by El Peñón geotechnical staff before any full scale production commences. Monitoring of the production stopes and development areas is also performed by the geotechnical staff. Typical ground support includes, but is not limited to, split-set bolts, resin bolts, wire mesh and shotcrete.

The El Peñón processing plant has been modified with the potential to increase production capacity to approximately 4,350 metric tonnes per day of stockpiled and mined ore, or 1.59 million metric tonnes per year. Yamana has accomplished this by steadily increasing throughput through the addition of new equipment to the process plant. In addition, through the latter part of 2007 and early 2008, the product grind size to feed the cyanide leaching circuit was steadily increased from a P₈₀ of 120 µm to 180 µm, which allowed more tonnage throughput at the expense of a small reduction in recovery.

With the base case scenario of approximately 3,150 metric tonnes per day, there is an increase in recovery for the life of mine plan. Based on the mine life with current reserves (2011 — 2015), the plant would operate at a rate of approximately 3,150 metric tonnes per day, or 1.15 million metric tonnes per year from stockpiled and mined ores. In 2016 the plant production is scheduled to again increase throughput to 3,850 metric tonnes per day.

Run-of-mine stockpile ore is dumped onto a grizzly and passes through to a 100-tonne live storage bin. From there ore is fed to a 950 mm x 1,250 mm jaw crusher by an apron feeder. Ore is further crushed in a newly installed secondary cone crusher that produces a crushed product P₈₀ of 30 mm.

Crushed ore is stored in a 1,500 tonne capacity bin, from which it is fed to a 4.72 metres x 7.77 metres 2,500 kW semi-autogenous grinding (“SAG”) mill. A new 4.27 metres x 6.10 metres diameter ball mill was added in series with the SAG mill in 2009 to increase mill capacity. Pebbles from the SAG mill are crushed in a pebble crusher. Cyanide solution and lime are added in the grinding circuit. The grinding mills are in closed circuit with hydrocyclones.

The grinding circuit product, the cyclone overflow at a nominal P₈₀ of 180 µm, is sent to a thickener where the solution is thickened to 50% solids with the underflow reporting to a cyanide leaching circuit. The thickener overflow is sent to the unclarified solution tank. The leaching circuit product is sent to a counter current decantation (“CCD”) circuit.

The precious metals are recovered in a zinc precipitate Merrill-Crowe process. The overflow solution from the first CCD thickener is sent to the mill solution storage tank or alternatively to the unclarified solution tank. Mill solution is recycled to the SAG mill.

Unclarified solution is sent to the clarification circuit where it is filtered ahead of reporting to the pregnant solution tank. Some additional equipment was added to the clarification circuit in 2009. The solution is then de-aerated in a vacuum tower and zinc dust is added ahead of pressure filters. A pre-coat filter aid is added ahead of the filters as well as the clarification filters. Gold and silver are precipitated on the zinc dust which is collected from the

pressure filters and calcined in a mercury retort to remove contained mercury. The calcined precipitate is then smelted in a tilting furnace with slag making additives to make doré bars containing approximately 2.1% gold and 97.9% silver.

The thickened solution from the 4th thickener underflow in the CCD circuit is sent to a surge tank and then the contained water is removed by belt filters. The filtered product at approximately 20% solids is sent to the dry tailings impoundment area.

The mill throughput has steadily increased over the years. The throughput has increased from approximately 2,500 tonnes per day in 2005-2006 to 3,600 tonnes per day in 2009 and eventually to a nominal production rate of 4,350 tonnes per day starting in December 2009 with the mill expansion project. This has allowed gold production to stay reasonably constant despite falling head grades. Starting in 2011, the life of mine plan based on current reserves shows El Peñón mill operating at a rate of approximately 3,150 metric tonnes per day, or 1.15 metric million tonnes per year, for a period of five years (2011 — 2015). In 2016 the processing rate increases to 1.41 million metric tonnes per year.

The gold head grade has steadily decreased from over 11 grams per tonne of gold in 2005 to close to 5 grams per tonne of gold in 2010. Gold recovery has been impacted by the falling of the head grade as well as the increase in grind size, trending down from 96% to 91%. Gold production has averaged 226,000 ounces per year over the last four years.

Silver is an important by-product of the El Peñón operation. Silver grades have remained more constant than gold grades as the silver to gold ratio has changed from approximately 20:1 to over 40:1 in the last three years. Silver recovery has typically been 3% to 4% less than gold recovery.

The metallurgical recoveries have been relatively consistent, averaging 91.3% for gold and 86.6% for silver over the last three years with the increase in mill throughput. El Peñón expects that the recoveries will increase to 94% for gold and 92% for silver at the base case mill production rate of 3,150 tonnes per day processed.

The 2009 mill expansion project, which increased the nominal mill capacity to 4,350 tonnes per day, was reported to have cost \$8.9 million, including \$2.8 million in equipment costs and \$4.1 million in construction costs. These mill modifications have increased capacity or alternatively allow El Peñón the ability to increase the metal recoveries due to longer grinding times which produce finer particles for leaching, and also allow for longer leach times to increase recovery.

The number of processed tonnes are based on weightometer readings that are located on the SAG mill feed conveyor and at the tailings discharge point. Daily analytical results from samples of plant solutions and tailings discharge are used to calculate plant metallurgical performance. Metal sales and inventory contained in the circuit and refinery are determined at the end of each month and appropriate adjustments are made. From this information, the mill reports the back-calculated head grades of the mill feed.

Mine Life

The El Peñón mine is targeted to have a mine life of at least 7 years, based on the mineral reserves set out in the El Peñón Report.

Markets

The principal commodities produced at El Peñón are gold and silver in the form of doré bars, which are freely traded, at prices that are widely known, so that prospects for sale of any production are virtually assured.

Contracts

El Peñón has a number of contracts in place, which is not uncommon for a typical mining operation located in Chile. The terms of the various contracts are within industry norms.

Environmental Considerations

Continuous monthly and annual environmental monitoring includes, but is not limited to, the following areas:

- The tailings are sampled and tested for cyanide, copper, mercury, lead, iron, zinc, silver, and arsenic.
- A continuous air sampling station was established and periodic testing is performed.
- Emissions from the laboratory and refinery are monitored.
- Water table levels are reported annually.

El Peñón originally received environmental approval in 1998. El Peñón has a number of operating permits in place which are detailed in the current technical report. Dried mill tailings at approximately 15% to 20% moisture are transported to the tailings storage area, for disposal. Scott Wilson RPA understands that there are no outstanding liabilities associated with the El Peñón operations and that operations do not present unusual or significant impacts on the environment. El Peñón has a Reclamation and Closure Plan in place. Government regulations require that a full closure plan be submitted when mine life drops to less than five years.

Taxes

As reported in the 2010 El Peñón life of mine (“LOM”) plan, the booked tax rate is 35% on revenue after deductions for operating costs, depreciation and amortization. The adjusted tax rate paid on revenue after deductions for operating costs (less royalties), depreciation, and amortization was 17%. No other taxes were shown in the El Peñón LOM.

Current Exploration and Development

El Peñón currently produces approximately 476,000 gold equivalent ounces per year and has a long track record of replacement of ounces and mineral resource expansion. During 2011, 527 drill holes were completed totaling over 176,000 meters with the majority in areas of the North Block to extend and define the Al Este, Abundancia and Esmeralda targets, the Fortuna area where infill drilling extended the deposit to depth and at Pampa Augusta Victoria to better define the Victoria vein to depth and parallel structures to the east. Infill drilling completed at Pampa Augusta Victoria during the year significantly upgraded the known resource and identified a high grade, near surface, highly oxidized deposit that is at least 400 metres in strike length and 150 metres in dip length.

Continuous exploration effort on the Pampa August Victoria and other vein structures at El Peñón is expected to return significant near surface gold and silver values, improve production, provide mining flexibility for a sustainable production level of at least 440,000 gold equivalent ounces per year and ultimately increase mine life.

Jacobina Mining Complex

Unless otherwise stated, the information, tables and figures that follow relating to the Jacobina Mining Complex are derived from, and in some instances are extracts from, the technical report entitled “Technical Report on the Jacobina Mine Complex, Bahia State, Brazil” dated March 30, 2009 (the “Jacobina Report”), prepared by (the “Jacobina Qualified Persons”) Normand Lecuyer, B.Sc., P.Eng. and Chester M. Moore, P.Eng., Scott Wilson RPA. The technical information contained in this section of the annual information form, other than the technical information set forth under the heading “— Current Exploration and Development”, has been reviewed and approved by the Jacobina Qualified Persons, each of whom is a “qualified person” for the purpose of NI 43-101. See “Interests of Experts”.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Jacobina Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on the Company’s SEDAR profile at www.sedar.com.

Property Description and Location

The Jacobina property is located in the state of Bahia in northeastern Brazil approximately 340 kilometres northwest of the city of Salvador. Salvador, the state capital of Bahia, has a population of 2.5 million. The property is comprised of 5,996 hectares of mining concessions and 128,209 hectares of granted exploration concessions. The exploration concessions are renewable on a three year basis and have annual fees ranging from \$0.70 to \$1.30 per hectare. The Jacobina property forms a contiguous elongated rectangle extending 155 kilometres in a north-south direction, and varying from 2.5 to 4 kilometres in width. This shape is a reflection of the underlying geology with the gold-mineralized host rocks trending along the property's north-south axis.

A significant portion of three of the Jacobina mine concessions are located within the boundary of Parque Sete Passagens or the park buffer zone. Mining is not permitted within the park but JMC has valid mining concessions issued by the Departamento Nacional de Produção Mineral (DNPM) and JMC is currently negotiating for access into the park with state government and park officials.

On April 5, 2006, Yamana acquired the Jacobina project and exploration projects in the Bahia gold belt through its acquisition of all of the outstanding shares of Desert Sun Mining Corp. ("DSM"). The project is owned through Yamana's wholly-owned subsidiary, Jacobina Mineração e Comércio Ltda.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the property from Salvador is via paved secondary highway to the town of Jacobina approximately 330 kilometres north-northwest. Well-maintained paved roads from the town provide access to JMC as well as the Pindobaçu deposit.

The town of Jacobina is a regional agricultural centre. It provides all the accommodation, shopping and social amenities necessary for the mine's labour force. Telephone and high speed internet services are available in the town of Jacobina.

The Jacobina project is located in a region of sub-tropical, semi-arid climate with generally flat to low rolling hills at an elevation of approximately 500 metres. The immediate area around Jacobina consists of steep-sided ridges rising to 1,200 metres produced by the resistive quartzites, metaconglomerates, and schists of the Paleoproterozoic Jacobina Group. Precipitation at Jacobina is somewhat higher than the regional average, likely due to the mountain range which hosts the deposits. Average annual precipitation is 84 cm with the May to October period being somewhat drier than the rest of the year. Temperatures vary little throughout the year. July is the coldest month with average daytime highs of 26° and nightly lows of 17°. February is the warmest month with average daily highs of 32° and nightly lows of 20°.

The Jacobina mine has all the necessary environmental licenses to operate the project. An environmental license has been applied for from the IMA (Environmental Agency of Bahia State) to construct a new tailings dam. The tailings dam project and applicable environmental studies were presented at a public meeting and the project was well received. The construction license was subsequently issued in May of 2008. The construction of the phase 1 of the new tailings dam is completed and the operational license has been granted.

History

The Serra do Jacobina mountains have been mined for gold since the late 17th century. Numerous old workings (garimpos) from artisanal miners (garimpeiros) can be seen along a 15 kilometres strike length, following the ridges of the mountain chain.

The modern history of the Jacobina mining camp began in the early 1970's with extensive geological studies and exploration carried out by Anglo American Corporation. The feasibility study recommended that a mine be developed at Itapicurú (now covered by the Morro do Vento area) with an initial plant capacity of 20,000 tonnes per month. Development of the Itapicurú mine to access the Main Reef commenced in October 1980 and the processing plant was commissioned in November 1982. The first full year of operation was 1983.

From 1984 to 1987, exploration focused on evaluating the mineralized conglomerates of the João Belo Norte Hill, located about two kilometres south of the Itapicurú mine. This work outlined sufficient reserves to

warrant an open pit operation, development of which commenced in August, 1989. Concurrently, the processing plant capacity was increased. Underground development at João Belo commenced in 1990, as open pit reserves were limited.

William Resources Inc. (now Valencia Ventures Inc.) acquired 100% of the Jacobina gold mine and assumed management effective August 1, 1996, by purchasing Jacobina Mineração e Comércio Ltda. ("JMC") from subsidiaries of Minorco of Luxembourg and Banque Paribas de France. William Resources operated the João Belo and Itapicurú mines from August, 1996 until December, 1998 when the mines were closed due to depressed gold prices and the strong Brazilian currency. From 1983 to 1998, JMC processed 7.96 million tonnes of ore at a recovered grade of 2.62 grams of gold per tonne to produce approximately 670,000 ounces of gold. The bulk of historic production came from the Itapicurú (Morro do Vento and Morro do Vento Extension) and João Belo areas.

Low metal prices forced the closure of the mine during the 1999-2004 period, after which production began again in mid-2005. Total production from 1983-2005 was 8,586,744 tonnes at a recovered grade of 2.57 g Au/t containing 710,836 ounces of gold.

On May 1, 2002, DSM entered into an option agreement with William Multi-Tech Inc. (formerly William Resources Inc. and now Valencia Ventures), whereby William granted DSM the option to earn a 51% interest in William's wholly owned subsidiary, JMC which owned the mineral rights, mines and a 4,000 tonne per day plant located on the Jacobina Mine paleoplacer gold property in Brazil. To earn the 51% interest in JMC, DSM was required to spend \$2,000,000 exploring the Jacobina property prior to December 31, 2004. On September 20, 2002, DSM entered into a Memorandum of Understanding ("MOU"), pursuant to which William granted DSM an option to acquire the remaining 49% interest of the mine and related mineral concessions by making an option payment of \$100,000 at the time of execution of the MOU and a further \$5 million in cash within 90 days of earning the initial 51% interest, of which up to \$2,500,000 could be satisfied in equivalent value of shares in DSM. In September 2003, DSM completed the required exploration expenditures to earn a 51% interest in the property and then exercised its option to acquire the remaining 49% interest of the Jacobina property. As a result of the exercise of its option, DSM acquired a 100% interest in the Jacobina property.

Reactivation of the João Belo Mine started in April 2004 and in July 2004 ore extraction commenced. The cost of the capital project, including development of the João Belo Mine, refurbishment of the mill facilities and the purchase of all machinery, equipment, and vehicles, was approximately \$37 million. DSM poured the first gold bar at the João Belo Mine in March 2005 and declared commercial production effective July 1, 2005. DSM started work in August 2005 on the 720 Level access portal for Morro do Vento and slashing the access adit. As of December 31, 2005, the drift was 720 metres in length. In November 2005, DSM reported that total ore mined in the third quarter ended September 30, 2005 was 340,913 tonnes and ore milled was 300,505 tonnes at an average grade of 2.03 g/t Au. Gold production was 18,683 ounces at an average cash cost of \$292 per ounce. The average recovery rate at the mill was 95.4%. Total production for Jacobina since mining commenced in 1983 is reflected in the current technical report. From 2004 to the end of 2006, JMC conducted exploration activities at Pindobaçu as reflected in the current technical report.

Yamana acquired the Jacobina project and certain exploration projects in the Bahia gold belt on April 5, 2006 through its acquisition of Desert Sun Mining.

In 2008, Yamana completed a plant expansion to increase throughput to over 6,000 tpd. Subsequent to further development work in 2009, Jacobina reached production throughput levels of 6,000 tonnes per day, the expected level in 2010. Yamana expects to process ore at an increased rate of 6,200 tonnes per day in 2011.

Geological Setting

In terms of regional geology, the Precambrian terrains of the northeastern part of the São Francisco Craton, in the state of Bahia, show evidence of a prolonged terrain accretion history. The three major Archean crustal units, the Gavião, Serrinha and Jequié blocks, underwent several episodes of tectonism that culminated in a continental-continental collision during the Paleoproterozoic, when the consolidation of the craton took place along a main orogenic belt named the Salvador-Curaçá mobile belt. A prominent zone of crustal weakness within this portion of the craton is the Contendas-Jacobina lineament, a 500 kilometres long and approximately north-trending suture

zone, located close to the eastern margin of the Gavião block. A re-activation of the Contendas-Jacobina lineament during the Paleoproterozoic, prior to, and during the continental collision, gave rise to a continental margin rift-type basin where the siliciclastic sediments of the Jacobina rift were deposited.

In terms of property geology, the Bahia Gold Belt is situated throughout most of the Jacobina range, where quartzites, metaconglomerates and schists of the Paleoproterozoic Jacobina Group constitute a series of north-south, elongated, mountain ranges that rise up to 1,200 metres above sea-level. The deep and longitudinal valleys, bordering the mountains, correspond to deeply weathered ultramafic sills and dikes. The east-west oriented valleys represent weathered mafic to intermediate dikes. Archean tonalitic, trondhjemitic and granodioritic gneiss-dominated basement and related remnants of supracrustal rocks, grouped as the Mairi Complex, are found on both flat to slightly hilly areas east of the Jacobina range. At its eastern border and also in a flat landscape, there are the fine-grained biotite gneisses of the Archean Saúde Complex. The transition between the hilly and the scarped domains of the eastern border corresponds to the exposures of the Archean Mundo Novo Greenstone Belt (“MNGB”). The Pindobaçu geology is composed by two main tectonic domains: the MNGB, which is the host envelope; and the Jacobina Group. The Archean MNGB is composed, from east to west, by an association of metabasalts, graphite-rich schist with hydrothermal pyrite, banded iron formation, meta-chert and meta-greywacke intercalated with conglomerates. The Jacobina Group is represented by the Serra da Paciência Formation. This formation is characterized, from east to west, by fine to very coarse, grey to green quartzite; laminated fuchsite-sericite-rich quartzite, pyrite-hematite-fuchsite silicified quartzite with tourmaline; and association between sericite metaconglomerate and recrystallized fuchsite quartzite.

Exploration

Canavieiras is the most encouraging near mine target, located 4 kilometres north of the mill plant, representing 40% of Jacobina global resources with grades over 3 grams per tonne, higher than João Belo and Morro Vento, the current mines. The 2006/2007 drilling campaigns extended the mineralized conglomerate reefs for a strike length of 2 kilometres south of the old mine workings. The target reefs are not exposed at surface but have been intersected from depths of 100 metres to as deep as 600 metres below surface. East-west striking normal faults have caused vertical displacement of the stratigraphy up to 200 metres resulting in a series of stacked blocks each of which has a strike length of 500 metres to 600 metres.

Several regional targets have been explored by Yamana, the most important being Pindobaçu (70 km north of mine area), which is a lode gold deposit, located in the unconformity of the rift basin and the greenstone belt basement, with significant high grade intersections and the Entry Point, where a new mineralized reef was discovered 80 km far north of the traditional Jacobina mine area.

Considering that Canavieiras is still open along the strike (South Extension), Morro Vento is also open downdip (East Extension), the significant regional potential, the very close similarities to world class deposits and the remarkable mineral resource growth achieved in the last four years, it is fair to expect Jacobina resources and reserves will continue to grow.

As reported by Golder Associates (2008), a total of 22,920 metres of exploration diamond drilling was completed in 54 drill holes by JMC in 2006. This drilling was targeted at extensions of known mineralization at Canavieiras, João Belo, Morro do Vento, and Serra do Córrego in the Jacobina area and at the mineralization at Pindobaçu. The 2007 exploration program included 30,601 metres in 56 drill holes at Canavieiras, João Belo, Morro do Vento, Serra de Córrego, and Pindobaçu.

Exploration for extensions of known mineralization continued in 2008 with 12,405 metres of surface drilling completed in 25 drill holes. The drilling took place at Canavieiras, João Belo, Morro do Vento, and Pindobaçu.

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

A total of 17,000 metres in 38 holes have been completed to the date of the technical report, including infill and step out drilling. Initial results indicate that the exploration effort has been very successful in achieving its goals. Drilling at both Morro do Vento and Canavieiras continued through the fourth quarter of 2010 and into 2011.

The Canavieiras deposit and the Main Reef zone in the Morro do Vento deposit are the highest grade mineralized zones which have been discovered to date in the mining complex and represent the most significant near mine targets likely to increase the grade of the mineral resources and mineral reserves. Much of the 2010 exploration focus was on these areas.

See also “— Current Exploration and Development”.

Mineralization

The Jacobina Group hosts four different major types of gold deposits: (i) conglomerate-hosted; (ii) quartzite, andalusite schist and metaconglomerate-hosted; (iii) ultramafic-hosted; and (iv) mafic/intermediate dike hosted. The characteristics of each of these principal types of gold deposits are described as follows:

Conglomerate Hosted Gold Deposits:

These deposits comprise sheared and micro-fractured, gold-bearing, recrystallized, silicified, and pyritic metaconglomerates with a greenish, fuchsite matrix, of the Serra do Córrego Formation. These rocks often show overprints of hematite coatings along shear-plane, joint, and fracture surfaces, which post-date gold-mineralized fabrics. The best examples of this group are found within the 40-km long Jacobina gold district (Canavieiras, Itapicurú Morro do Vento and Morro do Vento Extension, and João Belo mines, Serra Branca and other minor occurrences), which extends from Campo Limpo, in the south, to Santa Cruz do Coqueiro, in the north.

Quartzite, Andalusite Schist and Metaconglomerate-hosted Gold Deposits:

This group encompasses gold-bearing quartz veins and veinlets, which fill tension gashes and open fractures, related to semi-concordant shear zones hosted by quartzites and andalusite-graphite-quartz schist, and local metaconglomerates of the Rio do Ouro and Serra da Paciência formations (e.g. Goela da Ema, Biquinha, Cercadinho and Guardanapo gold workings). The main hydrothermal alterations associated with these are: silicification, sericitization, chloritization, and pyritization, with minor chalcopryrite and tourmaline. The gold-bearing quartz vein and veinlets deposited along shallow-angle, west-dipping shear zones, hosted by Rio do Ouro quartzites, are also included in this group, but it is emphasized that according to their specific positioning (situated in the west block of the Maravilhas fault and positioned at nearly 90° to the bedding of the quartzites), they are thought to represent vertical shear zones developed before tilting of the Jacobina Group. The best examples of this group are: Coxo, Jaqueira, Maravilha and Lajedo gold workings. The main related hydrothermal alterations for this group are: Silicification, sericitization, chloritization, pyritization (locally with chalcopryrite), and local tourmalinization.

Ultramafic-Hosted Gold Deposits:

These deposits comprise narrow, up to 4 metres thick, shear zones developed in north-south oriented ultramafic sills and dikes, close to their footwall and hangingwall contacts with the hosting quartzites and metaconglomerates of the Serra do Córrego, Rio do Ouro, and Serra da Paciência Formations. The mineralized shear zones are characterized by the development of gold-bearing quartz veins and/or stockworks. The main hydrothermal alteration types are: silicification, fuchsitization, pyritization, and sericitization, with local tourmalinization. A number of examples of this group are known at the mine sites and surrounding areas (Canavieiras, Itapicurú, Serra do Córrego, Morro do Vento and João Belo), and at the Serra da Paciência (Mina Velha, Várzea Comprida, Ciquenta e Um, Cabeça de Nego and Milagres gold workings), in the north.

Mafic/Intermediate Dike-Hosted Gold Deposits:

This type is the last developed, and least important, group of gold mineralization within the Jacobina area. It consists of gold-bearing quartz veins in tension gashes, with local pyrite remobilization, close to the contacts

between late-tectonic gabbroic and dioritic dikes and metaconglomerates and quartzites of the Serra do Córrego and Rio do Ouro Formations. The dikes are emplaced along east-west and northwest-southeast-oriented fractures and faults. Pyrite is concentrated along the contact zone with hosting metasediments, where a hornfels texture is developed in the gabbroic or dioritic rocks.

Drilling

The procedures currently used during the diamond drilling programs are as follows:

The collar locations of all drill holes are marked by JMC survey crews prior to drilling and the collars are surveyed after the completion of the drilling.

A Maxibor survey instrument is used to provide control information on the directional deviation (both azimuth and inclination) at 50 m intervals in each hole.

Lithologic logging is done on drill core and geotechnical observations are made by company geologists, depicting all down-hole data including assay values. All information is digitally recorded using Gemcom Logger software. This includes recording:

- Lithologic contacts
- Descriptive geology
- Recording of heavy mineral and sulphide content
- Intensity of various alteration types
- Structural features, such as fracture and fault zones
- Core angles
- Core diameter
- Down hole inclination
- Core recovery record
- Rock quality designation (RQD) measurements

See also “— Current Exploration and Development”.

Sampling and Analysis

JMC used both SGS (ISO 9001:2000) in Belo Horizonte, Brazil and Acme (ISO 9001:2000) in Goiania, Brazil and Santiago, Chile for sample preparation and assaying of exploration and delineation drill core from Jacobina. Core samples were delivered to the laboratory in sealed batches by truck to Salvador and then sent by air to Belo Horizonte or Goiania. Certified standards, blanks, and pulp duplicates were used for quality control purposes. Core duplicates and coarse reject samples were submitted. Duplicate check assays on samples originally analysed by SGS have been completed by Acme.

A corporate report on QA/QC for Yamana showed that 31 certified standard samples and 34 blanks were submitted with exploration drill samples from the Jacobina area in October 2008. A total of 56 core duplicates and 19 coarse crush duplicates were also submitted. QA/QC samples from the Pindobaçu area totalled 27 certified standards, 42 blanks, and 89 core duplicates. Between January and the end of October 2008, a total of 330 blanks, 766 coarse duplicates, 331 certified standards and 538 pulp duplicates were submitted.

As noted in the Jacobina Report, Scott Wilson RPA is of the opinion that the sample preparation and assay procedures used for the exploration and delineation drill core samples are in keeping with industry standards.

Sample preparation and assays are also carried out at the Jacobina Mine Complex laboratory. The mine laboratory analyzes samples from channel samples and production drilling. The laboratory also handles samples for process control in the plant as well as for environmental monitoring. The laboratory is operated under contract by SGS and employs SGS internal protocols as at the SGS laboratory in Belo Horizonte.

The procedures followed by each laboratory for sample preparation and assaying is detailed in the current technical report.

Jacobina drill samples were submitted to Acme in Goiania, Brazil and Santiago, Chile for sample preparation and assaying respectively. Assay certificates are electronically transmitted to the mine. Upon passing QA/QC protocols, the results were downloaded into the Jacobina database.

Security of Samples

Samples are handled only by personnel authorized by JMC. Samples from the mining operation are delivered directly to the mine laboratory each day upon completion of the underground sampling. All drill core from surface and underground drill holes is taken directly to a drill logging and sampling area within the secured and guarded mine property by authorized mine or exploration personnel. The mineralized core intervals are logged and sampled; and the samples are delivered directly to Acme in Goiania.

Each sample is assigned a unique sample number that allows it to be traced through the sampling and analytical procedures and for validation against the original sample site. The second half of split core is stored on-site as a control sample, available for review and re-sampling if required.

Mineral Resources and Mineral Reserves

See “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”.

The methodology of estimating mineral resources by JMC and Yamana staff on recently updated resource estimates includes: (a) statistical analysis and variography of gold values in the assay database; (b) construction of a block model using Vulcan software; and (c) grade interpolation using a kriging method. A small amount of the resource estimates in the older parts of the mines or in outlying areas have been estimated in the past using a longitudinal section polygonal methodology and have not yet been converted to block model estimates.

Validation of the block models by Yamana included: (a) on screen displays of plans and sections showing composite and block grades; and (b) drift analysis calculated over “slices” along the strike of each zone. For these analyses, the kriged mean grades were compared with the original sample mean grades.

Mining Operations

Mining Methods and Metallurgical Process

The mining method that is used at the Jacobina Mine (João Belo) is sub-level retreat open stoping method. Pillars are left based on the rock mechanics study done by MLF Geotecnia e Mecanica de Roches Ltda (MLF). Rib pillars will be left along strike where required but optimized in sections of waste or low grade zones within the ore body. Sill pillars and stope access pillars are temporarily left and removed once the mining above has been completed. Mining recovery based on this application was calculated to be approximately 88%, which is consistent with what is currently being achieved and also consistent with similar sized ore bodies with excellent ground conditions and using Longhole mining methods. Generally, the layout provides for two parallel drill drives to be established in both the footwall contact and hanging wall contact at intervals that generally limit Longhole drilling to approximately 30 metres. The drilling is by electric hydraulic tire-mounted, ITH hammer drill rigs and takes place from the sub-level to the drill drift or undercut drift.

In the past, JMC did not include pillar recovery in the mine plan but will implement pillar recovery in future. At present, some 600,000 tonnes of Rib pillars grading 2.10 g/t are included in the Mineral Reserves and in the LOM plan. Scott Wilson RPA would recommend preparation of a detailed mining plan for pillar recovery to ensure this can be carried out in a safe manner. The use of various materials for backfill should also be evaluated in this planning. As noted in the Jacobina Report, Scott Wilson RPA is of the opinion that problems with pillar recovery could negatively affect the total metal recovered.

As noted in the Jacobina Report, an investigation into a new mining method for zones typically below 40° dip is being carried out with the aid of Itasca S.A. and SRK. This method would use the “Up-hole Retreat” and the stope design is in process. Stope dimensions need to be developed that will ensure effective drilling, blasting and mucking to optimize the ore recovery, since muck “flow” problems are encountered at these low dip angles. An analysis of room and pillar stoping for the Canavieiras South was also carried out by SRK. Scott Wilson RPA supports this initiative to assess new or improved methods to optimize recovery of the ore in the Jacobina Mine Complex.

The metallurgical process at the Jacobina Mine Complex uses a simple and efficient milling process. The process involves the following activities: grinding of the run of mine material into a pulp, leaching the pulp in a conventional cyanide leaching process and then gold extraction of the enriched solution in a Carbon-In-Pulp (CIP) circuit. Achieved mill statistics for the operating year 2006 were approximately 1.4 million tonnes processed with mill recovery of approximately 94%. A brief explanation of the metallurgical process used at the Jacobina Mine is explained below.

The run of mine (ROM) material is hauled by trucks from the mine to the crushing facility adjacent to the processing plant. The ROM is initially sized by a 50 x 80 cm opening grizzly / rock breaker system located at the top of the primary jaw crusher. The primary jaw crusher, which is fed by an 80 tonne hopper, is 1,200 mm x 900 mm and has a 350 tonne per hour capacity. The product from the jaw crusher, which is <200 mm, is fed into two silos. The material is then fed into semi autogenous grinding mills and is ground to a size of 80% passing 200 mesh. The No.1 Mill has the dimensions of 3,658 mm x 6,706 mm and features a single 1,342 kW motor. The Mill No.2 is 4,572 mm x 9,144 mm and is equipped with two 1,342 kW motors.

The pulp from the grinding circuit is pumped to the leaching tanks. The leaching circuit consists of four 9.5 m diameter x 10.25 m high mechanically agitated leach tanks and twelve 212 m³ Pachucas. The leach residence time is 24 hours. The pulp is then sent to the C-IP circuit. The C-IP circuit consists of six 5.6 m diameter x 7.8 m high, 180 m³ capacity mechanically agitated C-IP tanks. The enriched carbon from the C-IP circuit is removed and stripped of its gold. From here, the pregnant solution is circulated through electro winning cells and a doré gold is produced consisting of 96% gold and 3% silver.

The milling process is fully automated using modern Siemens instrumentation and automation technology for better process control. All environmental issues are strictly monitored. The Mill has “zero discharge” criteria for its effluent into the environment. All the water used in the milling process is recycled. Approximately 200 m³/hr of the 450 m³/hr make up water is reclaimed from the tailings pond. A new tailings pumping system was added to handle the increased throughput. There is an environmental engineer on staff who continually monitors and evaluates the mill and mines’ performance.

AMEC Americas was commissioned to complete a pre-feasibility study for the proposed plant expansion to 6,500 tonnes per day and 10,000 tonnes per day. Additional metallurgical testing of the ore is planned to determine how to best optimize the flow circuit in the expansion scenarios.

Production and cost improvements were implemented at the Jacobina gold mine in 2006. The Company initiated the following improvements:

- A change in mining method to reduce dilution and improve grade.

- Improved processes to increase safety and reduce risk of damage to equipment.

- Installation of a cone crushing circuit which has increased plant capacity to 5,000 tonnes per day from the original 4,000 - 4,200 tonnes per day and reduced power consumption at the mills.

- Began engineering and mine plan to increase production to 6,500 tonnes per day by late 2007.

Grade improvements resulting from the change in mining method and increased production resulting from the added crushing circuit began to take effect in 2007. Total production in 2009 was 110,515 ounces of gold.

Power consumption to run the mills was also reduced with the added crushing circuit. Estimated reduction in power consumption to run the larger of the two mills is 20 to 25 percent below previous power consumption levels. This should result in a further reduction in cash costs and maintenance costs and there will be less wear on the mill liners.

Markets

The principal commodity at Jacobina is freely traded, at prices that are widely known so that prospects for sale of any production are virtually assured. Scott Wilson RPA used a LOM weighted average gold price of \$725 per ounce for the base case.

Environmental Considerations

The Company has all of the necessary environmental permits to operate the Jacobina Mine Complex. The environmental liabilities include rehabilitation of the old João Belo open pit mine, the old stockpile areas and the tailings facility. The mine closure costs are included on an annual basis in the life of mine plan and total approximately \$25 million by end of mine life.

The construction of a new tailings lined storage facility, capable of holding 20 years of tailings, was commenced in 2008 and the first phase of construction was completed in 2009.

Life of Mine and Capital Payback

Scott Wilson RPA notes that the LOMP presented in the report is based on production tonnes and grade and development requirements, as forecasted by Yamana. Scott Wilson RPA has adjusted the production quantities to reflect the updated Mineral Reserves, and has included additional allowances for sustaining development. The LOMP, which only considers production from mineral reserves as set out in the Jacobina Report, spans a total mine life of approximately 11 years.

Current Exploration and Development

The Company continues to focus on upgrading the current mineral resources to mineral reserves at Canavieiras and Morro do Vento and improving overall mineral reserve grade for the mine. Drilling during 2011 totaled 16,608 meters in 48 holes and was completed to upgrade Inferred Mineral Resources to measured and indicated Mineral Resources at both Canavieiras and Morro Do Vento.

The Company expects the development of higher grade areas at Jacobina to increase production to above 140,000 gold ounces per year beginning in 2014.

Gualcamayo Mine

Unless otherwise stated, the information, tables and figures that follow relating to the Gualcamayo Mine are derived from, and in some instances are extracts from, the technical report entitled "Technical Report for Gualcamayo Project, San Juan, Argentina, Report for NI 43-101 pursuant to National Instrument 43-101 of the Canadian Securities Administrators" dated March 25, 2011 (the "Gualcamayo Report"), prepared under the supervision of (the "Gualcamayo Qualified Persons") Guillermo Bagioli, MAusIMM, of Metálica, Marcelo Trujillo, MAusIMM, of Metálica, Alvaro Vergara, MAusIMM, of Metálica, Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R of Yamana, Marcos Eduardo Valencia Araya, P.Geo., Regional Resource Estimation Manager, Andes Exploration of Yamana and Renato Petter, P. Eng., Technical Services Director of Yamana. The technical information contained in this section of the annual information form, other than the technical information set forth under the heading "— Current Exploration and Development", has been reviewed and approved by the Gualcamayo Qualified Persons, each of whom is a "qualified person" for the purpose of NI 43-101. See "Interests of Experts".

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Gualcamayo Report, which has been filed

with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on the Company's SEDAR profile at www.sedar.com.

Property Description and Location

The Gualcamayo property is located in northern San Juan Province, Argentina, approximately 270 kilometres north of the provincial capital of San Juan. The main Gualcamayo block consists of one *Cateo* and 57 *Minas* and covers 7,128 hectares. A *Cateo* is an exploration concession which allows the holder the exclusive right to explore the area subject to certain rights of owners of pre-existing mines within the *Cateo* area. Once an application for a *Cateo* is submitted, all rights to any mineral discovery on the *Cateo* belong to the applicant. A *Mina* is a real property interest which allows the holder the right to explore and exploit manifestations of discovery on a permanent basis after completion of an official survey for as long as the right is diligently utilized and property taxes are paid. Fifty-five (55) of the *Minas* are contiguous and lie wholly within the *Cateo*. One *Mina* (Chani) lies partially outside the *Cateo* and one *Mina* (Perico) lies wholly outside the *Cateo*. Six (6) contiguous *Minas*, collectively known as the Virgen de Lourdes Property, in which the Company does not hold an interest and which cover a 50 hectare area, lie within the main Gualcamayo Property block.

The Gualcamayo property includes three known deposits, QDD, Amelia Inés and Magdalena. The use of the term "AIM" herein refers to the latter two deposits. The QDD deposit includes the QDD Upper zone which is being developed using open pit mining, and the QDDLW zone which was recently approved as feasibility stage. Other targets on the property are at an early prospective stage of exploration.

Gold mineralization at Gualcamayo was discovered in 1980 by Mincorp Exploration SA ("Mincorp"), a subsidiary of AngloGold South America Ltd. Mincorp carried out an extensive exploration program of the Amelia Inés, Magdalena, and Belgrano zones of the property. Minas Argentinas S.A. ("MASA"), a wholly owned subsidiary of Viceroy Resource Corporation, acquired from Mincorp a 60% interest in the property in 1997, and the remaining interest in 2002. In 2003, Viceroy Exploration Ltd. acquired MASA from its predecessor Viceroy Resource Corporation. Yamana subsequently acquired Viceroy Exploration Ltd. ("Viceroy") in early 2007.

The Gualcamayo property is owned 100% by MASA, a wholly-owned subsidiary of Yamana which it acquired through its purchase of Viceroy in October of 2006. Royalties on the property are as follows: (i) a 1% Net Smelter Return royalty ("NSR") on production from the Gualcamayo Property is payable on certain concessions to Inversiones Mineras Argentinas Inc. ("IMA"), who assigned their rights and obligations to Golden Arrow Resource Corporation by assignment agreement dated July 4, 2004; (ii) a 1% NSR, capped at \$200,000 on production from the Patrimonio, Patrimonio I, Patrimonio III, Patrimonio IV and Leticia mining leases is payable to the Lirio Family; (iii) a 1.5% NSR, capped at \$500,000, is payable to the Lirio Family on production from the Rio Piojos *Cateo*; (iv) a 3% provincial royalty is payable on mine production after deduction of direct mining and associated G&A costs and (v) an export tax of 5% of the value of the doré exported. An additional 1.5% of contributions to infrastructure fiduciary funds is calculated upon the gross sales and is payable to the San Juan government. This contribution is included in the Minesite overhead line of the cash flow, along with the debit and credit tax (1.2% upon the total transactions in the Argentinean Banking system).

Surface rights in Argentina are not conferred with title to either a mining lease or a claim and must be negotiated with the landowner. In 2004, MASA purchased the surface rights to a contiguous land package totaling 26,218 hectares, which partially covers the Gualcamayo property and wholly covers access routes to the area of interest from Highway 40, the main access route to the property.

Exploration drilling on the property is subject to the application and acceptance of a water use permit from the Hydrological Department of San Juan, which MASA has received.

At the completion of each phase of exploration, an environmental impact study is required to be submitted to the Environmental Provincial Management Unit ("EPMU"; *Unidad de Gestion Ambiental Provincial*) of the San Juan Department of Mines. Two reports, submitted in 2005 and 2006, cover the Gualcamayo property. An application to develop the project (an environmental assessment) for the production phase was submitted to the San Juan authorities in December 2006. Yamana received formal approval of the application in August of 2007. The approval of this assessment permitted mining development to proceed, subject to obtaining sectoral permits for specific project facilities. Sectoral permits have now been obtained for most of the QDD project facilities, and

continue to progress well. Planning for the sectoral permitting for the leach pad facility was initiated in December 2006, continuing through 2007 and 2008, with key focus on the longer lead permit processes such as the water use concession, and approvals of design and for construction of the leach pad embankments. The 5th Update of the Environmental Assessment Report — Exploration Phase has been submitted and it includes information referring to the future construction of the Access Ramp to the West Zone Lower QDD deposit.

In 2009, the update of the Environmental Assessment Report — Mining Phase was done and it included the Environmental Assessment Report — Mining Phase, Lower QDD Access Ramp and the mining Project of the underground deposit.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The project area is easily accessible from the city of San Juan by driving three hours north on paved Highway 40 and then via a 20 kilometre gravel road to the main camp. The site is accessible by driving from the nearby towns of Guandacol, Huaco and Jachal within 40 minutes to 90 minutes.

The general services and infrastructure for the area are good. The main camp (Campamento Gualcamayo) has capacity for approximately 400 persons, and includes offices, kitchen, sleeping quarters, washrooms, storage facilities, waste handling and recycling facility, sewage treatment system, fuel storage, and laydown areas. Electrical power is supplied to the camps by public grids.

The climate is semi-arid with average annual precipitation of 190 mm. The rainy season commences in December and ends in late March. The temperature at the site averages 15°C over the year. Extreme temperatures range from -9°C in the winter to 40°C in the summer. Winter daytime temperatures average 15°C with sub-zero temperatures occasionally reached, especially at night. July and August can experience snow accumulations to 15 cm above 2000 m, which usually melts within one to two days. The Gualcamayo river valley intersects the project site to the east of the mining area. The river has a trickle flow during most of the year and is easily passable by light vehicles. During the rainy season, flash floods occasionally occur that can make the river impassable, generally for less than six hours and in extreme cases for up to 12 hours.

The general services and infrastructure for the area are good. The National electric power system is located approximately 129 kilometres from the project site. Drilling contractors, heavy machinery dealerships, repair services and parts are available at both San Juan and Mendoza. Local labour is readily available and staff engineers and geologists are available through the University of San Juan, as well as from consulting firms based in the region. Fuel storage deposits are located in the Campamento Gualcamayo area and fresh water is supplied from a well located approximately 2.5 kilometres south-east of Campamento Gualcamayo and there is more than sufficient water to meet future operations requirements. There is sufficient space for waste rock storage/dumping and leach pad areas.

History

The general area of the Gualcamayo gold project has been sporadically prospected by local miners for at least the last 60 years. These exploration activities were directed towards surface occurrences of skarn hosted lead, zinc, copper, gold and silver mineralization. There is also evidence of minor magnetite production from the skarns.

Mincorp explored the skarn/intrusive related gold mineralization at Amelia Inés, Magdalena and Belgrano between 1983 and 1988. At the Amelia Inés deposit, Mincorp carried out 3,414 metres of surface diamond drilling, 1,405 metres of underground development on three levels, and 4,047 metres of underground drilling from 79 holes. They also conducted an Induced Polarization (“I.P.”) survey and 750 metres of surface trenching, sampling and mapping. Based on this work, Mincorp identified three zones of gold mineralization referred to as Betsy, Ana and Diana.

A 92 metre tunnel referred to as “tunnel D” was also developed southeast of Amelia Inés. Although this was designed to provide underground drill stations to explore the Amelia Inés deposit it was never utilized.

At the Magdalena prospect, Mincorp carried out an I.P. survey, 980 metres of surface diamond drilling, 335 metres of underground development on two levels (4 adits), and 795 metres of underground drilling. Mincorp

concluded from their exploration program that the mineralized zones were small and irregular. However, later interpretation suggests that the adits and drillholes may have been oriented parallel to the strike of the mineralization, providing little useful information about the size or grade of the zone.

At the General Belgrano prospect, a 350 metre crosscut was driven at the 1850 level (1965m elev.) and cut five veins. An additional 195 metres of drifting was performed along these veins. One was a subconcordant structure containing pyrite, chalcophyrite, tetrahedrite and sphalerite. Grades reportedly averaged 10.8 g/t Au and 1,002 g/t Ag over a thickness of 0.3 metres for a length of 55.6 metres. Mincorp concluded that the Belgrano veins are generally narrow and dislocated by faulting which made exploration difficult and work was suspended.

MASA formed a joint venture in 1997 with Mincorp to earn a 60% in the Gualcamayo gold project. The objective of the exploration program initiated by MASA was to explore and evaluate the potential for epithermal sediment hosted gold mineralization peripheral to the skarn hosted mineralization explored by Mincorp.

In late 1997 and 1998, regional prospecting and rock geochemical sampling by Bill Rowell revealed the presence of gold bearing carbonate breccias in Quebrada del Diablo, approximately 1.2 km southeast of Amelia Inés. The mineralized zone as defined by surface sampling extended 400 metres along the quebrada and up to 800 metres to the east along steep cliff exposures. The original discovery was confirmed by a saw-cut channel sampling and a follow-up program of continuous rock chip sampling along a newly constructed road into the Quebrada.

Between December 1997 and December 2000, MASA completed four drill programs for a total of 11,230 metres in 58 drill holes. The drilling included 6,043 metres of diamond drilling and 5,187 metres of reverse circulation drilling that focused primarily on the QDD area.

Geological mapping and surface sampling during 1999 and 2000 helped in further defining the trend of gold mineralization which currently extends for more than 2.5 km from QDD through the Amelia Inés and Magdalena areas.

In 2004 MASA completed further definition and fill-in drilling at QDD totaling 7,167.5 metres in 26 reverse circulation holes. RC Drilling was also conducted at Amelia Inés (947 metres in 5 holes), Magdalena (1,844 metres in 8 holes) and three other peripheral target areas (1,964 metres in 8 holes).

GeoSim Services Inc. (Simpson, 2004) completed an updated mineral resource estimate on the QDD and AIM deposits in December 2004.

In late 2004, Major Drilling brought in a skid-mounted UG JKS Boyles B20 core rig capable of drilling angle holes from -90° to +45° in order to test previously inaccessible portions of the QDD and AIM deposits as well as other exploration targets. Four core holes were completed before the end of 2004 amounting to 712 m.

In January 2005, AMEC Americas Limited (“AMEC”) completed a Preliminary Economic Assessment (“PEA”) of the QDD deposit in accordance with NI 43-101. The study used a gold price of \$400 per ounce and concluded that the QDD project had the potential to be economically viable and should proceed to the next phases of feasibility study. Core and RC drilling was continued throughout 2005 and 2006 on both QDD and surrounding targets. Between January and August 2006, results were received from 114 core holds and 69 RC holes representing an additional 38,452 metres.

GeoSim Services Inc. (“GeoSim”) completed an updated mineral resource estimate in September 2006.

Exploration drilling continued through the remainder of 2006 and during 2007 concentrating mainly on the outlying satellite deposits, Amelia Inés and Magdalena (collectively referred to as AIM). However, exploration continued to explore the deep western extension of the QDD deposit, and in mid 2007, an exploration decline was started to provide better access.

In August, 2007 Wardrop Engineering completed a feasibility study on the QDD deposit (Wardrop, 2007). The study involved developing feasibility level design of all aspects of the project, including mine design, mineral

processing, heap leach facilities, gold recovery, and economic evaluation. The financial evaluation concluded that the Gualcamayo Property is a positive project at current gold prices and with the current NI 43-101 resource.

In the same report, an updated resource estimate was reported for the AIM deposits and used as the basis for a separate scoping study. The scoping study on the AIM deposits was completed to a $\pm 30\%$ level of accuracy and concluded that the addition of the AIM deposits to the QDD deposit would significantly improve the overall project economics.

In September, 2007 and interim resource update for the AIM deposits was carried out using assay data received as of July 12, 2007. This included an additional 25 core and 6 RC drill holes.

A positive construction decision for the QDD deposit was announced by Yamana in August 2007 following the results of a positive feasibility study and the formal approval for its Gualcamayo Environmental Assessment report. Mining is ongoing at the QDD deposit with commercial production declared mid-2009.

Total drilling on the QDD Upper and Lower deposits to the end of 2007 included 190 core holes and 134 RC holes totaling 79,784 m.

In March 2008, GeoSim completed a new database update with three deposits QDD Upper, AIM and underground deposit QDDLW.

In January 2009, Yamana announced the results of an updated pre-feasibility study relating to the QDDLW deposit in which two alternative approaches to mining were considered. See “— Mining Operations — QDD Lower West (QDDLW)”.

In late 2008, construction was substantially complete with the first gold pour in early 2009. Production ramped up in July 2009 when commercial production was declared.

Geological Setting

In terms of regional geology, the Gualcamayo gold project is located along the eastern margin of the Precordillera of west central Argentina. The Precordillera is a narrow N-S trending belt of tectonically deformed clastic and carbonate rocks of lower to mid Paleozoic age, overlain by Carboniferous and Permian marine and continental sediments, Triassic volcanics and continental redbeds and Tertiary continental redbeds.

In terms of local and property geology, the Gualcamayo project is located primarily within a package of lower Paleozoic stratigraphy characterized by thick carbonate sequences of upper-Cambrian Los Sapos and Ordovician San Juan Formations, which are overlain by marine clastics of Upper Ordovician Trapiche Formation. The entire stratigraphic section exceeds 1,000 m in thickness. The immediate project area is intruded by a quartz diorite stock, dated at 16-5.6 MA that produced relatively thin skarn halos and a metasomatic areole that extends hundreds of metres outboard into the surrounding carbonates.

Underground mapping at QDDLW has revealed the structural and lithological factors controlling the emplacement of the mineralization. The initial assumption of the important role played by the tension gash geometry has been confirmed.

Exploration

Since 1983, the Gualcamayo property has had significant exploration programs conducted by Mincorp and MASA. The stage of exploration has advanced through several drill programs sufficient to complete a resource estimate. Past exploration programs have been assessed in previous technical reports in 2003, 2004 and 2008.

Since the acquisition of the Gualcamayo property by Yamana in 2006, MASA has carried out exploration work including core drilling; reverse circulation drilling; rock geochem sampling; geologic mapping; airborne geophysics; a petrographic study; and electron microprobe study through 2008.

An aggressive regional exploration program is presently underway assessing the numerous gold anomalies that extend a further 12 km west and 8 km north of Gualcamayo. Anomalies are associated with similar trans-tensional wrench structures, Tertiary age intrusives and Lower Paleozoic carbonates recognized at Gualcamayo.

Total drilling completed in October 2008 was of 6,157 m, including 2,956 m of core holes and 3,201 m of RC holes. A total of 2,708 m of RC drilling were drilled at the Las Vacas Project, and 493 m in Cerro Diablo. The diamond drilling includes 816 m drilled in the Quebrada Perdida regional project, and 2,140 m of near mine exploration drilling at Gualcamayo (1,608 m of underground holes and 532 of surface drilling).

A new resource update of the QDDLW resource was performed during October 2008. The final report was presented early November (Simpson, November 2008). It considered data from the recently finished infill drilling aimed to carry about 240 K oz of inferred resources to the measured and indicated categories.

Preliminary results from this new resource update show a global ounces increase amount of 294,000 oz over a total of 905,000 oz at 2.86 g/t Au. The added measured and indicated resources were 392,000 oz, over a total of 769,000 oz at 2.9 g/t Au.

The infill drilling confirmed and expanded the initial resource estimation (January 2008) by introducing higher grade and volume data from QDDLW. At the same time, partial exploration data confirmed the westward extension of the resource.

See also “— Current Exploration and Development”.

Mineralization

Four distinct mineralization types occur at the Gualcamayo property and three of these are of present economic interest. They are: (1) sediment-hosted distal-disseminated gold (ODD); (2) sulphide-bearing skarn deposits containing copper, zinc and molybdenum with late stage gold-arsenic mineralization (AIM); and (3) porphyry style molybdenum mineralization.

QDD

Gold mineralization at QDD occurs in carbonate sediments within conformable and discordant carbonate breccias and fractured limestone. The gold mineralization is related to a hydrothermal event overprinting the proximal skarns and extending into the surrounding marbles and limestones. The QDD canyon itself lies along a fault/dyke system, which is believed to be a reactivated Ordovician rift structure that acted as the primary conduit for hydrothermal fluids migrating away from the intrusive contacts.

The mineralizing fluids were dispersed into a semi conformable, receptive limestone aquifer travelling up dip following the hydraulic gradient, more than 600 m away from the QDD feeder structure. The permeability was provided by several deformation and alteration factors forming large conformable collapse breccias and includes: (a) early meteoric karsting of the Upper San Juan Formation and in particular the cliffy, bioturbated limestone member; (b) hydrothermal dolomitization of the pre-existing diagenetic dolomite member of the upper San Juan Formation that initiated collapse and breccia development of the over lying karsted limestone; and (c) E-W faulting, tectonic brecciation along fold hinges, stylolite formation during the ongoing contractional, and transpressive deformation during the Andean orogeny. These three factors produced a very permeable stratigraphic window (conformable breccia) within the Upper San Juan Formation that later focused mineralizing sulphurous fluids through the earlier hydrothermal collapse breccias.

During gold deposition, hydrothermal karsting and breccia development was also superimposed on the earlier collapse breccias dissolving carbonate and flushing it up gradient where it was deposited as network of calcite stock work veins, lining fractures and voids, overlying the collapse breccias. Descending, supergene fluids were also focused along the developing hydrothermal karst system forming karst sediment supported breccias and graded karst sediment up to a metre thick along the bottom of caverns. Alteration of the host rocks is minimal and

sulphide content is low. Gold, arsenopyrite, realgar, orpiment, sulphide, pyrite, and calcite are deposited along fractures and as matrix fillings. Higher gold values are spatially related to the intrusive breccia (Bx4). The mineralized structures are strongly oxidized throughout the depth of drilling, except for minor unoxidized intervals in which the primary mineralization is preserved.

AIM

At Amelia Inés and Magdalena, late stage gold-arsenic mineralization overprints skarn zones and extends into the surrounding marbles of the San Juan Formation. Skarn hosted mineralization comprised of chalcopyrite, sphalerite, galena, pyrrhotite and pyrite was deposited as a retrograde event preceding the introduction of the gold-arsenic mineralization. Gold mineralization is intimately associated with fine grained marcasite that lines late fractures and forms the chief component to marble and skarn breccias matrices Brecciation and higher grade gold mineralization are localized along the W to NW trending marble—skarn contact and cross cutting E-W tensional structures. The rheological contrast between the brittle skarn and ductile marble is believed to have accommodated much of the movement during later wrench fault tectonics, forming localized E-W trending, tensional zones (i.e breccia zones) that extend 10's of metres outboard into the marble and skarn from the contact.

QDDLW

At QDDLW, the predominant gangue mineral is calcite, followed by quartz, pyrite, iron oxides, feldspars and a small amount of realgar. The gold mineralization in the QDDLW area tends to transitionally occur and be contained in west to north-west trending subhorizontal tension gashes roughly located along the coarbonate/intrusive contact.

Drilling

Mincorp carried out core drilling at the AIM deposits between 1983 and 1988. They drilled a total of 127 holes totaling 1,475 metres from surface and underground workings. All subsequent drilling on the deposits has been carried out by MASA between 2000 and 2007. This included both core and reverse circulation drilling. Since November, 2004, Major Perforaciones S.A. has been contracted to carry out exploration diamond drilling utilizing a skid-mounted UG JKS Boyles B-20 core rig capable of drilling angle holes -90° to $+45^{\circ}$.

From 2006 through 2007, EcoMinera Drilling of San Juan was used as the principal reverse circulation drill contractor, using a truck mounted Schramm drill rig. Down hole equipment consisted of a center sampling hammer, with a nominal $5 \frac{1}{4}$ inch bit diameter and nominal $4 \frac{1}{2}$ inch drill rods. Seventeen RC holes (7,397 m) were completed on the QDD deposit during this period. An additional 24 RC holes (2,760 m) were drilled at AIM. Thirteen RC holes (5,450 m) were completed on other targets.

Prior to May 2007, the exploration drilling programs were conducted under the direct supervision of Consulting Senior Geologists, Rick Diment of Whitehorse, Yukon and Consulting Geologist Jeff Dean of Reno, Nevada. On May 1, 2007, Walter Soechting was appointed MASA Exploration Manager and took over supervision of the ongoing programs. During the RC drilling a MASA rig geologist was on-site at all times while the drill was operating. The rig geologist was responsible for contractor supervision and hole logging. Both geological and geotechnical drill logs were completed for each hole. The geotechnical logs included drilling performance, drilling and sampling problems and rod changes that may affect sample quality. Changes in sample return rate, rate of depth penetration, loss of air pressure, etc. were also recorded to assist in defining major structures, voids, etc. The geologic logs followed standard MASA procedures established in earlier programs and included complete descriptions of geology, lithology, alteration and mineralization. This information was recorded in digital format and was incorporated into the digital drill database.

The drilling programs at QDD were successful in further delineating the extent and grade of gold mineralization in the QDDLW Zone. The mineralized widths reflected in the technical report are not true thicknesses but simply the length of the interval. The mineralized zones are highly irregular in shape and true thickness was not used as a factor in resource estimation.

In terms of core drilling, between September 2006 and the end of 2007, a total of 42 core holes (15,190 m) were completed at QDD while 67 (10,468.9 m) were drilled at AIM. Eleven core holes (1,661 m) were completed on other targets. Since the initial discovery of the QDDLW Zone in June of 2006 and the end of 2008, MASA completed a total of 79 core holes totaling 26,881 metres.

Total drilling completed in October 2008 was of 6,157 m, including 2,956 m of core holes and 3,201 m of RC holes. A total of 2,708 m of RC drilling were drilled at the Las Vacas Project, and 493 m in Cerro Diablo. The diamond drilling includes 816 m drilled at the Quebrada Perdida regional target, and 2,140 m of near-mine exploration drilling at Gualcamayo (1,608 m of underground holes and 532 of surface drilling).

Preliminary results from a resource update performed on new infill data from QDDLW resource is summarized below.

Outstanding drill exploration and drill intercepts from October 2008 relate to drill holes 08QD-560 (exploration hole aiming to the westward expansion of the QDDLW zone; 156.8 m @ 2.74 g/t Au) drilled from UG2; 08QD-561 (7.7 m @ 1.2 g/t, 5.6 m @ 1.4g/t and 11.1 @ 1.5 g/t au) and 08QD-563 (27.9 @ 0.9 g/t au) drilled from UG1; as well as RC hole 08QDR-564 (16 m @ 4.3 g/t, 18 m @ 1.6, and 14 m @ 1 g/t Au) drilled at Cerro Diablo. Two RC holes were drilled in this area (results still pending from one hole) in order to test the continuity of a deep seated, out of resource intercept (hole 06QD-377, 80 m @ 2 g/t Au).

See also “— Current Exploration and Development”.

Sampling and Analysis

Reverse Circulation Drilling

The RC holes were drilled with a 5 ¼ bit and the drill material was collected on 2 metre intervals using a dry cyclone system; 100% of the sample from the cyclone was collected using pre-labeled plastic bags. The total sample was weighed, and then two 50% splits were collected using a Gilson splitter with a large hopper to allow the total sample to be split at the same time. One of the two 50% splits was split in half again to produce two 25% splits (12-15 kg). The two 25% split samples were bagged in heavy-duty plastic bags with one split labeled by hole number and interval and the other labeled the same but with the addition of an “R” following the sample number. The “Original” split was sent to the primary lab and the other “Reject” split was stored on site. All samples were sealed with tamper-resistant plastic ties. Small (washed and unwashed) representative samples were taken from the 50% duplicate split samples and placed in plastic chip trays for detailed logging purposes.

In 2007, the 25% split was split in half again to obtain two, 12.5% splits (7-10 kg). One split was delivered to the lab and the other labelled with an “R” was stored at site.

Sample recoveries were calculated by weighing the cuttings from the entire sampled interval. The recoveries for the 2 metre intervals averaged 63 kg with an interquartile range from 58 to 70 kilograms. Chip trays were filled at the drill site and preserved for logging using the same protocol as previous drill programs.

Two rig duplicates were prepared for every 20th sample. One was submitted blind to the primary lab and the second to the check lab. A duplicate course lab reject was also prepared for every 20th sample and sent to the check lab. In addition, one blank was submitted per hole after a suspected mineralized interval.

Blind standards were introduced in 2005. The standards were derived from reverse circulation rig duplicate material from previously drilled holes at Gualcamayo which were prepared by Alex Stewart (Assayers) Argentina S.A. (“Alex Stewart”) in Mendoza and subjected to a “round robin” analysis by several labs to derive the statistics. The primary lab used was Alex Stewart and the check lab was ALS-Chemex in La Serena, Chile. In 2008 a set of 5 standards was purchased from Rocklabs Ltd. Standards are routinely submitted as blind pulps in the sample stream to the primary lab every 20th sample.

Since 2005, down hole surveys have been taken periodically using a single-shot instrument at approximately 50 metre intervals.

Core Drilling

Between January and September 2008, 49 diamond drill holes were completed on the QDDLW Zone totaling 14,768 metres. HQ core size was used in order to achieve the best recovery and sample size. Some holes were reduced to NQ to achieve target depths. Core recovery was generally good averaging over 84% (median = 88%). The core was placed in standard wooden core boxes and transported to camp for logging and sampling. Most core holes were sampled at two metre intervals or at a change in geology. All core was photographed prior to logging and sampling. Geological and geotechnical logs were prepared for all holes. Upon completion of logging, the sample intervals were split on site with a conventional hydraulic splitter. Samples for assay were enclosed in plastic sample bags with a tamper-resistant seal.

In December 2004 the introduction of blind standards was started. The first set of site standards were derived from RC rig duplicate material from previously drilled holes at Gualcamayo which were prepared by Alex Stewart (Assayers) Argentina S.A. in Mendoza and subjected to a "round robin" analysis by several labs to derive the statistics. The standards were submitted as blind pulps in the sample stream to the primary lab every 20th sample. Three standard values were used: low (620 & 500 ppb Au), medium (1280 & 1110 ppb Au), & high (2260 & 2760 ppb Au). A second batch of standards was developed in 2006 when all of the first set had been consumed. In 2008 a set of 5 standards was purchased from Rocklabs Ltd.

The primary lab used up to January 2008 was Alex Stewart (Assayers), Argentina S.A. and the check lab, ALS-Chemex in La Serena, Chile. In January 2008 the primary lab was changed to ACME Analytical Laboratories in Santiago, Chile. The check lab was changed to ALS Chemex (Santiago).

Down hole surveys were taken using a single-shot instrument at 10m below surface and at approximately 50 metre thereafter. Changes in azimuth and inclination were less than 5 degrees per 100 metres. Inclinations showed a marked tendency to steepen, particularly those drilled at flat or positive angles. The average rate was around 1° per 100 metres. Azimuths showed no particular bias to the right or left.

Continuous saw-cut channel samples were collected along the underground exploration decline and crosscut in late 2007 and early 2008. Sample widths ranged from 1.1 to 3.1 metres and averaged just under 2 metres. Tarps were laid out along the channel line to ensure all material, including fines, were collected. All samples were bagged and sealed with tamper-resistant seals for shipping. Channel samples were collected into the exploration tunnel, which is implaced into the mineralized zone, so there are not any factors that could materially impact the accuracy and reliability of the results, or sample quality.

Security of Samples

All drill samples are transported from the drill sites to camp via truck and are stored at the camp site in an enclosed, secure warehouse. These tasks were performed and controlled by Yamana employees. They are then either shipped directly to the ALS-Chemex or Alex Stewart preparation facility in Mendoza via a commercial truck arranged through the lab. Samples are packaged in large, durable woven plastic sacks with tamper-resistant plastic ties. A list of samples and sacks were prepared for each shipment and verified at the laboratory as part of the chain of custody. Both labs are certified by the ISO 9001.

All samples are prepared and analyzed for gold and 39 element ICP suite using standard fire assay/AA finish sample prep and assay procedures. Lab sample preparation procedures include: dry samples; coarse crush (70% passing 2 mm); split 250 gm for pulp; and fine pulverize split to 85% passing 75 microns.

All preliminary analytical data is e-mailed from the laboratory to the MASA San Juan office. Final assays certificates are e-mailed in PDF format.

Following database compilation of the drill results, an assay report of all Y2006-2008 holes was manually checked against the original hard copy assay certificate by MASA personnel in the San Juan office. Comparison of check assays against originals and blank monitoring occurs immediately after assays are received from the

commercial labs. Industry standard confidence levels for check vs. original and blank assay variability are secured before resource/reserve estimates or news releases containing drill hole assay data are released to the public.

Additional validation checks were performed when the data was imported to Surpac software for modeling. This included detection of overlapping intervals and any inconsistencies between survey and sample depths. Visual checks were also used to check for errors in downhole surveys.

Mineral Reserves and Mineral Resources

See “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”.

The resources are influenced by the various factors including metallurgy recoveries, the mining methods (selectivity, recovery and dilution) and the infrastructure. The challenge of mining is to optimize these factors. Yamana has achieved high standard of metallurgical recovery, maintaining ranges over 80%, and continues to perform tests designed to raise these values, especially in the ore from the AIM deposit. All resource models have been completed by Ronald G. Simpson of Geosim, an external consultant to the Company. For the optimization of reserves the software Whittle was used and later the pits were designed in MineSight software. For the planning, dynamic spreadsheets were used. In regards to the selectivity of the mining methods, two alternative approaches to mining the QDDLW deposit were considered, while both mining methods are feasible to be applied at QDDLW deposit, the Company has elected to proceed with front caving mining as it is expected to provide significantly improved returns, allow for the expansion of resources and better address geotechnical constraints. The infrastructure that Gualcamayo currently has is standard and has been design with very high safety factors. The negative impact that these factors will have on the current resources in Gualcamayo is very low.

Mining Operations

Mining Method and Metallurgical Process

A number of testwork programs have been developed to determine the metallurgical character in the QDD, AIM and QDDLW deposits and to optimize the process flowsheets for each.

The QDD open pit and plant flowsheet designs are based on the results of comprehensive crushing and metallurgical testwork performed by Research Development Inc. (“Rdi”), University of San Juan (“UNSJ”), and other laboratories.

The crushing circuit designed during the detailed engineering phase for the Gualcamayo Project includes primary, secondary and tertiary crushing. The tonnage and feed grades used were from the updated mining model based on 2006 geological exploration data. The recovery rate of 80% is based on the RDi/UNSJ testwork.

The process plant for Gualcamayo typically operates at a throughput of approximately 1,100 tonnes per hour (7,600,000 tonnes per year based on 80% availability) however the equipment in the circuit has been designed for a maximum throughput of 1,250 tonnes per hour to allow for campaigning of AIM and QDDLW ore through the process plant during the mine life.

QDD Upper:

The QDD deposit is located in an area of rugged topography. Natural slopes in most of the mining areas are greater than 40°, and in some areas exceed 80°. The highest elevation of the mine is 2,670 m and the lowest elevation 1,940 m.

The blocks in the block model are 10 m high x 10 m wide x 10 m long. At bench scale, the shape and form of mineralization is unknown. Each block is modelled as either ore or waste. The block size matches the bench height of 10 m. Internal dilution is included in the block model. External dilution occurring due to geometrical and interburden factors was calculated.

The production schedule was developed based on final pit design. To maximize the net present value of the project, mining of high-grade ore and deferral of waste is scheduled in the first years of operation. The production schedule is based on a production rate of 7.6 million tonnes per year for the QDD open pit and is based on the mine plan developed for the feasibility report. This indicates a reserve of approximately 1.4 million ounces of recoverable gold over a 10-year mine life.

QDD Lower West (QDDLW):

The feasibility study was upgraded with basic engineering by Metálica Consultores during 2010. For the desired production rate for the project (5,000tpd or 1.8Mtpy), the only method seen as potentially applicable is Sublevel Stopping (“SLS”); any other method, would mean significantly lower production. The information available today indicates the technical viability of its application between elevations 1,800 and 1,900 masl.

A significant risk identified for the SLS method, and consequently large scale production at QDDLW, is the application of mass blasting. The production plan indicates that the last three years of ore deposit mining will be conducted entirely by mass blasting.

Metálica has previous experience with mass blasting in Chilean mining operations, specifically in the El Soldado and Santos Mines. Although Metálica anticipates positive results for mass blasting methods planned at QDDLW, mass blasting remains one of the most challenging aspects of recovering the QDDLW reserves.

The QDDLW ore body is approximately 150 m below the open pit operations. There is also a risk that underground mining could cause a subsidence crater within the pit.

The following table shows the Mineral Reserves estimated for QDDLW:

| Consolidated reserves | Au Cut-Off g/t | Proven | | | Probable | | | Proven&Probable | | |
|-----------------------|----------------|-----------|----------|--------------|-----------|----------|--------------|-----------------|----------|--------------|
| | | Tonnes t | Grade Au | Contained Oz | Tonnes t | Grade Au | Contained Oz | Tonnes t | Grade Au | Contained oz |
| | | | g/t | | | g/t | | | | |
| QDD Lower | 1.00 | 1,214,708 | 2.63 | 102,687 | 9,542,354 | 2.12 | 651,255 | 10,757,062 | 2.18 | 753,948 |

QDD Lower UG feasibility study project was updated to include a geometallurgic model, new mine access location, and new geological model using 2009-2010 infill drilling.

In the base case with the current reserves, production is forecast at 492,400 ounces of gold over 7.5 years at an average cash cost of \$372/oz, generating an after tax net present value, at a 5% discount rate, of \$63.1 million and an internal rate of return of 20%.

Among the economic risks of the project are the control of capital expenditures, and the accomplishment of deadlines for implementing the project.

More important technical risks include potential problems due to the complexity of the lay out and mining method. The project will require a high level of technical management. Decrease of metallurgical recovery in depth may be an important issue for the mine deepening.

Amelia Inés and Magdalena:

The feasibility study for Amelia Inés and Magdalena was prepared by Metálica Consultores under supervision of MASA (Yamana’s wholly owned Argentina subsidiary).

The gold-bearing mineralized zones for the AIM deposit is primarily sulphide-bearing skarn, breccia and marble containing minor copper, zinc and molybdenum with late stage gold-arsenic mineralization.

The skarn contains minor chalcopyrite, sphalerite, galena, pyrrhotite, and pyrite that preceded the introduction of the gold-arsenic mineralization (AMEC, 2005). The gold mineralization extends beyond the skarn into the surrounding marbles.

Historical metallurgical testwork performed prior to May 2007 is described in the 2007 technical report on the Gualcamayo property by Wardrop Engineering (Wardrop, 2007).

To support the metallurgical test of AIM, Yamana retained an external consultant to compile the results of metallurgical studies conducted to this point. The key conclusions of this study is that the ore:

- Contains 12% free gold;
- Is 84% associated with sulphides; and
- 4% of the gold is occluded in waste rock.

The complex mineralogy and fine particle grain size of the gold will adversely affect the cyanidation extraction of the gold from this material.

For reserve estimation purposes it is assumed that recovery is 45% with cyanide consumption of 1.5 kg per tonne and 8 kg of lime consumption per tonne.

In the case of mixed ores, it is assumed that gold recovery is 65%, with cyanide consumption of 750 g per tonne and 2 kg of lime consumption per tonne.

For oxidized ore alone, it is assumed that gold recovery is 80%, with cyanide consumption of 500 g per tonne and 1.5 kg of lime consumption per tonne.

The definition of the final pit optimization and the mining sequence for the Amelia Inés and Magdalena bodies was calculated by Metálica Consultores using Whittle Four-X, based on the technical and economical parameters that will be described in the following sections. It is necessary to highlight that, for the determination of the final pit, only the measured and indicated resources have been used, treating the inferred resources as waste.

Table below shows the total diluted proven and probable reserves of AIM deposits as of the date of the technical report. See also “— Current Exploration and Development”.

AIM reserves

| Pit | Au Cut- Off g/t | Proven | | | Probable | | | Proven&Probable | | |
|-------------|--------------------------|---------|--------------------|-----------------|-----------|--------------------|-----------------|-----------------|--------------------|-----------------|
| | | Tonnes | Grade Au g/t | Contained oz | Tonnes | Grade Au g/t | Contained oz | Tonnes | Grade Au g/t | Contained oz |
| Amelia Inés | 0.18 | 200,550 | 2.02 | 13,023 | 1,710,450 | 2.08 | 114,227 | 1,911,000 | 2.07 | 127,251 |
| Magdalena | 0.18 | 218,400 | 1.68 | 11,812 | 2,734,200 | 1.70 | 148,972 | 2,952,600 | 1.69 | 160,783 |
| Total | 0.18 | 418,950 | 1.84 | 24,835 | 4,444,650 | 1.84 | 263,199 | 4,863,600 | 1.84 | 288,034 |

Markets

The final product of the Gualcamayo Mine is gold dore in the form of bullion, suitable for direct melting and sampling. Gualcamayo’s bullion contains approximately 80-90% of gold, the balance being base metals. 100% of the bullion production is exported from Argentina, shipped by ground transportation and air freight for final refining overseas. The dore will be shipped in the form of bars weighing 15-30 kilograms from San Juan, by airfreight departing from Mendoza International Airport.

Sales Contracts

The exportation of the material from QDD upper commenced in the second quarter 2009. Yamana sells all materials at market rates. Yamana continues to review settlement options with respect to selling the material to a refiner or crediting the outcome of the refining process to a metal account in order to to sell materials to third parties, such as bullion dealers.

Environmental Considerations

A conceptual closure plan was developed for the Gualcamayo project, and was submitted as part of the Environmental Impact Assessment document. This plan considers both temporary (for example, in the case of depressed gold prices), and definitive closure scenarios.

Once operations cease, closure activities, including demolition and dismantling, remediation, and leach pad chemical and physical stabilization are expected to be completed within two years. Environmental and geotechnical monitoring would continue on a reduced schedule for an additional four years until final closure.

In the Environmental Impact Assessment, the company has committed to refining and updating the closure plan throughout the project life, and to submitting a final closure plan to the mining authority two years prior to the anticipated definitive closure date.

Taxes

There is an export retention tax of 5% payable on the value of dore exported. In addition, an income tax rate of 35% is applicable in the case of companies residing in the country, upon their net taxable income. Net taxable income is calculated based on the net accounting profit, less tax special deductions, such as those for exploration and development expenses and accelerated depreciation of infrastructure in the first three year. Due to these special deductions, Minas Argentinas S.A. conservatively estimates that there is no tax payable in the first three years of operation.

Capital cost estimates were not included in the Block Model. Personal asset tax (equity tax) was considered upon the net assets of the company, and is calculated to be 0.5% of the net accounting equity. Value added tax (generally a 21% upon the net price of goods and services purchased) is payable at the moment of the purchase or importation, generating a tax credit that can be recovered when the exportation commences. The VAT was not modelled but the potential effect needs to be considered as there might be a negative impact (due to immobilization finance costs during construction phase) in the internal rate of return calculation.

Mine Life

The estimated mine life for all mines combined is 9 years. Payback for the combined QDD, QDDLW and AIM resource base case scoping level study is 4.9 years, based on an initial capital cost of \$265 million.

Current Exploration and Development

The planned underground method is front caving mining as it is expected to provide optimal financial returns, allows for the expansion of resources and addresses geotechnical constraints. The shrinkage fill method would accelerate production from QDDLW however the front caving alternative would provide for a longer mine life. The Company will continue to advance drilling with the goal of proving up the QDDLW western extension which has the potential to significantly expand reserves. With additional drilling and an extension of QDDLW, the Company believes that it may advance the schedule under the front caving alternative by beginning mining in the western extremity, thereby advancing production, further increasing the value of QDDLW and the return.

The project meets the minimum economic targets required by Yamana (i.e. 20% internal rate of return), however it will be necessary to take the following actions to allow the continuity of the Gualcamayo underground project: (a) increase underground mine selectivity; (b) increase recovery of resources; (c) reduce mining costs; (d) reduce capital (use of trucks hauling up to open-pit conveyor).

In 2011, 5,955 meters of underground diamond drilling was completed in 20 holes. The drilling resulted in the discovery of two large bodies of sulphide breccia similar to QDDLW. These are potentially an extension of QDDLW, sub-parallel bodies or feeders to the QDDLW. This mineralization remains open to the south west and down dip. Exploration in 2012 will focus on expanding these new discoveries and linking them with QDDLW.

In 2011, Gualcamayo produced 159,000 ounces of gold.

The table below shows the total diluted proven and probable reserves of AIM deposits update for 2011.

| Pit | Au Cut- Off g/t | Proven | | | Probable | | | Proven&Probable | | |
|-------------|-----------------------|-------------|-----------|-----------------|-------------|-----------|-----------------|-----------------|-----------|-----------------|
| | | Tonnes t | Grade | | Tonnes t | Grade | | Tonnes t | Grade | |
| | | | Au g/t | Contained oz | | Au g/t | Contained Oz | | Au g/t | Contained oz |
| Amelia Inés | 0.39 | 179,999 | 2.37 | 13,715 | 1,577,553 | 2.48 | 125,784 | 1,757,552 | 2.47 | 139,500 |
| Magdalena | 0.39 | 177,111 | 1.85 | 10,540 | 2,291,329 | 1.88 | 138,348 | 2,468,440 | 1.88 | 148,888 |
| Total | | 357,110 | 2.11 | 24,255 | 3,868,882 | 2.12 | 264,132 | 4,225,992 | 2.12 | 288,388 |

Minera Florida Mine

Unless otherwise stated, the information, tables and figures that follow relating to the Minera Florida Mine are derived from, and in some instances are extracts from, the technical report entitled “Technical Report on The Alhue Mine of Minera Florida Limitada, Central Chile, Prepared for Yamana Gold Inc., Report for NI 43-101”, dated March 22, 2010 (the “Minera Florida Report”), prepared by (the “Minera Florida Qualified Persons”) Chester M. Moore, P.Eng., and Stuart Collins, P.E., Scott Wilson RPA. The technical information contained in this section of the annual information form, other than the technical information set forth under the heading “— Current Exploration and Development”, has been reviewed and approved by the Minera Florida Qualified Persons, each of whom is a “qualified person” for the purpose of NI 43-101. See “Interests of Experts”.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Minera Florida Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on the Company’s SEDAR profile at www.sedar.com.

Location and Property Description

The Minera Florida Mine (also known as the Alhué Property or the Pedro Valencia Mine) is located within the Coastal Range in the Metropolitan Region of central Chile, approximately 75 km Southwest of Santiago, near Melipilla City. The property consists of 166 mineral licences, covering a total area of approximately 15,600 ha. Thirty-six mineral licences cover the mine property including the mine, mill, and other infrastructure. The property is partly owned and partly leased by Yamana, and the Pedro Valencia Mine is located within the property boundaries. Mining licences in and around the Pedro Valencia Mine area are contained within a rectangular block (2.5 km x 1.5 km) comprising 33 licences. The property also includes some 133 mineral concessions in a large area around the mining licences.

Yamana became the owner of Minera Florida when it completed the 100% acquisition of Meridian on December 31, 2007.

The Company has no outstanding environmental liabilities associated with the Minera Florida Mine, all environmental permits are in place and the gold mining operations do not present unusual or significant impacts on the environment.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The access to the property is by paved road, along Route 78 approximately 60 km west to Melipilla, then South approximately 60 km along secondary highways No. 34 and 21, and then east approximately 55 km along secondary highway No. 29. The total distance from Santiago is approximately 175 km.

Springs and perennial streams are common. Average annual rainfall totals approximately 330 mm, most of which falls during the relatively rainy winter months from June to August. Temperature ranges from a low of about freezing to 12° C in the winter months to a maximum of about +35° C (average about 14° C) in the summer months, from November to March.

The towns of Alhué and El Asiento are located close to the Alhué Mine, with a combined population of approximately 3,000 people (approximately 2,650 for Alhué and 350 for El Asiento), including some of the mine employees. Transportation to the Alhué Mine or the plant is by company vehicles.

The Alhué Property is situated in an area with moderate to rugged topographic relief characterized by narrow valleys and high hills. The general area is characterized by a central valley 2 km to 3 km wide bounded by two mountain ranges which is part of the coastal mountain range in central Chile. The elevations are in the range from 1,500 m to 2,300 m above mean sea level (AMSL) with mountain peaks generally above 2,000 m AMSL.

Electric power is available at El Asiento, approximately 12 km from the Pedro Valencia Mine, which is linked to the Chilean Power grid. Telephone and high speed internet service is available at the site. Water is

available from small rivers and creeks within the property. Infrastructure for mining equipment and personnel is available at Melipilla, Rancagua, and Santiago in central Chile, where a number of underground deposits are in production, including the El Teniente copper mine.

Vegetation in the Alhué area includes various species of grass and trees, such as oak, pine, mountain cypress and a rare variety of palm tree in a recent plantation by Minera Florida.

History

Historic mining and prospecting activities in the Metropolitan Region of central Chile, which hosts the Alhué deposit, date back to the early eighteenth century, when placer gold deposits were mined along creeks and rivers. Prospecting work led to the discovery of several gold bearing occurrences and the development of deposits of gold in quartz veins in 1739, which started a minor gold rush.

In 1886, Albion Mining Company constructed a cyanidation plant, the first of its kind in Chile, and produced gold by the cyanidation method. A few years later, Sociedad Aurífera de Alhué constructed a flotation plant and operated a mine and mill until 1944. From 1944 to 1986, little exploration or mining activities were carried out in the area.

In 1986, Sociedad Minera Maipo S.A. (SMM, a predecessor company to Florida) commenced exploration and regional evaluation of the area. In 1987, SMM constructed a processing plant, developed the gold bearing veins of the Alhué deposit and started small scale mining operations at the Lo Toro and Pedro Valencia deposits (currently Pedro Valencia is also known as the Alhué Mine).

In early 2001, SMM in a joint venture with Sociedades Agua Fria y Mila de Alhué constructed the current flotation plant, and started processing ore both from the Pedro Valencia Mine as well as from the El Mayzano Mine nearby. From 1987 to the end of December 2009, some 7.6 million tonnes of material at an average grade of 5.6 g/t Au and 50 g/t Ag have been mined from the Pedro Valencia Mine, producing approximately 1.4 million ounces of gold.

Geological Setting

In terms of regional and property geology, the area of the Alhué Property is underlain by Upper Cretaceous volcanic and intrusive rocks. The volcanic rocks comprise porphyritic andesite, brecciated andesite, lithic and crystal tuff, and brecciated tuff. The bulk of these rocks are also affected by a sequence of hydrothermal alteration. The intrusive rocks comprise mainly granodiorites and monzodiorites.

The Lo Valle Formation comprises an alternating series of pyroclastic rocks (breccias and tuffs) and subaerial andesitic to dacitic lava flows. These rocks have been intruded by an Early Eocene batholith of granodioritic composition. The batholith covers a large part of the area south, southwest and northwest of the area underlain by the Lo Valle Formation. The general contact zone between these two domains trends northwest. Radiometric age dates (K/Ar and Ar/Ar on biotites) for the batholith range from 80±1 MA to 92±2 MA. Locally, remnants of the Lo Valle Formation occur within the batholith, as roof pendants, with contact metamorphism. The volcanic suite has undergone low grade metamorphism, which is indicated by the presence of montmorillonite, chlorite, laumontite, calcite, quartz albite, prehnite, epidote, and pumpellyite. The area to the north and northwest of the Alhué Mine, the Lo Valle Formation rocks are in unconformable contact with rocks of the Middle to Upper Cretaceous Veta Negra Formation and Lower Cretaceous Horqueta Formation. The general trend of the mineralized zones is parallel to the contact with the batholith.

In terms of local geology, the rocks in the Alhué area define an approximately 1,800 m thick homoclinal sequence with a general strike ranging from azimuths 030° to 330° and dipping gently from 20° to 40° to the east. The intrusive rocks in the area are of two types: monzogranitic rocks and hypabyssal bodies. Outcrops of the monzogranite are commonly observed along the banks of the Quebrada Agua Fria and Quebrada Las Animas. They are greyish to yellow in colour and medium-grained hypidiomorphic in texture. The mineralogical composition is reported as quartz (60%), orthoclase (35%) and biotite+muscovite (5%), and limonitic alteration (of trace pyrite) is common. The hypabyssal bodies comprise one metre to ten metres thick mafic sills interbedded and conformable with the host andesitic tuffs. Two sill units are recognized. These are the Filón Casino and Filón Cadena.

Mineralization

Gold mineralization in the Alhué Mine area occurs as native gold and electrum associated with sulphide minerals, such as pyrite, chalcopyrite, sphalerite and galena, as well as magnetite. Mineralization is commonly associated with hydrothermal alteration including quartz, adularia, epidote, chlorite, and actinolite. Quartz occurs in four types; as grey siliceous zones, green quartz, translucent quartz, and white quartz. Some veins exhibit metal zoning, with a zinc-rich silver-rich zone in the upper part of the vein, a gold-rich zone in the central part, and a zinc-rich zone in the lower part of the vein.

In general, mineralized structures include an inner quartz vein (core) consisting of material exhibiting quartz flooding or massive quartz, surrounded by Stockwork of quartz veinlets and/or hydrothermal breccia, both of which are mineralized.

Gold mineralization in the Alhué Mine area has been identified in four types of rocks, in places adjacent to each other, as follows: (1) silicified crystal tuff; (2) lithic to crystal tuff; (3) brecciated tuff; and (4) porphyritic andesite.

There are at least nineteen mineralized veins discovered and partially developed in the Alhué Mine area. These veins range from 0.8 m to 30 m in thickness, and the average grade ranges from 1.5 g/t Au to 12 g/t Au, 6 g/t Ag to 100 g/t Ag, and 0.1% Zn to 1.81% Zn. Many of the mineralized veins at the Alhué Mine area do not have a surface expression, but are associated with structures identified by underground diamond drilling.

There are four major sets of mineralized structures that are recognized in the area. These are:

- Northwest trending structures — Veins are in general 0.2 m to 2.5 m thick and extend approximately 160 m along strike and approximately 200 m in the vertical dimension.
- East-West structures — Veins are 2 m to 30 m thick and extend from 150 m to approximately 300 m along strike and approximately 400 m in the vertical dimension.
- Northeast trending structures — Veins range from 0.5 m to 3 m thick and extend from 50 m to 200 m along strike and more than 200 m in the vertical dimension.
- North trending structures — Veins are 1 m to 6 m thick and extend to more than 1,000 m along strike to more than 400 m in the vertical dimension.

Drilling

Some 236,369 m of drilling has been completed at the Alhué deposit. This includes 26,578 m of drilling which was completed in 2009 (to end of October), with intersections at Centenario, Lisset, Polvorin, Mina Este, and Sorpresa.

The procedures used during the diamond drilling programs are as follows:

The collar locations of all drill holes are surveyed and marked by Minera Florida crews.

A Maxibor survey instrument is used to provide control information on the directional deviation (both azimuth and inclination) of each hole. Since the host rocks contain appreciable amounts of magnetite, this system utilizes a light source which is not affected by the surrounding magnetism.

Lithologic logging is done on drill core and geotechnical observations are made by company geologists. All information is recorded on handwritten logs depicting all downhole data including assay values.

The drill contractors used on the mine property were Major Drilling Chile S.A. and Geotec Boyles Bros. S.A.

Surface exploration in the Membrillo area in 2008 and 2009 returned significant values in several drill holes. Veins targeted by the exploration drilling included the Membrillo and Pisgina veins. The drill contractor for the surface drilling in the Membrillo area was Atacama Drilling Ltda.

See also “— Current Exploration and Development”.

Sampling and Analysis

The methodology of sampling the drill core and the underground workings by Minera Florida are set forth below:

- (a) **Diamond drill core:** Core is placed in labelled boxes at the drill site and the boxes are transported to the logging facility. Sampling/assay intervals are generally one metre in length but can be shorter to respect geological boundaries. Sample numbers are assigned to the intervals. In-house and certified standards, pulp blanks, and sterile samples are inserted into the sample stream. No duplicate drill samples were sent for analysis. Core is photographed by digital camera. Core samples are cut in half, with one half sent for assay and the other half stored on site. The core samples are placed in bags and shipped to the Acme Analytical Laboratories S.A. (“Acme”) in Santiago. Drill collars are surveyed and a Maxibor instrument is used to complete downhole positional surveys. The amount of core recovered from each logged interval is recorded in the drill logs. No overall core recovery statistics were reviewed, however from the inspection of a number of drill logs and visual inspection of split core from several drill holes, it is estimated that there is better than 90% overall core recovery.
- (b) **Underground sampling:** Underground faces are washed and the contacts of the mineralization are marked. Channel samples are taken horizontally across the face in both ore and waste respecting the geological contacts. The maximum sample length is one metre. Samples are bagged and sent to the Minera Florida laboratory for preparation and assaying. No standards or blanks are inserted into the sample stream.

Prior to Yamana ownership of the operation, whole core sampling, and muck sampling were used by Minera Florida for resource estimation and grade control purposes.

Minera Florida used Acme for all assaying of the exploration and infill core drilling. Core samples were delivered to the laboratory in sealed batches by truck. The Minera Florida laboratory handles all production samples from the mine. Certified standards as well as pulp blanks and sterile samples were used for quality control purposes. As well, pulp samples were resubmitted to a second outside laboratory (ALS Chemex, in La Serena, Chile). No field core duplicates samples were submitted.

In 2009 (up to November 9, 2009), a total of 160 shipments of drill samples containing a total of 14,908 samples were shipped to Acme. In the same period, 13,454 production samples (drill core, channel samples, muck samples) were shipped to the Minera Florida laboratory in 770 shipments. A total of 15 standards at various gold grades were available and individual standards were inserted into the assay stream a total of 622 times. Blanks were inserted 6,288 times and a total of 399 sterile samples were submitted. As well, 704 quartz sand blanks were processed through the Minera Florida laboratory.

The following procedure was used for Minera Florida’s sample preparation and assaying:

- (a) A submittal form was filled out by a Minera Florida geologist or technician and delivered with the samples to Acme in Santiago.
- (b) Samples were opened and dried at 105°C as required.
- (c) The entire samples were crushed to better than 85% -10 mesh. Crushers were cleaned with compressed air between every sample and with quartz sand every 10th sample. Granulometric checks were done every 30 samples.
- (d) A 1,000 g subsample was taken by rotary divider for samples less than four kilograms in weight and by a riffle splitter for samples above four kilograms in weight. The split was pulverized using a chrome-steel ring mill to better than 85% -200 mesh. Granulometric checks were done every 30 samples. Pulverizers were cleaned with compressed air between every sample and with quartz sand every 10th sample.

- (e) Two 250 g pulps were separated, one for analysis and one for storage.

Standard fire assay (“FA”) methods using a 30 g pulp sample were used to determine total gold content. Samples assaying greater than or equal to 5 ppm Au using FA with a atomic absorption spectrometry (“AAS”) finish were reassayed with a gravimetric finish for accuracy. Assays for silver were completed using a multi-acid digestion of a 1 g pulp sample followed by AAS. If the initial assay was greater than 300 ppm, then a 30 g sample was assayed with a gravimetric finish for accuracy. Copper, lead and zinc assays were carried out using 1 g samples and a multi-acid digestion followed by AAS. If any of the metals assayed by Acme was greater than 30% Zn, 10% Pb, or 30% Cu, then the metal was reassayed a modified inductively coupled plasma methodology. If any of the metals assayed by Minera Florida was greater than 10% Zn, 2% Pb, or 2% Cu, then the metal was reassayed using a dilution factor of 10.

In terms of data verification, part of the resource database and several drill log files were reviewed by Scott Wilson RPA for accuracy of assay transcription from the assay certificates. No significant errors were noted. As well, several reports containing control charts and detailing the results of the assay standards and blanks for the drill core for 2009 were reviewed. Florida procedures appear to identify assay failures when blanks and /or standards failed to pass set criteria. In 2009, to the beginning of November, there were 35 failures of standard and blank analyses for exploration samples and 35 failures for production assays. In these cases, individual assays or entire batches were redone. If the standard value was less than 5 g, then the standard and two samples adjacent to the standard were reassayed. If the standard assay value was greater than 5 g, then the entire batch was redone. Results from the duplicate pulp assays returned correlations of 97% or better for the various metals and grade ranges.

Since the start of the exploration program with Yamana, data verification is also done by Dafne Herreros V., Resource Geologist, and Paola Coco, Database Supervisor with Yamana. Data verification of production assays is currently completed by Karina Flores, Database Geologist.

Security of Samples

Samples are handled only by the Florida authorized personnel. Samples from the mining operation are delivered by the mine geologist or technician directly to the mine laboratory each day upon completion of the underground sampling. All drill core from underground drill holes is taken directly to a drill logging and sampling area within the secured and guarded mine property by authorized mine or exploration personnel. The mineralized core intervals are photographed, logged and sampled; and the samples are delivered directly to Acme in Santiago.

Each sample is assigned a unique sample number that allows it to be traced through the sampling and analytical procedures and for validation against the original sample site. The second half of the split core is stored on-site as a control sample, available for review and resampling if required.

Mineral Resources and Mineral Reserves

See “— Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates”.

Scott Wilson RPA has reviewed the Mineral Resource and Mineral Reserve estimates of the Pedro Valencia Mine of Minera Florida, as reported by Yamana as of December 31, 2009. Scott Wilson RPA carried out a number of checks to verify the various procedures and numerical calculations used in the Minera Florida estimates. This included tracing of the methodology of estimating tonnage and grade of resource and reserve blocks. With few exceptions, Scott Wilson RPA found that values and compilations of gold grades were accurately recorded and calculated as provided on sections and plans. Scott Wilson RPA notes that, although not critical, a minimum thickness was not applied to the mineralized structure in the estimation of Mineral Resources.

As part of this audit, Scott Wilson RPA carried out an independent estimate of four veins (Centenario, Milenium, Peumo, and Tribuna) to allow for better comparison of the Yamana estimates with the Scott Wilson RPA estimates, based on the underground drill hole data and wireframes provided. Mining has been carried out in the Milenium and Peumo veins, but production has not started in the Centenario and Tribuna veins.

Using the Measured and Indicated Resources, Yamana compiled the underground life of mine reserve statement. The process uses a series of steps including the construction of potential mining outlines based on the sublevel stoping and cut and fill mining methods. Drilling and excavation drive outlines are interactively constructed

and converted into mining solids using the Vulcan software system. The intervening mineralization (Bench portion) that will be drilled is then modeled. Mine dilution, containing gold and silver grades, is added into the design by expansion of the solids. All remaining resources are automatically listed as Mineral Resources.

Using these diluted tonnes and grades, the economic value of each potential mining outline is calculated using a forecast long-term gold price of \$825 per ounce, long-term silver price of \$14.00 per ounce and a long-term zinc price of \$0.75 per pound. These economic values are weighed against forecast costs averaging \$79.08/t and metallurgical recoveries for each potential mining outline. These combined economic revenue and cost models are part of the selective mining unit models.

Mining Operation

Mining Method and Metallurgical Process

The Alhué Mine currently operates at a rate of approximately 2,200 tpd (830,000 tonnes per year). The underground workings are developed by adits driven from surface and an internal ramp system provide access to the vein systems. Single, sublevel drill drifts are driven in narrow veins, and mining has been advanced from the top down, with sill pillars left at regular intervals. This trackless underground mining operation utilizes articulated haul trucks, electronic hydraulic development and production jumbos, load-haul dumpers and a number of ground support and service vehicles. Ore is hauled using 25-tonne trucks from the mine to a transfer point, and from the transfer point to the process plant in 50-tonne haul trucks. Waste is transported by 25-tonne trucks.

To December 2009, some 121,600 metres of underground development including drifts, cross-cuts, raises, and three access tunnels have been completed. Total production for the Alhué Mine from 1987 to end of November 2009 was 7.6 million tonnes grading 5.6 g/t Au, 50 g/t Ag, and 1.05% Zn.

The planned mine expansion, which was scheduled to be completed in late 2009, has been adjusted. The El Hornito adit and ore pass concept, which was ongoing in 2008 was terminated due to ground control conditions, and the associated high cost of excavation. Ventilation raises and other mine openings provide the necessary underground ventilation as well as emergency escape routes.

See also “— Current Exploration and Development”.

Markets

The principal commodities at Alhué are freely traded at prices that are widely known, and prospects for the sale of any production are virtually assured. Scott Wilson RPA used average prices of US\$961 per ounce gold, US\$14.78 per ounce silver and US\$0.87 per pound zinc for the base case. These prices were based on the average of the bank forecasts for the commodities at the time of the report.

Sales Contracts

Scott Wilson RPA understands that Minera Florida sells the gold doré bars to Johnson-Matthey and the zinc concentrate is sold to world markets, but has not reviewed any contracts.

Mine Life

As noted in the Minera Florida Report, Minera Florida's mine life is contemplated to be approximately 4.5 years of production.

Environmental Considerations

Considerable amount of data is available regarding the environmental status on the Alhué Project. Since 2007, Florida has been involved in major environmental projects. These include:

- Expansion of the current tailings, including the installation of a polyethylene liner at the bottom of the pond.
- Road construction and paving the road which goes through the town of El Asiento.
- Vegetation of an area adjacent to and south of El Asiento with palm trees.

All the environmental permits are in place and are in good standing, and that operations do not present unusual or significant impacts on the environment. Also, the mine has a positive socio-economic impact on the working population and on the Alhué Village.

Mineral Processing

Based on the upgraded and expanded plant, overall metallurgical recoveries are forecast to be 83.0% for gold, 67.7% for silver, and 77.0% for zinc for the life of the mining operation. These forecast recoveries are similar to historical results, which averaged 84% for gold, 71% for silver, and 71% for zinc in 2008.

Forecast gold production varies from approximately 101,000 ounces to 116,000 ounces from 2010 to 2013. Silver production is forecast to increase from approximately 503,000 ounces in 2010 to 695,000 ounces in 2013.

Capital and Operating Costs

The total capital expenditures estimated by Yamana for the mine life is \$110 million. These costs include mine and plant expansion, exploration and mine development, sustaining capital, and reclamation costs.

Operating costs are forecast to average \$79/tonne milled, for the life of the operation.

Economic Analysis

Considering the Minera Florida Project on a stand-alone basis, the undiscounted pre-tax cash flow totals \$138.0 million over the mine life. The total cash cost is US\$426 per ounce of gold equivalent (including by-product credits for silver and zinc). The mine life capital unit cost is US\$164 per ounce, for a total production cost of US\$590 per ounce of gold equivalent. Average annual gold production (not including by-product equivalent ounces) during operation is 107,000 ounces per year. The pre-tax net present value at a base case discount rate of 5% is US\$115.6 million.

Current Exploration and Development

During 2011, 22,992 meters of underground diamond drilling was completed in 107 drill holes. The drilling was completed on the west mine extension of Agua Frias, the north mine extension of Portezuelo este and at the Espnio and Robles zones within the main mine complex.

Other Producing Mines

Fazenda Brasileiro Mine

The Fazenda Brasileiro property includes a producing gold mine and approximately 197,000 hectares of adjacent exploration properties. It is located in northeast Brazil in the eastern portion of Bahia state, 180 kilometres NNW of the state capital city of Salvador. The property, all of which is within the Rio Itapicuru Greenstone Belt ("RIGB"), can be roughly divided into two parts. One part covers the east-west trending Weber Belt, which hosts the mine, operating open pits and areas of immediate exploration potential. The other part covers large portions of the north-south trending portion of the RIGB and several exploration permits southwest of the mining area. The Weber Belt area is comprised of 15 contiguous tenements at various stages of the Brazilian tenure process, totaling approximately 12,000 hectares. The remaining area is comprised of 148 blocks, many of which are contiguous and all at various stages of the tenure process, totaling approximately 184,500 hectares in area.

The Fazenda Brasileiro mine began production in 1984 as an open pit, heap leach operation. In 1988, production began from underground operations with processing in the newly constructed C-IP plant and has been continuous since such time.

Mine exploration is primarily concentrating on the F, G, E-east and E-deep ore bodies. Fan diamond drilling on 25 by 10 metre grids from footwall drifts has been conducted as part of the stope definition process. This zone hosts the bulk of the Proven and Probable Mineral Reserves and nearly all of the present underground production comes from it. This is routine drilling designed to upgrade Indicated Mineral Resources to the Measured Mineral Resources category.

Since August 2003, Yamana has conducted an exploration and infill drilling programme at the Fazenda Brasileiro Mine designed to upgrade the current Probable Mineral Reserves to Proven Mineral Reserves and replace mined Mineral Reserves and a deeper drilling programme designed to extend the mine's underground Mineral Resources at depth and to the east. Drilling has been focused on underground ore bodies adjacent to the mine, underground ore bodies at or near the level of existing mine workings and ore bodies beneath the existing mine workings. In 2007, Yamana had completed approximately 6,000 metres of drilling from 54 holes, which drilling was aimed at exploration and development at the Fazenda Brasileiro Mine, as well as near mine target evaluation.

A total of 55,163 ounces of gold were produced from Fazenda Brasileiro during 2011.

In 2011, 38,219 metres of drilling was completed in 155 diamond drill holes. The majority of the drilling was completed at the CLX2 and Canto zones west of the main mine. The Weber Belt containing the CLX2 zone has been identified as having significant additional potential. There remains 10 kilometres of prospective stratigraphy and structure to be drilled. Yamana holds all the necessary environmental licenses to operate the Fazenda Brasileiro mine.

Mercedes

Mercedes is located approximately 65 kilometres southeast of Magdalena de Kino in the state of Sonora, Mexico. Curcurpe, with a population of approximately 1,000, is the closest town and is located roughly 25 kilometres northwest of Mercedes. Magdalena de Kino has a population of approximately 25,000. Hermosillo, the state capital, is located 260 kilometres southwest of Mercedes and has a population of over 700,000.

The site sources its energy through a 65 kilometre power line connected to the main power grid at Magdalena de Kino. Water for process and consumption is available from mine dewatering and wells on the property. Yamana controls an area of approximately 70,000 hectares of mineral concessions and also has control over the surface rights where the mine and all facilities are located.

Geologically, the area is underlain by mostly Tertiary aged volcanic flows, tuffs, and volcanoclastic sediments, which have been intruded by felsic to intermediate dikes. The deposits consist of gold-silver bearing low-sulfidation hydrothermal vein/stockwork/breccia zones emplaced in N30-75W and N40-80E trending structures. Ore bodies are hosted within andesite flows and lithic tuff units. A total of over 15.0 kilometres of veins have been identified on the project to date, ranging in width from 0.3 to +15.0 metres. Three of these veins, Mercedes, Barrancas and Klondike, are currently in development or production, providing feed to the plant which started operations in late 2011. Post-mineral volcanic and sedimentary rocks cover significant portions of the site surface, and the discovery of the blind Barrancas structure in 2009 validates the exploration potential in these covered areas.

The drill program for 2008 concentrated on extending the Mercedes vein to Breccia Hill and infill testing of the Mercedes and Klondike veins. A total of 82,805 metres were completed in 318 diamond drill holes during 2008. These results were the basis for the development of the pre-feasibility study of Mercedes.

In 2009, 32,856 metres of exploration diamond drilling were completed and resulted in the discovery of the new Barrancas vein. The vein is located on a parallel structure to the NW of the Mercedes vein. The Barrancas discovery was made with the assistance of ground and airborne geophysics completed in late 2008 and early 2009. Local high grade mineralization was also intersected in the Lupita vein, located 5 kilometres NE of the Mercedes vein. These new areas remained as Inferred Mineral Resources for 2009. In addition to the exploration activities, Yamana advanced the project to a feasibility stage, completing extensive works and tests including the development of an exploration decline in the Mercedes zone.

In 2010, 45,805 metres of diamond drilling were completed with the purpose of infill testing the Barrancas and Klondike areas. In addition to the infill drilling, the Barrancas area was extended on strike to the north with the discovery of the Lagunas zone. At Lupita, exploration drilling discovered the Diluvio zone east of the Lupita Inferred Mineral Resource, which added significant Inferred Mineral Resources to the Mercedes inventory.

In late April 2010, the company received approval from the Sonoran authorities for the construction of the Mercedes Project which started its bulk excavation in May 2010.

In 2011, 43,325 metres of diamond drilling was completed in 114 drill holes. The drilling focused on the strike extension of the Barrancas and Diluvio deposits and infill drilling of the Rey de Oro zone. At Barrancas, drilling resulted in the discovery of the Lagunas Norte ore shoot. The Lagunas Norte ore shoot is currently defined along 200 metres of strike length and is an extension to the Lagunas zone, which has now been identified over 400 metres along strike and up to 150 metres down dip. The total length of the Barrancas zone is 1,100 metres, including Barrancas Centro, Lagunas and Lagunas Norte, and it remains open along strike to the north. At Diluvio, drilling moved a part of the Inferred Mineral Resource to Indicated and allowed the inclusion of Mineral Reserves, and also extended the Diluvio deposit to the west towards Lupita. Exploration drilling in 2012 will attempt to connect Diluvio with Lupita. The Rey de Oro zone has now been delineated along a strike length of 350 metres, a dip length of 130 metres (starting at the surface) and a width of between 20 to 70 metres.

The Mercedes mine reached commercial production on February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors. With mine development and plant commissioning well advanced and a sufficient stockpile having been created during the mine development period, a first gold pour occurred in mid-November 2011, marking the formal start-up of commissioning production at the mine, well ahead of schedule which was originally planned for the middle of 2012. Production is initially planned at 120,000 gold equivalent ounces per year although the Company is evaluating the potential to increase throughput to 1,800 tonnes per day through modest plant modifications and optimizations. To the end of February 2012, there have been over 11,000 metres of underground development completed, including the start of development of the Barrancas zone with the higher grade Lagunas Norte vein. 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. With increased plant capacity along with the additional ore from Barrancas, and as accelerated underground development work advances during 2012, the Company expects production to increase to over 130,000 gold equivalent ounces in 2013.

The mining method consists of variations of cut and fill, based on the geological and geotechnical characteristics of the veins. The processing plant consists of agitated leaching, CCD and detoxification of tailings.

Alumbrera Mine

The Alumbrera Mine is an open-pit copper/gold/molybdenum mine located near Belen, province of Catamarca, in north-western Argentina. It comprises a mining lease of 600 ha, owned by Yacimientos Mineros de Agua de Dionisio (“YMAD”). Minera Alumbrera Limited (“MAA”) entered into a Joint Venture Agreement with YMAD in April 1994, subsequently amended. The Joint Venture Agreement defines the working relationship between the parties, including the appointment of MAA as the operator, royalty obligations, and requires that ownership of certain facilities and infrastructure revert to YAMAD after completion of operations. Immediate mine infrastructure and other mine facilities cover an additional permitted surface area of 5,200 ha. Xstrata holds a 50% interest in, and is the operator of, the Alumbrera Mine. Goldcorp holds a 37.5% interest and Yamana holds a 12.5% interest.

The Alumbrera Mine consists of the following five facilities, with support offices located in Tucumán, Catamarca City, Rosario and Buenos Aires:

1. an open-pit mine, processing facilities and central administration offices at Alumbrera, Catamarca;
2. a 316 km concentrate slurry pipeline through Catamarca and Tucumán Provinces;
3. a 202 km, 220 kilovolt power line from the project’s substation at El Bracho, Tucumán;
4. a filter plant and rail loading facilities at Cruz del Norte, Tucumán; and
5. a port, handling facilities and train maintenance facilities at San Martín near Rosario, Santa Fé.

The Alumbrera Mine processes ore through conventional crushing, grinding, sulphide flotation and gravity gold circuits. Concentrate slurry from the processing facilities is pumped 316 kilometres to a filter plant at Cruz del Norte. Concentrates from the filter plant are shipped 830 kilometres by rail from Cruz del Norte, Tucumán to Puerto Alumbrera. The port is located in San Martín, Rosario in the Province of Santa Fé.

The mining rights to the Alubrera Mine held by MAA are limited to a 2,000 metres by 3,000 metres rectangle (600 ha in size) approximately centred on the open-pit mine. This area, referred to as the contract area, is slightly larger than the ultimate pit rim dimensions. No exploration is conducted by MAA outside the contract area. Because of the very limited area of mineral rights involved and the dominance of the area by the open-pit mine, further exploration work will be limited. The operating life of the Alubrera Mine is currently expected to extend until mid 2018.

Yamana's attributable interest in Mineral Reserves at the Alubrera Mine is 32,000,000 tonnes with 0.36 g/t Au grade, 0.37% copper grade and 0.013% for molybdenum, totaling 376,000 ounces of gold, 259 million pounds of copper and 9 million pounds of molybdenum.

See also "— Additional Projects — Agua Rica Project".

Development and Advanced Stage Exploration Projects

Pilar/Caiamar

The Pilar Exploration Project comprises 59,000 hectares of exploration concessions held by Yamana in the northwest portion of Goiás State in Brazil. The area covers part of Pilar and Guarinos Belts which are classical Archean greenstone belts terrains with many gold occurrences (several anomalies never checked with geological mapping or drilling). Gold was first discovered and mined in the region in 1740 by the Portuguese empire. After that, artisanal mining has been continuously present in the area.

Pilar and Guarinos Belts have similar volcano-sedimentary sequences to that of Crixas Greenstone Belt, where the three million ounce Serra Grande mine (Anglo Gold/Kinross) is located, about 20 kilometres west of Guarinos. The most explored areas are located in the southern portion of the Pilar Greenstone Belt, called Jordino-Ogó-Três Buracos (JOT), a continuous gold anomalous northwest trend, extending for almost 8 kilometres. Although the garimpos occurrences were less intense in the Guarinos Belt, the gold occurrences are also constant in the whole belt.

Past exploration work was conducted by several companies (including Mineradora Montita, BHP (Marex) and INCO/CNM) and consisted of stream and soil sampling programs, geophysical surveys with interpretation and re-processing of data, induced polarization and some restricted ground geophysics, excavations including trenching and channel sampling, geological mapping, and restricted drilling campaigns totaling approximately 5,000 metres.

In July 2006, Yamana commenced the exploration works in the Pilar and Guarinos Greenstone Belts. In 2007 Yamana focused drilling on the Três Buracos and Jordino targets. The Três Buracos target has excellent potential as an open pit, heap leach target. Yamana's drilling programme is targeted at outlining the JOT mineralization, testing continuation along the definition of high-grade ore shoots. The Três Buracos and Jordino targets are just two of several significant targets in the area which demonstrate the potential for entirely new high-grade gold discoveries.

The 2009 drill program focused on infill drill testing of the Jordino Target. A total of 220 diamond drill holes were completed in the 37,868 metre infill program. The drilling resulted in a 50x50 metre drill pattern over the entire Jordino Mineral Resource that confirmed the continuity and grade of the mineralization. In addition to the drilling, an access tunnel was commenced in the third quarter of 2009. The tunnel will allow for underground bulk sampling and mapping to confirm the results of the Mineral Resource models based on surface drilling and will aid in the determination of Mineral Reserves.

The Company undertook an aggressive exploration program concurrently with mine development which began in 2010. The objectives of the 2010 exploration program at Pilar were threefold:

- 1) to infill drill the areas containing Mineral Reserves to support mine development;
- 2) to infill drill areas containing Mineral Resources in order to upgrade to Mineral Reserves; and
- 3) to extend the known areas of mineralization.

On August 4, 2010 Yamana made a formal decision for the construction of the Pilar exploration project based on positive feasibility study results. During 2010, the focus of exploration was on extending the main Jordino mineralization down dip and to that end, 38,500 metres of diamond drilling was completed. The deepest hole to date to intersect the Jordino deposit, JD-364, intersected 0.50 metres of 6.2 grams per tonne gold (g/t Au) at a depth of 840 metres indicating that mineralization remains open.

In 2011, 159 diamond drill holes were completed totaling 48,027 meters. The drilling was successful in extending the main Jordino deposit down dip to in excess of 1 kilometer in dip length and also along strike to the north for about 2 kilometers towards Ogo and Tres Buracos. All of the drilling was completed on 100 meters centers and increased the Inferred Mineral Resource base substantially. Mineralization remains open in all directions. At Maria Lazarus, located 20 kilometers west of Pilar and 25 kilometers south of Caiamar, initial results from the drilling indicate similar grades and widths to Jordino along a strike length of 800 meters and a dip length of at least 200 meters. Exploration in 2012 will focus on further strike extensions of Jordino to the north and the definition of Maria Lazarus. Construction of the new mine is on schedule, with commissioning and start-up of production expected by mid-2013 and with commercial production expected by the end of 2013. Annual production from the mine is estimated to be 120,000 ounces of gold.

Yamana acquired an extensive exploration concession and project called Caiamar in July 2009 which is located approximately 38 kilometres from Yamana's Pilar project and just east of the Crixas Greenstone Belt. Caiamar is located in the northern portion of a regional Shear Zone in the Guarinos Greenstone Belt and mineralization consists of arseno-pyrite rich quartz breccias hosted in metagraywacke layers.

The Pilar and Caiamar projects share similar geology and prospectivity and the Company believes that the combination of these two areas will meaningfully increase the potential for increased Mineral Resources and advancement of project development.

A total of approximately 14,000 metres of drilling was been completed in 2009 at Caiamar. The drilling confirmed the occurrence of mineralized shoots along an area of 2.5 kilometres length and 700 metres wide. In 2010 an additional 19,000 meters of drilling was completed in 61 drill holes to further delineate and define mineralization.

In 2011, Mineral Resource development and work on a feasibility study continued at Caiamar. Caiamar and the Mineral Resource development of other targets could positively impact capacity utilization and production rates at Pilar as early as 2014. The project is being built with 30% additional capacity to that contemplated in the feasibility study in anticipation of significant Mineral Resource growth.

Ernesto/Pau-a-Pique

The Ernesto/Pau-a-Pique project is located in southwest Mato Grosso state, near Pontes e Lacerda in Brazil. The Pau-a-Pique deposit is approximately 62 kilometres by road south of the Ernesto deposit. The significant existing infrastructure including paved roadways supports the development of Ernesto/Pau-a-Pique as two mines with a common plant. Pau-a-Pique is planned as an underground mine and Ernesto is planned to be mined both open-pit and cut-and-fill underground. The deposits are hosted by meta-sedimentary rocks of Proterozoic age and at the contact with underlying granitic basement rocks. The gold mineralization is hosted by quartz veins in the metasedimentary rocks (arenites and conglomerates) or associated with shear zones at the contact of the metasediments with the underlying granite basement. At Ernesto, gold-rich quartz veins and veinlets occur within a thick, low-angle structure at the base of the meta-sedimentary sequence and within sulphidic horizons in overlying altered meta-arenite units.

In January 2010, Yamana made a formal decision for the construction of the Ernesto/Pau-a-Pique project based on positive feasibility study results and an expected upgrade in Mineral Resources as a result of deeper drilling of the ore body. The project had an initial mine life of approximately seven years with current Mineral Reserves of 791,000 ounces of gold. The Company believes there is potential to extend the mine life as it continues efforts to upgrade Mineral Resource ounces to the Proven and Probable category and expand Mineral Resources at Ernesto as results demonstrate the deposit is open at depth and down dip. Permitting was granted in 2010. The initial after-tax net present value is approximately \$106 million, based on a 5% discount rate, and the internal rate of return is 31%. The payback period for the Ernesto/Pau-a-pique project is estimated at two years.

Construction progress in 2011 was on schedule, with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As at the date hereof, physical advancement continued and was approximately 75% complete. Earthworks were completed during the third quarter of 2011. Activities continued on mine development, detailed engineering and civil works; electromechanical works began just before the end of the third quarter of 2011. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years expected to be approximately 120,000 gold ounces.

In late 2011, Yamana developed a drilling program for the Lavrinha target that is located beside the Ernesto orebody. The program consisted of 40 drill holes totaling 6,553 meters of diamond drilling that support Mineral Resource and Mineral Reserves estimates.

C1 Santa Luz

Located in the state of Bahia, Brazil, approximately 140 kilometres north of its Fazenda Brasileiro mine and 160 kilometres east of its Jacobina mine, C1 Santa Luz is planned as a conventional open pit mine with throughput of 2.5 million tonnes per year or 6,800 tonnes per day. Processing will be done through a conventional CIL flotation circuit. C1 Santa Luz project comprises seven concessions granted by DNPM, with total area of 5004.5 hectares.

The C1 Santa Luz Project gold deposits lie within the Rio Itapicuru Greenstone Belt (RIGB), a deformed and metamorphosed greenstone-granite terrain of paleoproterozoic age. The gold deposits are structurally controlled and closely associated with small porphyritic dacite intrusions and extensive zones of breccia hosted in carbonaceous meta-sedimentary rocks, with associated hydrothermal alteration centred on the intrusions. The project contains a number of deposits, including, Antas 1, Antas 2, Antas 3, Mansinha and Mari. The largest known deposit, Antas 1, occurs in a continuous mineralised zone associated with a sill-like body of dacite-quartz breccia and carbonaceous-quartz breccia, striking northeast and dipping 35° to 55° northwest. Most of the gold mineralization (approximately 80%) occurs in the quartz-breccia.

Exploration potential is excellent with several under-explored satellite targets occurring within a 30 kilometre radius of C1 Santa Luz. Further, significant potential exists to extend the known ore bodies, particularly Antas 2, Antas 3 and Mansinha.

Based on the positive results of Yamana's 2005 scoping study on the project, a feasibility study was commenced in 2006 aimed at assessing the development of the project as a standalone mine, which study was completed in 2007. As recommended in the feasibility study, an infill drill programme in addition to exploration aimed at delineating new satellite ore bodies is ongoing and the Company is targeting to add at least 400,000 new Mineral Reserve ounces to the current Mineral Reserve base prior to the start of production. At a minimum, this would add an additional three years of mine life. Approximately half of the Mineral Resources are along strike and represent excellent potential to increase mine life by an additional three years. The additional three years is expected to reduce life of mine (LOM) cash costs.

In 2008, Yamana drilled approximately 20,908 metres in 147 diamond drill holes of infill and exploration drilling. Yamana made a construction decision for C-I Santa Luz in July 2009 based on an economic update to the previous feasibility study which showed improved economics and a longer mine life. The updated Proven and Probable Mineral Reserves amount 23.8 million tonnes grading 1.55 g/t Au containing 1.2 million ounces. Construction cost was estimated at \$143 million. The updated financial analysis was based on a gold price of \$900 per ounce and a 5% discount rate resulting in an initial after-tax net present value of approximately \$142 million. The mine life for the project has increased from the initial 2007 feasibility study estimate of approximately seven years to 10 years.

A substantial amount of studies were conducted to complete the Environmental Impact Study ("EIS") for C1 Santa Luz. The EIS was submitted for assessment by the CRA (Environmental Agency of Bahia State) and an application for the necessary environmental license was submitted in December 2007. All permits needed for construction were granted.

Construction progress is on schedule with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As of the date hereof, physical advancement of the project is approximately 60% complete which includes the completion of the foundation for the SAG mill. Earthworks are

near completion and civil works are approximately 40% complete. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years to exceed 130,000 gold ounces.

Nine drill holes were completed during the 4th quarter of 2011 the drilling was being completed to test the deep high grade potential below the C1 Mineral Resource. Initial results were positive and have extended the Mineral Resource approximately 900 meters down dip with grades of between 3g/t and 10 g/t Au. Additional drilling in 2012 will further define this area for underground potential.

In 2012, Yamana updated the metal prices and general costs used for Mineral Reserves estimates. This approach was applied on the main C1 Santa Luz orebody; C1, Antas 2 and Antas 3.

Additional Projects

Agua Rica Project

Yamana currently owns 100% of the Agua Rica Project, a large porphyry-style copper-gold-molybdenum-silver deposit located in the northwestern province of Catamarca in Argentina. There is evidence to suggest that the ore body also contains significant amounts of rhenium which could be an important source of by-product credits.

In March 2011, the Company announced an arrangement with Xstrata and Goldcorp that would facilitate the ultimate integration of Agua Rica into Alumbreira. In September 2011, Xstrata, Goldcorp and the Company reached a definitive agreement in respect of the arrangement, pursuant to which Minera Alumbreira holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments made by Xstrata and Goldcorp of \$110 million, of which \$30 million has been received by the Company. During the option period, Minera Alumbreira will manage the Agua Rica project and fund a feasibility study and all development costs. Minera Alumbreira can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive \$150 million and a further \$50 million on commencement of commercial production. The Company would also retain the right to a deferred payment related to 65% of the payable gold production from Agua Rica to a maximum of 2.3 million ounces. See also "General Development of the Business — History — Agua Rica — Integration Into Alumbreira."

The update to the feasibility study has been commenced and is expected to be complete in early 2013. Minera Alumbreira will work with stakeholders, including Yacimientos Mineros de Agua de Dionisio, to assess the optimum potential development of Agua Rica and complete environmental impact studies. Subject to a positive feasibility study, the option being exercised, and all necessary corporate and government approvals, a construction decision is expected to follow with construction potentially starting in 2013.

Suyai Project

The Suyai project is an advanced stage exploration gold project comprising 141,000 ha of land located in the Sierra de Esquel in southern Argentina. The various properties comprising the Suyai project are classified as either "permits", "claims" or "mines" and are either owned outright by Suyai del Sur S.A. ("Suyai del Sur") or through option contracts between Suyai del Sur and the direct owners.

On July 3, 2002, Meridian completed an unconditional share purchase offer for Brancote Holdings PLC, owner of the Suyai project. Permitting for the project and a feasibility study began in the third quarter of 2002. In March of 2003, with the feasibility study substantially complete, the project was put on hold after local opposition to the mine led to a non-binding referendum wherein a majority of Esquel's citizens voted against the mine. The Company continues to monitor mining developments in the province of Chubut.

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

Jeronimo (Agua de la Falda)

Yamana holds a 56.7% controlling interest in Agua de la Falda (“ADLF”), which includes the Jeronimo Deposit. Such interest was originally acquired by Meridian in 2006 from the Corporacion Nacional del Cobre de Chile (“CODELCO”), with whom Meridian initiated a strategic partnership. ADLF’s properties, located 50 kilometres southeast of El Salvador in the Third Region of Northern Chile, encompass over 240 km and include the El Hueso, Coya and Agua de la Falda mines that produced over 660,000 gold ounces for Homestake Mining Company (“Homestake”) between 1988 and 2002. The Jeronimo Deposit is the downdip extension of the ADLF deposit. Exploration and development work completed by previous owners, Homestake and Barrick Gold Corporation (“Barrick”), included at least 150 diamond drill holes that have delineated the manto that hosts the Jeronimo Deposit. A 3D geologic model completed with this drilling indicates potential for 12 to 18 million tonnes of mineralization with average grades of between 5 and 7 grams per tonne gold. The potential mineral body is largely unoxidized and will require further metallurgical testing to determine the most economic processing techniques to recover the gold in a production environment.

In 2006 a geometallurgic campaign that comprised Upper, Inter-Fault and Lower mineralized zones, names which correspond to the morphology produced by the slidings so-called Jerónimo and Silica Roja faults. 43 holes were drilled, totaling 17,092 meters. Considerable metallurgical test work was performed in 2007 with encouraging results. In 2008, 81 drill holes were added, in order to develop an infill or filling in the upper zone to categorize the Mineral Resource. During 2008, Yamana concluded a scoping study which concluded that flotation in an inert atmosphere is the most commercially viable downstream process option for the flotation concentrates. In early 2010, a scoping study update returned positive economics for the project using pressure oxidation process on the flotation concentrates. The first Mineral Reserve estimate was declared of 1.6 million ounces of gold, based on the pre-feasibility study recently completed, on a fully consolidated basis. Based on the Yamana’s current ownership interest (57%), attributable Mineral Reserves are 0.93 million ounces. The pre-feasibility study (on 100% basis) contemplates approximately \$310 million in pre-production capital; 145,000 oz approximate average annual production for 10 years of initial mine life at an average cash cost of \$550/oz, with approximate 185,000 oz average annual production for the first four years at a cash cost below \$500/oz.

The Company is evaluating other processing methods for better recoveries, which are anticipated to further optimize the project economics. The Company will also be incorporating the impact of credits from the sale of manganese which was not included in the pre-feasibility, as well as the positive impact of other off-take products. The Mineral Resource remains open at depth and has potential to add significantly to Mineral Resources.

Following the delivery of the first Mineral Reserve estimate at Jeronimo in early 2011, a pre-feasibility study was completed by the end of the year. The pre-feasibility study estimated that cash costs will be approximately \$600 per gold ounce and that pre-production capital will be approximately \$310 million. The initial results indicated increased production and recovery levels reaching approximately 85% under a base case scenario when utilizing a combined flotation and pressure oxidation process. Additional studies were undertaken, which have since been completed and form the basis of the feasibility study now being completed. The studies were designed to provide greater certainty through extensively testing metallurgical results, opportunities for improving recoveries beyond 85% and scaling the plant to requirements through pilot testing. These results and advanced engineering work will be detailed within the feasibility study expected before mid-2012. With the increase in certainty from pilot testing and metallurgy, a 17% increase in gold Mineral Reserves, potential by-product credits and other optimizations, the Company expects a positive impact on the economics of the project.

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

ITEM 5 DIVIDENDS

The Company paid its first quarterly dividend of \$0.01 per share on October 13, 2006 and began paying monthly dividends of \$0.01 per common share from July 2008 through December 2008. The Company has established a dividend policy providing for a dividend yield that is consistent with the yield of comparable companies’ dividend rates and that is reviewed on a periodic basis and assessed in relation to the growth of the operating cash flows of the Company. As at the end of 2008, the dividend yield in respect of the common shares had become significantly more than the yield implied by comparable companies’ dividend rates and the yield

implied on the common shares when the Company's dividend policy was initially instituted. In January 2009, the Company's board of directors amended the Company's dividend policy to return to quarterly dividends of \$0.01 per share, commencing in the first quarter of 2009 through to the fourth quarter of 2009. In May, August and November 2010, the Company's board of directors further amended the dividend policy to increase quarterly dividend payments to \$0.015 per share, \$0.02 per share and \$0.03 per share in each of the second, third and fourth quarters of 2010, respectively. The Company also declared a special dividend of \$0.01 per share in the fourth quarter of 2010. In May 2011, the Company's board of directors amended the Company's dividend policy to increase quarterly dividend paid per share to \$0.045 commencing in the third quarter of 2011, which policy was further amended for November 2011 to increase quarterly dividends paid per share to \$0.05 commencing in the fourth quarter of 2011.

Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition, comparability of the dividend yield to peer gold companies and current and anticipated cash needs.

ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of first preference shares, Series 1 (the "Preference Shares") of which there were 745,975,842 common shares and no Preference Shares issued and outstanding as of March 29, 2012.

Common Shares

Holders of common shares are entitled to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Company's board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a *pro-rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Preference Shares

Upon a consolidation, merger, or amalgamation of the Company with or into any other corporation, holders of Preference Shares who have not exercised their right of conversion at the date of the consolidation, merger, or amalgamation are entitled to receive upon the exercise of their conversion right, after the effective date of the consolidation, merger, or amalgamation, the aggregate number of shares or securities or property of the Company resulting from the consolidation, merger, or amalgamation, the holder would have been entitled to receive if they had at the effective date of the consolidation, been the registered holder of such number of common shares. Holders of Preference Shares are also entitled to receive, in the event of liquidation, dissolution or winding up of the Company, an amount equal to \$0.125 in respect of each of Preference Share held and all unpaid cumulative dividends before any distribution of the assets of the Company among holders of the common shares or any other class of shares.

**ITEM 7
MARKET FOR SECURITIES**

Price Range and Trading Volume

The common shares are listed and posted for trading on the TSX under the symbol “YRI”, the NYSE under the symbol “AUY” and the LSE under the symbol “YAU”. The following table sets forth information relating to the monthly trading of the common shares on the TSX for the fiscal year ended December 31, 2011.

| <u>Period</u> | <u>High (Cdn.\$)</u> | <u>Low (Cdn.\$)</u> | <u>Volume</u> |
|----------------|--------------------------|-------------------------|---------------|
| January 2011 | 12.43 | 10.87 | 62,407,347 |
| February 2011 | 12.55 | 11.28 | 51,258,241 |
| March 2011 | 12.83 | 11.72 | 64,185,867 |
| April 2011 | 12.82 | 11.51 | 61,273,423 |
| May 2011 | 12.70 | 11.23 | 70,558,745 |
| June 2011 | 12.66 | 10.96 | 53,571,019 |
| July 2011 | 12.96 | 11.1 | 65,341,867 |
| August 2011 | 15.99 | 12.51 | 125,166,419 |
| September 2011 | 17.39 | 13.51 | 90,855,769 |
| October 2011 | 16.01 | 13.15 | 81,602,698 |
| November 2011 | 17.20 | 14.4 | 51,895,741 |
| December 2011 | 17.24 | 14.24 | 44,579,409 |

**ITEM 8
DIRECTORS AND OFFICERS**

The following table sets forth the name, province or state and country of residence, position held with the Company and period(s) during which each director of the Company has served as a director, the principal occupation of each director and executive officer of the Company. All directors of the Company hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

| <u>Name and Residence</u> | <u>Position with the Company and Period(s) Served as a Director</u> | <u>Principal Occupation</u> |
|---|--|--|
| Peter Marrone Ontario, Canada | Chairman, Chief Executive Officer and a Director (director since July 31, 2003) | Chairman and Chief Executive Officer of the Company |
| Patrick J. Mars(1)(2)(4) Ontario, Canada | Currently Lead Director and a Director since August 16, 2001 | Company Director |
| John Begeman(1)(3) South Dakota, United States | Director since May 2, 2007 | President and Chief Executive Officer of Avion Gold Corp. |
| Alexander Davidson(2)(3) Ontario, Canada | Director since August 31, 2009 | Company Director |
| Richard Graff(1) Colorado, United States | Director since October 16, 2007 | Consultant |
| Robert Horn(2)(3) British Columbia, Canada | Director since October 16, 2007 | Company Director |

| Name and Residence | Position with the Company and Period(s) Served as a Director | Principal Occupation |
|---|---|--|
| Nigel Lees(2) Ontario, Canada | Director since June 16, 2005 | President and Chief Executive Officer of Sage Gold Inc. |
| Juvenal Mesquita Filho(4) São Paulo, Brazil | Director since July 31, 2003 | Company Director |
| Carl Renzoni(1)(4) Ontario, Canada | Director since October 16, 2007 | Company Director |
| Antenor F. Silva, Jr. Rio de Janeiro, Brazil | Director since July 31, 2003 | President and Chief Executive Officer of MBAC Fertilizer Corp. |
| Dino Titaro(2)(3)(4) Ontario, Canada | Director since August 5, 2005 | President and Chief Executive Officer of Carpathian Gold Inc. |
| Charles Main Ontario, Canada | Executive Vice President, Finance and Chief Financial Officer | Executive Vice President, Finance and Chief Financial Officer of the Company |
| Ludovico Costa São Paulo, Brazil | President and Chief Operating Officer | President and Chief Operating Officer of the Company |
| Darcy Marud Nevada, United States | Senior Vice President, Exploration | Senior Vice President, Exploration of the Company |
| Greg McKnight Ontario, Canada | Senior Vice President, Business Development | Senior Vice President, Business Development of the Company |
| Evandro Cintra São Paulo, Brazil | Senior Vice President, Technical Services | Senior Vice President, Technical Services of the Company |
| Sofia Tsakos Ontario, Canada | Senior Vice President, General Counsel and Corporate Secretary | Senior Vice President, General Counsel and Corporate Secretary of the Company |
| Richard C. Campbell Ontario, Canada | Senior Vice President, Human Resources | Senior Vice President, Human Resources of the Company |
| Lisa Doddridge Ontario, Canada | Vice President, Investor Relations and Corporate Communications | Vice President, Investor Relations and Corporate Communications of the Company |
| Jason LeBlanc Ontario, Canada | Vice President, Finance and Treasurer | Vice President, Finance and Treasurer of the Company |
| Ana Lucia Martins São Paulo, Brazil | Vice President, Safety, Health, Environmental and Community Relations | Vice President, Safety, Health, Environmental and Community Relations of the Company |
| Nelson Munhoz São Paulo, Brazil | Vice President, Operations, Brazil | Vice President, Operations, Brazil of the Company |
| Khawar Nasim Ontario, Canada | Vice President, External Affairs | Vice President, External Affairs of the Company |

| Name and Residence | Position with the Company and Period(s) Served as a Director | Principal Occupation |
|-------------------------------------|---|---|
| Ricardo Palma Santiago, Chile | Vice President, Country Manager, Chile | Vice President, Country Manager, Chile of the Company |
| Arão Portugal São Paulo, Brazil | Vice President, Administration and Country Manager, Brazil | Vice President, Administration and Country Manager, Brazil of the Company |
| Patrick Portmann Ontario, Canada | Vice President, Corporate Development | Vice President, Corporate Development of the Company |
| David Radu Ontario, Canada | Vice President, Information Technology | Vice President, Information Technology of the Company |
| Betty Soares Ontario, Canada | Vice President, Controller and Chief Accounting Officer | Vice President, Controller and Chief Accounting Officer of the Company |
| Hernan Vera San Juan, Argentina | Vice President, Country Manager, Argentina | Vice President, Country Manager, Argentina of the Company |

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Sustainability Committee.
- (4) Member of the Corporate Governance and Nominating Committee.

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies set out below.

Peter Marrone — Chairman and Chief Executive Officer. Mr. Marrone founded Yamana as President and Chief Executive Officer of Yamana in July 2003. Mr. Marrone was appointed Chairman of Yamana in May 2007. Mr. Marrone has more than 25 years of business and capital markets experience and has been on the boards of a number of public companies and advised companies with a strong South American presence. Mr. Marrone holds a Bachelor of Laws degree. Prior to Yamana, Mr. Marrone was the head of investment banking at a major Canadian investment bank and before that, practiced law in Toronto with significant international experience.

Patrick J. Mars — Lead Director. Mr. Mars is a company director specializing in mine finance and analysis. He was a director of Yamana Resources, a predecessor to the Company, and has been a director of the Company since August 2001. He benefits from over 30 years of experience in the investment industry and has had extensive involvement in mining research, financing and advisory work. For the majority of his career he was with Alfred Bunting & Co/Bunting Warburg, a Canadian investment dealer and stockbroker where he was President and CEO from 1981 to 1994. During this time he served 3 year terms both as a Governor of the TSE and Director of the IDA. Presently, Mr. Mars is a director of Aura Minerals Inc. (Chairman) ("Aura Minerals"), Carpathian Gold Inc. ("Carpathian Gold"), Sage Gold Inc. (Chairman) ("Sage Gold") and Selwyn Resources as well as being President of P.J. Mars Investments Limited, a private company. He is also a director of the Renascent Foundation, a charitable organization.

John Begeman — Director. Mr. Begeman is a Professional Mining Engineer with over 35 years of mining experience. He is currently the President, CEO and director of Avion Gold Corporation and a director of Valencia Ventures Inc. He is also a director of Premier Goldmines Limited. He has previously served as Chief Operating Officer of Zinifex Canada Inc. and Vice President, Western Operations of Goldcorp Inc. In his capacity for Goldcorp, he was responsible for its surface gold operations in South Dakota and the Industrial Minerals Division in Saskatchewan. Previous to his employment at Goldcorp, Mr. Begeman held various engineering and management positions with Morrison Knudsen Company in the contract mining operations group throughout the Western United States. Mr. Begeman holds a B.S. in Mining Engineering, a M.S. in Engineering Management and an MBA.

Alexander J. Davidson — Director. Mr. Davidson has been a member of the board of directors of Yamana since August 2009. Mr. Davidson previously served as Executive Vice President, Exploration and Corporate Development with responsibility for Barrick's international exploration programs and corporate development activities. Mr. Davidson joined Barrick in October 1993 as Vice President, Exploration with responsibility for the Company's expanding exploration program. He initiated Barrick's expansion out of North America and into Latin America and beyond. Prior to joining Barrick, Mr. Davidson was Vice President, Exploration for Metall Mining Corporation. Mr. Davidson has over 25 years' experience in designing, implementing and managing gold and base metal exploration and acquisition programs throughout the world. In April 2005, Mr. Davidson was presented the 2005 A.O. Dufresne Award by the Canadian Institute of Mining, Metallurgy and Petroleum to recognize exceptional achievement and distinguished contributions to mining exploration in Canada. In 2003, Mr. Davidson was named the Prospector of the Year by the Prospectors and Developers Association of Canada in recognition for his team's discovery of the Lagunas Norte Project in the Alto Chicama District, Peru. He received his B.Sc. and his M.Sc. in Economic Geology from McGill University.

Richard Graff — Director. Mr. Graff is a retired partner from PricewaterhouseCoopers LLP where he served as the audit leader in the United States for the mining industry. Since his retirement, Mr. Graff has been a consultant to the mining industry and has served as a member of a Financial Accounting Standards Board task force for establishing accounting and financial reporting guidance in the mining industry. He represents a consortium of international mining companies and has provided recommendations to the International Accounting Standards Board on mining industry issues and to regulators on industry disclosure requirements of securities legislation. He received his undergraduate degree in Economics from Boston College and his post-graduate degree in Accounting from Northeastern University. He currently serves on the board of directors and is Chairman of the audit committees of Alacer Gold Corp. and Dynamic Materials Corporation. He also serves on the compensation committee of Alacer Gold Corp.

Robert Horn — Director. Mr. Horn is a registered professional geoscientist in the Province of Ontario with over forty years international experience in exploration and mining. He graduated in Geology from the University of Exeter, UK, with BSc (Hons) in 1965 and from University College, London with MSc in 1967. During his career he worked in Zambia and Australia in exploration, ore assessment, grade control and production; was technical adviser to Vale's non-ferrous metal exploration program in Brazil and Exploration Manager, Europe and Vice President Exploration, Canada, for BP Minerals. On BP's withdrawal from Canada he worked first as Vice President Exploration of the FMC Gold Company in the USA, Mexico and Chile and from 1995 as Vice President Exploration with Inco Limited, working in Canada, Latin America, China and Indonesia. He has served on the boards of several public companies and was President of Exmibal, a nickel-mining company, owned jointly by Inco and the Guatemalan government. He retired from Inco in 2004. He has served on the expert committees of the International Atomic Energy Agency/Nuclear Energy Agency in Brussels and in the European Union and on the Geological Survey of Canada Advisory Committee in Ottawa and was Chair of the Ontario Geological Survey Advisory Board. He received the A. O. Dufresne Award in 2004 for services to Canadian mineral exploration.

Nigel Lees — Director. Mr. Lees has over 25 years experience in the investment banking industry. He has served as a member of the Listings Committee of the Toronto Stock Exchange as well as on the audit committees of boards of several publicly listed companies. He is the founder and director of TVX Gold Inc., which merged with Kinross Gold Corporation in 2003. He is currently the President of C.N. Lees Investments Limited, a private investment and consulting company and President and Chief Executive Officer of Sage Gold, a public precious metals exploration and development company.

Juvenal Mesquita Filho — Director. Mr. Mesquita has been a member of the board of directors of Yamana since July 2003. Mr. Mesquita previously served as President of Mineração Santa Elina S/A, in Brazil, as well as a Director of Santa Elina Mines Corporation since September 1994. He has over 30 years' experience in the mining industry.

Carl Renzoni — Director. Mr. Renzoni retired from BMO Nesbitt Burns in 2001, where he was employed since 1969 and most recently served as a Managing Director. He brings over 30 years' experience in the securities business specializing in the mining industry. Mr. Renzoni holds an Honors B.Sc. (Geology) degree from Queen's University. Mr. Renzoni is currently a director of Copper Mountain Mining Corp. and he previously served on the boards of International Molybdenum Ltd., Peru Copper Inc. and Meridian Gold Inc. Mr. Renzoni also served on the Audit Committee of Meridian Gold Inc.

Antenor F. Silva — Director. Mr. Silva was appointed a Director of Yamana in July 2003. He previously served as Chief Operating Officer from July 2003 to May 2007 and as President from May 2007 until his retirement from such position in September 2009. Mr. Silva has approximately 45 years of experience in the mining and chemical industries, and has provided technical consultation and training in development, construction, start-up, operation, strategic planning and productivity for various mining and industrial companies. During this time, Mr. Silva has been instrumental in researching and developing metallurgical processes and engineering for mill plants in mining projects in Brazil, South and Central America and implementing metallurgical processes which contributed to the development of mines in Tunisia, Africa and Togo, Africa. Mr. Silva has gained significant experience in senior management at various engineering, mining, and chemical companies. Prior to joining Yamana, Mr. Silva acted as Chief Operating Officer of Santa Elina Mines Corporation. Mr. Silva has also served as a director on the boards of engineering, mining and aluminum extrusion companies. Mr. Silva holds a Bachelor of Science degree in Mining and Metallurgical Engineering from the Universidade do Estado de São Paulo in São Paulo, Brazil. Mr. Silva is currently the Chief Executive Officer and Vice Chairman of MBAC Fertilizer Corp.

Dino Titaro — Director. Mr. Titaro is currently the President and Chief Executive Officer and a director of Carpathian Gold, a public mineral exploration company listed on the TSX. From 1986 to 2003, Mr. Titaro was President and Chief Executive Officer of A.C.A. Howe International Limited, a geological and mining consulting firm. From 1980 to 1986, Mr. Titaro was employed by Getty Mines Limited, in various supervisory roles as a geologist, working on base and precious metal projects as well as uranium, principally in Mineral Resource definition stages. Mr. Titaro holds a Master of Science degree in Geology from the University of Western Ontario. He is also a qualified person as defined by National Instrument 43-101 and is a registered P. Geo in Ontario and Saskatchewan. Mr. Titaro currently sits on the board of directors of Mincor Inc., a private mineral resource company, and Royal Coal Corporation, and has been a director and officer of several public-traded companies in the mining, industrial and health care technology fields.

Charles B. Main — Executive Vice President, Finance and Chief Financial Officer. Mr. Main joined Yamana as Vice President, Finance and Chief Financial Officer in August 2003, with over 25 years of experience in the finance and mining industries. Prior to joining Yamana, Mr. Main held the principal positions of Director of Corporate Development of Newmont Capital Corporation, Vice President of Normandy Mining Limited and Chief Financial Officer and a director of Banff Resources Ltd. from March 2000 until July 2003, and was Vice President, Finance with TVX Gold Inc. from 1999 to 2000, which company was acquired by Kinross Gold Corporation in 2003. Mr. Main is a Chartered Accountant and a member of the Ontario and Canadian Institutes of Chartered Accountants. Mr. Main holds a Bachelor of Commerce degree from McGill University.

Ludovico Costa — President and Chief Operating Officer. Mr. Costa has many years of management experience in the mining industry and is currently President and Chief Operating Officer of Yamana. Prior to assuming these positions, he was Senior Vice President, Operations of Yamana since October 2007. He was previously Vice President, Operations from May 2007, and was Director of Operations from March 2006. Prior to this, Mr. Costa was in the strategic planning division of Companhia Vale do Rio Doce, a public mining company listed on the NYSE, the São Paulo Stock Exchange and on the Madrid Stock Exchange, from November 2003 to March 2006. From November 2000 until November 2003, Mr. Costa was Safety Advisor at Rio Tinto plc, a public mining company listed on the LSE and the NYSE. Mr. Costa completed an international secondment of three years to England, as well completing courses at Harvard Business School in the United States and McGill University in Canada.

Darcy Marud — Senior Vice President, Exploration. Darcy Marud joined Yamana as Senior Vice President, Exploration in October 2007. Prior to that, he held the position of Vice-President of Exploration for Meridian from 2004 and the position of exploration manager for South America from 1997. Mr. Marud has a combined 26 years of experience as a gold exploration geologist in the Americas with companies such as Homestake, FMC Gold Company and Meridian Gold Inc.

Greg McKnight — Senior Vice President, Business Development. Mr. McKnight joined Yamana as Vice President, Business Development in February 2004. Mr. McKnight has approximately 22 years of mining focussed investment banking and corporate experience. Prior to joining Yamana, Mr. McKnight was a director in the investment banking division of Canaccord Capital Corporation (“Canaccord”), a position he held since December 2001. Prior to his tenure at Canaccord, he held various mining related positions including senior roles within other

Canadian investment banks and being the President of a publicly traded Canadian junior mining company. During the year prior to joining Yamana, Mr. McKnight was instrumental in his capacity as an investment banker in structuring the reverse takeover transaction and raising the equity for Yamana that enabled the Company to re-capitalize and re-position itself as a gold production company. Mr. McKnight holds a Bachelor of Commerce degree from the University of Toronto and a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario.

Evandro Cintra — Senior Vice President, Technical Services. Mr. Cintra has more than 26 years of exploration and project development experience in the gold mining industry and is currently Senior Vice President, Technical Services of Yamana. Prior to assuming this position, he was Exploration Director and Vice President, Exploration of Yamana from 2003 to October of 2007. From 1986 to 2003 he worked for Mineração Santa Elina and Echo Bay Mines in exploration, operation and Ore Reserves management. Mr. Cintra holds a PhD in Geology and a title of Professional Geoscientist in accordance with the Association of Professional Geoscientists of Ontario.

Sofia Tsakos — Senior Vice President, General Counsel and Corporate Secretary. Ms. Tsakos joined Yamana as Vice President, Corporate Counsel in December 2007, was appointed Corporate Secretary in November 2009 and Senior Vice President, General Counsel in June 2010. Prior to joining Yamana, Ms. Tsakos was a partner practicing securities law at Cassels Brock & Blackwell LLP. From 2001 to 2006, Ms. Tsakos was an associate at Goodman and Carr LLP. Ms. Tsakos holds an Honours Bachelor of Arts Degree from the University of Toronto in Economics and Political Science, a Masters in Business Administration with a focus in Finance from the University of Windsor and a Bachelor of Law also from the University of Windsor.

Richard C. Campbell — Senior Vice President, Human Resources. Mr. Campbell joined Yamana as Senior Vice President, Human Resources in May 2011. Prior to joining Yamana, Mr. Campbell enjoyed progressively senior roles during his 21 years at TD Bank Financial Group. During his tenure at TD, Mr. Campbell worked in executive roles in the business as well as Human Resources, encompassing retail, wealth management, and wholesale/corporate banking. From April 1998 to February 2002, Richard completed international secondments in Hong Kong and London, UK with TD Waterhouse. In his role as SVP Human Resources, TD Canada Trust, Richard led a multi-functional team of HR professionals to develop, implement and execute all aspects of HR services supporting a 36,000 employee workforce across Canada. More recently, Richard's experience as SVP Human Resources with the Ontario Lottery Group has provided him with valuable and practical executive experience in the public service sector. Mr. Campbell holds an Honours Bachelor of Arts in Geography and Economics, and an MA in Economic Geography from Wilfrid Laurier University.

Lisa Doddridge — Vice President, Investor Relations and Corporate Communications. Ms. Doddridge has been with the Company since November 2010. Prior to assuming the role of Vice President, Corporate Communications and Investor Relations, Ms. Doddridge held various senior investor relations positions within the precious metals industry. Ms Doddridge holds an Honours Bachelor of Commerce degree from the University of Guelph.

Jason LeBlanc — Vice President, Finance and Treasurer. Mr. LeBlanc has over ten years research-based and financial experience in the mining industry and is currently Vice President, Finance and Treasurer of Yamana. He has been with Yamana since January 2006. Previously, he was a mining analyst covering the base metal and bulk commodities industries with Dominion Bond Rating Service. Mr. LeBlanc has a Master of Finance Degree from the University of Toronto, a Bachelor of Commerce degree from the University of Windsor and also holds a Chartered Financial Analyst designation.

Ana Lucia Martins - Vice President, Safety, Health, Environment and Communities Relations. Ms. Martins has 18 years of environmental management experience in the gold mining industry and is currently Vice President, Safety, Health, Environment and Communities Relation of Yamana. Prior to assuming this position, she was SHEC Director of Yamana from 2006 to July of 2007 and Environmental Manager of Yamana from to 2003 to 2005. From 1994 to 2003 worked for Mineração Santa Elina and Echo Bay Mines in environmental management, licensing, environmental impact studies, due diligences, reclamation projects, feasibility studies and acid rock drainage tests. Ms. Martins completed an Agricultural Engineering degree in Universidade de São Paulo, Brazil, with expertise in environment. During her professional life gained experience visiting mines in Brazil, Canada, USA, Argentina, Chile and Honduras.

Nelson Munhoz — Vice President, Operations, Brazil. Mr. Munhoz joined Yamana in February 2008, with over 30 years experience in the mining industry. Prior to assuming his position of Vice President, Operations, Brazil of Yamana, he worked with Rio Tinto Brasil since 1987 where he assumed several positions. He was Project Manager for Corumbá Iron Mine Expansion from January 2005 to January 2008. He worked as Metallurgical Manager and subsequently as General Manager for Serra da Fortaleza Nickel Mine from 1996 to 2004. He also had the position of Metallurgical Manager in Rio Paracatu Mineração from 1987 to 1996. Mr. Munhoz holds a Bachelor of Mining Engineer from São Paulo University and a MBA from Fundação Getúlio Vargas.

Khawar Nasim — Vice President, External Affairs. Mr. Nasim joined Yamana as Director of External Affairs in September of 2010 after 15 distinguished years as a Canadian diplomat. As a diplomat, Mr. Nasim served Canada in Spain and twice in Italy. Mr. Nasim has an MBA in International Business from McGill University and a Bachelor of Commerce from Carleton University. He is fluent in Spanish, French and Italian. Mr. Nasim was promoted to the position of Vice President in January 2012.

Ricardo Palma — Vice President, Country Manager, Chile. Mr. Palma joined Yamana as Vice President, Country Manager, Chile in September of 2008 with over 33 years of experience in the mining industry. He has worked in all levels of operations, design, planning, construction and start of up new mines with specific experiences in copper, molybdenum, gold and non metallic mines. Prior to joining Yamana, he worked with Barrick as Operation Manager of the Pascua Lama Project and General Manager of the Veladero Mine. Mr. Palma worked at the Collahuasi mine in Chile for over nine years since start up, first as Operational Vice-President and later Development Vice President. Prior to that he gained experience with Homestake, CODELCO and Cemento Melon (Underground limestone mine for Blue Circle). Mr. Palma holds an M.Sc in Rock Mechanics from Columbia University in New York and a Mining Engineer degree from Universidad de Chile Santiago.

Arão Portugal — Vice President, Administration and Country Manager, Brazil. Mr. Portugal has many years of management experience in the mining industry and is currently Vice President, Administration and Country Manager, Brazil of Yamana. Prior to such time, Mr. Portugal spent over twenty five years working for Companhia Vale do Rio Doce (Vale), where he gained invaluable experience as a Head of Maintenance Department, a Maintenance Division Manager, a Raw Material and Logistic Division Manager, Administrator, Senior Analyst, Institutional Manager and a Supply Chain General Manager. He joined Mineração Fazenda Brasileiro and Yamana Desenvolvimento Mineral S.A., subsidiaries of Yamana, in July of 2003 as General Manager and Director prior to assuming his current position. Mr. Portugal completed a Business Administration degree and Post Graduate studies in International Business in Vitória, Espírito Santo, Brazil and a Master Certification in MBA Supply Chain Management in São Paulo, Brazil.

Patrick Portmann — Vice President, Corporate Development. Mr. Portmann was named Vice President of Corporate Development for Yamana in November 2010. Prior to that, his role at Yamana was as Director, Business Development. He has been with the Company since its acquisition of Meridian. During his tenure at Meridian he occupied several managerial roles in both finance and business development for Meridian's operations in Chile and in the United States. Mr. Portmann has over 20 years of experience in finance and manufacturing, including the last 6 in the mining industry, and holds a Masters of International Management from the Thunderbird School of Global Management.

David Radu — Vice President, Information Technology. Mr. Radu has over 30 years of experience in information technology and 18 years in the mining industry. Mr. Radu joined Yamana from Meridian in 2007 as Director of Information Technology and shortly thereafter began acting as Chief Information Officer of the Company. In January 2012, Mr. Radu began acting as Vice President, Information Technology of Yamana. Mr. Radu holds a bachelor degree in Business Administration from California Polytechnic University in Pomona, California.

Betty Soares — Vice President, Controller and Chief Accounting Officer. Ms. Soares has been with the Company since January 2004 and is currently Vice President, Corporate Controller and Chief Accounting Officer. In this position, Ms. Soares is responsible for all aspects of accounting operations including the enforcement of the Company's accounting policies and procedures. Prior to joining Yamana, she worked in audit, financial reporting and tax at BDO Dunwoody and Collins Barrow LLP (formerly DMCT LLP). Ms. Soares is a Chartered Accountant and a member of the Ontario and Canadian Institute of Chartered Accountants and holds an Honours Bachelors degree in Business Administration from Wilfrid Laurier University.

Hernan Vera — Vice President, Country Manger, Argentina. Mr. Vera has more than 23 years of experience in the mining industry, having experience working in Argentina, the United States and in the African Region. He joined Yamana in October of 2007 and is currently Vice President, Country Manager, Argentina. His experiences include holding the position of Director and General Manager of Barrick Veladero Gold Company. He has also worked as Mining Project Corporate Manager in AngloGold Ashanti East and West Africa Region and previously as the Cerro Vanguardia gold mine (AngloGold Ashanti) General Manager. Mr. Vera has completed a MBA at the Catholic University of Buenos Aires.

Based on the disclosure available on the System for Electronic Disclosure by Insiders (SEDI), as of March 29, 2012, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over approximately 2,737,930 common shares, representing approximately 0.37% of the total number of common shares outstanding.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Yamana) that:

- (a) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer,

that was in effect for a period of more than 30 consecutive days, other than Mr. Dino Titaro who is a director of Plata Peru Resources Inc., which company was cease traded in 2002 pending a corporate reorganization which has received shareholder approval but remains subject to completion. Mr. Titaro was also a director of Compressario Corp. at the time it was cease traded in 2003 for failure to file its annual audited financial statements for fiscal 2002. The company subsequently became insolvent and is now inactive. In addition, Mr. Titaro resigned as a director of Cogient Corp. effective July 31, 2006. On August 22, 2006 a cease trade order was issued and a receiver was appointed by the court on December 8, 2006. On February 7, 2007 all of the assets of Cogient Corp. vested in the Trustee Corporation, as trustee for the debenture holders under a trust indenture dated December 24, 2002.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company,

- (a) is as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Yamana) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public or private companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Canada Business Corporations Act* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

ITEM 9 PROMOTER

No person or company has within the two most recently completed financial years, or is during the current financial year, been a promoter of Yamana or a subsidiary thereof.

ITEM 10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set forth below, the Company was not during fiscal 2011, and is not currently, a party to, nor was/is any of its property the subject of, any legal proceedings, or any known to be contemplated, which involve a material claim for damages within the meaning of applicable securities legislation.

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of \$177 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitle 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 indirect 12.5% equity interest in the Alubrera 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 considers 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 fiscal 2011.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during fiscal 2011, or any other time that would likely be considered important to a reasonable investor making an investment decision in the Company, and the Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during fiscal 2011.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere herein, none of the directors, executive officers or persons or companies who beneficially own, or control or direct, directly or indirectly, more than 10 percent of any class of outstanding voting securities of the Company, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the past three financial years or during the current financial year, that has materially affected or is reasonably expected to have material affect on the Company.

ITEM 12
TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the common shares of the Company is CIBC Mellon Trust Company, by its administrative agent, Canadian Stock Transfer Company Inc., at its principal offices in Toronto, Ontario, and the co-transfer agent for the common shares in the United States is Mellon Investor Services LLC at its principal offices in Jersey City, New Jersey.

ITEM 13
MATERIAL CONTRACTS

The only material contracts entered into by the Company, other than in the ordinary course of business, within the most recently completed financial year, or prior thereto and are still in effect, are described below. Copies of these material contracts are available under the Company's SEDAR profile at www.sedar.com.

The Company entered into an amended and restated credit agreement dated February 29, 2012 (the "Credit Agreement") pursuant to which a group of financial institutions granted the Company a \$750 million revolving term credit facility maturing February 28, 2017 (the "Credit Facility"). Credit under the Credit Facility is available by way of Base Rate Canada Loans or LIBOR Loans at the customary reference rates plus an applicable margin that ranges from 0.50% to 1.75% per annum, in the case of Base Rate Canada Loans and 1.50% to 2.75% per annum, in the case of LIBOR Loans, depending on the ratio (the "Leverage Ratio") of the Company's total debt to its earnings before interest, taxes, depreciation and amortization. The Credit Facility is payable in full on its maturity date. If the Company sells certain assets or ownership interests in certain material operating subsidiaries the net proceeds thereof must be used to prepay outstanding obligations under the Credit Facility. The Credit Facility is guaranteed by certain material subsidiaries (the "Guarantors"). The Credit Agreement contains covenants that restrict, among other things and subject to certain specified exceptions, the ability of the Company and certain of its subsidiaries to (i) incur additional indebtedness; (ii) grant security interests and other encumbrances on its property; (iii) enter into corporate or capital reorganizations; (iv) carry on any business, other than mining and related activities; (v) sell or otherwise dispose of any material property; (vi) pay or declare dividends or make other distributions or payments in respect of its shares; (vii) make acquisitions or investments, other than in the ordinary course of business; and (viii) enter into transactions with affiliates. The Company is also required to maintain certain financial ratios as well as a minimum tangible net worth. The Credit Agreement contains certain events of default. The Company was granted the right, upon obtaining additional commitments, to increase the Credit Facility by an aggregate amount of up to \$250 million.

The Company entered into a note purchase agreement dated December 18, 2009 (the "Note Purchase Agreement") pursuant to which it issued and sold senior unsecured notes in an aggregate principal amount of U.S.\$270,000,000 of which U.S.\$15,000,000 are 5.53% Series A Senior Notes due December 21, 2014 (the "Series A Notes"), U.S.\$73,500,000 are 6.45% Series B Senior Notes due December 21, 2016 (the "Series B Notes") and U.S.\$181,500,000 are 6.97% Series C Senior Notes due December 21, 2019 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Notes"). The Company may prepay the Notes at any time provided it pays a make whole payment to the holders. The Notes are also guaranteed by the Guarantors. The covenants, including the financial covenants, and events of default under the Note Purchase Agreement and the Notes are similar to the covenants and events of default under the Credit Agreement.

The Company entered into a note purchase agreement dated March 23, 2012 (the "Second Note Purchase Agreement") pursuant to which it issued and sold senior unsecured notes in an aggregate principal amount of U.S.\$500,000,000 of which U.S.\$75,000,000 are 3.89% Series A Senior Notes due March 23, 2018 (the "Series A Notes"), U.S.\$85,000,000 are 4.36% Series B Senior Notes due March 23, 2020 (the "Series B Notes"), U.S.\$200,000,000 are 4.76% Series C Senior Notes due March 23, 2022 (the "Series C Notes") and U.S.\$140,000,000 are 4.91% Series D Senior Notes due March 23, 2024 (the "Series D Notes and, together with the Series A Notes, the Series B Notes and the Series C Notes, the "Second Notes"). The Company may prepay the Second Notes at any time provided it pays a make whole payment to the holders. The Second Notes are also guaranteed by the Guarantors. The covenants, including the financial covenants, and events of default under the Second Note Purchase Agreement and the Second Notes are similar to the covenants and events of default under the Credit Agreement and the Note Purchase Agreement.

ITEM 14
AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of the Company.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the board of directors of the Company. A copy of the charter is attached hereto as Schedule "A".

During the year ended December 31, 2011, the Audit Committee was comprised of four directors, all of whom were independent directors. The current members of the Audit Committee are: Richard Graff (Chair), John Begeman, Patrick J. Mars and Carl Renzoni. In addition to being independent directors as described above, all members of the Company's Audit Committee must meet an additional "independence" test under Multilateral Instrument 52-110, "Audit Committees" in that their directors' fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company. Each member of the Audit Committee is financially literate within the meaning of Multilateral Instrument 52-110.

The Audit Committee met seven times during the most recently completed financial year and all persons who were members of the committee at the time of holding such meetings were in attendance.

Relevant Educational Experience

Set out below is a description of the education and experience of each of the Company's four current audit committee members, which is relevant to the performance of his responsibilities as an audit committee member.

Richard Graff — Mr. Graff is a retired partner from PricewaterhouseCoopers LLP where he served as the audit leader in the United States for the mining industry. Since his retirement, Mr. Graff has been a consultant to the mining industry and has served as a member of a Financial Accounting Standards Board task force for establishing accounting and financial reporting guidance in the mining industry. He represents a consortium of international mining companies and has provided recommendations to the International Accounting Standards Board on mining industry issues and to regulators on industry disclosure requirements of securities legislation. He received his undergraduate degree in Economics from Boston College and his post-graduate degree in Accounting from Northeastern University. He currently serves on the board of directors and is Chairman of the audit committees of Alacer Gold Corp. and Dynamic Materials Corporation.

John Begeman — Mr. Begeman is currently the President, CEO and director of Avion Gold Corporation. He has previously served as Chief Operating Officer of Zinifex Canada Inc. and Vice President, Western Operations of Goldcorp Inc. Previous to his employment at Goldcorp, Mr. Begeman held various engineering and management positions with Morrison Knudsen Company in the contract mining operations group throughout the Western United States. Mr. Begeman holds a B.S. in Mining Engineering, a M.S. in Engineering Management and an MBA.

Patrick J. Mars — Mr. Mars is a Chartered Financial Analyst and has over 30 years experience in the investment industry in Canada. This experience included working as a financial analyst and serving as President of Alfred Bunting & Co./Bunting Warburg from 1981 to 1994. He was a director of Yamana Resources, a predecessor to the Company and has been a director of the Company since August 2001. He has served on numerous audit committees of boards of directors and has been chairman of several of these. Presently, Mr. Mars is a corporate director and serves on the audit committees of Aura Minerals, Carpathian Gold and Sage Gold (Chairman). Mr. Mars holds a Bachelor of Commerce and Masters of Business Administration degrees.

Carl Renzoni — Mr. Renzoni has over 30 years' experience in the investment industry in Canada. Mr. Renzoni is retired from BMO Nesbitt Burns where he worked as a financial analyst from 1969 to 1980 and as Managing Director of the Mining Investment Banking Group from 1980 to 2001. Mr. Renzoni has previously served on the boards of several public mineral exploration companies and also previously served as Chair of the Audit Committee of Meridian Gold Inc.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

Audit Fees

The aggregate audit fees billed by the Company's external auditors for the year ended December 31, 2011 were Cdn\$2,993,000 (December 31, 2010 — Cdn\$3,050,000). The audit fees relate to the audit of the annual consolidated financial statements of the Company, statutory audits outside of Canada, review of interim unaudited consolidated financial statements, translation services and services related to prospectuses.

Audited-Related Fees

The aggregate audit-related fees billed by the Company's external auditors for the year ended December 31, 2011 were Cdn\$183,000 (December 31, 2010 — Cdn\$142,000). The audit-related fees relate to services provided in connection with consultation and audit of the conversion to IFRS.

Tax Fees

The aggregate tax fees billed by the Company's external auditors for the year ended December 31, 2011 were Cdn\$63,000 (December 31, 2010 - Nil). The tax fees relate to tax compliance, tax advice and tax planning.

All Other Fees

There were no other fees billed by the Company's external auditors in the past two fiscal years.

ITEM 15 INTERESTS OF EXPERTS

The following are the technical reports prepared in accordance with NI 43-101 from which certain technical information relating to the Company's material mineral projects contained in this annual information form has been derived, as well as the qualified persons involved in preparing such reports, and details of certain technical information relating to the Company's material mineral projects contained in this annual information form which have been reviewed and approved by qualified persons.

Chapada Mine — “Chapada Mine and Suruca Project, Goias State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011, prepared by Sergio Brandão Silva, P.Geo., Exploration Director, Yamana Gold Inc., Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc., Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc., Homero Delboni, Jr., Ph.D., Senior Consultant of HDA Serviços s/s Ltda., Raul Contreras, MAusIMM, Senior Consultant, Resource Estimation of Metálica Consultores S.A. and Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc. The technical information set forth under the heading “Description of the Business — Material Mineral Properties — Chapada Mine — Current Exploration and Development” has been reviewed and approved by Darcy Marud, P.Geo, Senior Vice President, Exploration of the Company and Evandro Cintra, Ph.D., P.Geo., Senior Vice President, Technical Services of the Company, each a qualified person pursuant to NI 43-101.

El Peñón Mine — “Technical Report on the El Peñón Mine, Northern Chile” dated December 7, 2010, prepared by Stuart E. Collins, P.E., Chester M. Moore, P. Eng., Kevin C. Scott, P. Eng., Scott Wilson Roscoe Postle Associates Inc. The technical information set forth under the heading “Description of the Business — Material Mineral Properties — El Peñón Mine — Current Exploration and Development” has been reviewed and approved by Darcy Marud, P.Geo, Senior Vice President, Exploration of the Company, a qualified person pursuant to NI 43-101.

Jacobina Mining Complex — “Technical Report on the Jacobina Mine Complex, Bahia State, Brazil” dated March 30, 2009, prepared by Normand Lecuyer, B.Sc., P.Eng. and Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc. The technical information set forth under the heading “Description of the Business — Material Mineral Properties — Jacobina Mining Complex — Current Exploration and Development” has been reviewed and approved by Darcy Marud, P.Geo, Senior Vice President, Exploration of the Company, a qualified person pursuant to NI 43-101.

Gualcamayo Property — “Technical Report for Gualcamayo Project, San Juan, Argentina, Report for NI 43-101 pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 25, 2011, prepared under the supervision of Guillermo Bagioli, MAusIMM, of Metálica Consultores S.A., Marcelo Trujillo, MAusIMM, of Metálica Consultores S.A., Alvaro Vergara, MAusIMM, of Metálica Consultores S.A., Emerson Ricardo Re, MSc, MAusIMM, Corporate Manager R&R, Yamana Gold Inc., Marcos Eduardo Valencia Araya, P.Geo., Regional Resource Estimation Manager, Andes Exploration, Yamana Gold Inc. and Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc. The technical information set forth under the heading “Description of the Business — Material Mineral Properties — Gualcamayo Mine — Current Exploration and Development” has been reviewed and approved by Darcy Marud, P.Geo, Senior Vice President, Exploration of the Company and Evandro Cintra, Ph.D., P.Geo., Senior Vice President, Technical Services of the Company, each a qualified person pursuant to NI 43-101.

Minera Florida Mine — “Technical Report on The Alhue Mine of Minera Florida Limitada, Central Chile, Prepared for Yamana Gold Inc., Report for NI 43-101”, dated March 22, 2010, prepared by Chester M. Moore, P.Eng., and Stuart Collins, P.E., Scott Wilson Roscoe Postle Associates Inc. The technical information set forth under the heading “Description of the Business — Material Mineral Properties — Minera Florida Mine — Current Exploration and Development” has been reviewed and approved by Darcy Marud, P.Geo, Senior Vice President, Exploration of the Company, a qualified person pursuant to NI 43-101.

Each of the technical reports noted above are available on the Company’s SEDAR profile at www.sedar.com, and a summary of each report is contained in this annual information form under “Description of the Business — Mineral Projects — Material Mineral Properties”.

The following are the qualified persons responsible for the Mineral Resource and Mineral Reserve estimates for each of the Company’s mineral projects set out in this annual information form under “Description of the Business — Mineral Projects — Summary of Mineral Reserve and Mineral Resource Estimates” and “Description of the Business — Material Mineral Properties — Chapada Mine — Mineral Resource and Mineral Reserve Estimates”, as applicable.

| <u>Property</u> | <u>Qualified Persons for Mineral Reserves</u> | <u>Qualified Persons for Mineral Resources</u> |
|------------------------|---|---|
| Alumbreira | Julio Bruna Novillo, AusIMM, Member of CIM, Xstrata Plc | Julio Bruna Novillo, AusIMM, Member of CIM, Xstrata Plc |
| Amancaya | Not applicable | Chester M. Moore, P.Eng., Roscoe Postle Associates Inc. |
| Chapada | Porfirio Cabaleiro Rodriguez, BSc Mine Eng, MAIG, Coffey Mining Pty Ltd (for all of Chapada, excluding Suruca) and Raul Contreras, MAusIMM, Member of Chilean Mining Commission, Senior Consultant, Resource Estimation, Metalica Consultores S.A. (for Suruca) | Porfirio Cabaleiro Rodriguez, BSc Mine Eng, MAIG, Coffey Mining Pty Ltd (for all of Chapada, excluding Suruca) and Raul Contreras, MAusIMM, Member of Chilean Mining Commission, Senior Consultant, Resource Estimation, Metalica Consultores S.A. (for Suruca) |
| 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, 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. |
| Mercedes | Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Member of Chilean Mining Commission, Corporate Manager, Reserves, Yamana Gold Inc. | Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc. |
| Minera Florida | Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, 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) |
| 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. |

The aforementioned firms or persons held either less than one percent or no securities of the Company or of any associate or affiliate of the Company when they prepared the reports or the Mineral Reserve estimates or the Mineral Resource estimates referred to, or following the preparation of such reports or data, and either did not receive any or received less than a one percent direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports or data.

None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of the Company or of any associate or affiliate of the Company other than Renato Petter, Emerson Ricardo Re, Sergio Brandao Silva, Marcos Valencia A., Marco Antonio Alfaro Sironvalle, Greg Walker, Evandro Cintra and Darcy Marud, who are all employed by Yamana.

Deloitte & Touche LLP is the auditor of Yamana and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ITEM 16 ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, will be contained in the Company's management information circular to be filed in connection with its annual shareholders' meeting for 2012. Additional financial information is provided in the Company's financial statements and managements' discussion and analysis for the fiscal year ended December 31, 2011. Additional financial information relating to the Company may also be found under the Company's SEDAR profile at www.sedar.com.

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS DATED AS OF DECEMBER 14, 2006

I. PURPOSE

The Audit Committee shall provide assistance to the Board of Directors of Yamana Gold Inc. (the "Company") in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are to:

Oversee the accounting and financial reporting processes of the Company, and the audit of its financial statements, including: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; and (iii) the independent auditors' qualifications and independence.

Serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems.

Review and appraise the audit activities of the Company's independent auditors.

Provide open lines of communication among the independent auditors, financial and senior management, and the Board of Directors for financial reporting and control matters, and meet periodically with management and with the independent auditors.

II. COMPOSITION

The Audit Committee shall be comprised of at least three directors. Each Committee member shall be an "independent director" within the meaning of Multilateral Instrument 52-110 — *Audit Committees* ("MI 52-110"), as may be amended from time to time. Pursuant to MI 52-110, a member will be considered "independent" if he has no direct or indirect, material relationship with the Company. In addition, the composition of the Audit Committee shall comply with the rules and regulations of the Toronto Stock Exchange and any other stock exchange on which the shares of the Company are listed, subject to any waivers or exceptions granted by such stock exchange.

In addition, a director shall not be qualified to be a member of the Audit Committee if such director (i) is an "affiliated person" or (ii) receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides consulting, legal, investment banking, financial or other similar services to the Company), directly or indirectly, any consulting, advisory, or other compensation from the Company other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees. An "affiliated person" means a person who directly or indirectly controls the Company, or a director, executive officer, partner, member, principal or designee of an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

All members shall, to the satisfaction of the Board of Directors, be financially literate in accordance with the requirements of the MI 52-110 (i.e. will have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements). At least one member shall have accounting or related financial management expertise to qualify as a "financial expert". A person will qualify as "financial expert" if he or she possesses the following attributes:

1. an understanding of financial statements and generally accepted accounting principles used by the Company to prepare its financial statements;

2. an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
4. an understanding of internal controls and procedures for financial reporting; and
5. an understanding of audit committee functions.

The Committee members will be elected annually at the first meeting of the Board of Directors following the annual general meeting of shareholders.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall be resolution determine.

III. RESPONSIBILITIES AND POWERS

Responsibilities and powers of the Audit Committee include:

Annual review and revision of this Charter as necessary with the approval of the Board of Directors provided that this Charter may be amended and restated from time to time without the approval of the Board of Directors to ensure that the composition of the Audit Committee and the Responsibilities and Powers of the Audit Committee comply with applicable laws and stock exchange rules.

Making recommendations to the Board of Directors regarding the selection, the appointment, evaluation, fees and compensation and, if necessary, the replacement of the independent auditors, and assisting in resolving any disagreements between management and the independent auditors regarding financial reporting.

Approving the appropriate audit engagement fees and the funding for payment of the independent auditors' compensation and any advisors retained by the Audit Committee.

Ensuring that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.

Confirming the independence of the auditors, which will require receipt from the auditors of a formal written statement delineating all relationships between the auditors and the Company and any other factors that might affect the independence of the auditors and reviewing and discussing with the auditors any significant relationships and other factors identified in the statement. Reporting to the Board of Directors its conclusions on the independence of the auditors and the basis for these conclusions.

Overseeing the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

Ensuring that the independent auditors are not providing any of the following non-audit services:

- bookkeeping or other services related to the accounting records or financial statements of the Company;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services;
- legal services and expert services unrelated to the audit; and
- any other services which the Public Company Accounting Oversight Board determines to be impermissible.

Pre-approving all audit services, internal control related services and approving any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.

Meeting with the auditors and financial management of the Company to review the scope of the proposed audit for the current year, and the audit procedures to be used.

Meeting quarterly with auditors in “in camera” sessions to discuss reasonableness of the financial reporting process, system of internal control, significant comments and recommendations and management’s performance.

Reviewing with management and the independent auditors:

- the Company’s annual financial statements (and interim financial statements as applicable) and related footnotes, management’s discussion and analysis and the annual information form, for the purpose of recommending approval by the Board of Directors prior to its release, and ensuring that:
 - management has reviewed the audited financial statements with the audit committee, including significant judgments affecting the financial statements
 - the members of the Committee have discussed among themselves, without management or the independent auditors present, the information disclosed to the Committee
 - the Committee has received the assurance of both financial management and the independent auditors that the Company’s financial statements are fairly presented in conformity with Canadian GAAP in all material respects
- Any significant changes required in the independent auditors’ audit plan and any serious issues with management regarding the audit.
- the Company’s internal controls report and the independent auditors’ certification of the report, and review disclosures made to the Committee by the CEO and CFO about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls.
- Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.

Satisfying itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, other than the public disclosure described in the preceding paragraph, and assessing the adequacy of such procedures periodically.

Reviewing with the independent auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.

Establishing procedures: (i) for receiving, handling and retaining of complaints received by the Company regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.

Reviewing with the independent auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors and reviewing and discussing material written communications between management and the independent auditors, such as any management letter of schedule of unadjusted differences.

Making inquires of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.

Making inquires of management and the independent auditors to identify significant business, political, financial, litigation and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.

Assessing the overall process for identifying principal business, political, financial, litigation and control risks and providing its views on the effectiveness of this process to the Board.

Ensuring that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.

Obtaining reports from management, the Company's independent auditors that the Company is in conformity with legal requirements and the Company's Code of Business Conduct and Ethics and reviewing reports and disclosures of insider and affiliated party transactions.

Discussing any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

Ensuring adequate procedures are in place for review of the Company's disclosure of financial information and assess the adequacy of these procedures at least once per year.

Reviewing of confirmation of compliance with the Company's policies on internal controls, conflicts of interests, ethics, foreign corrupt practice, etc.

Ensuring that the Company's Annual Information Form and the Company's Management Information Circular contains the disclosure as required by law, including that required by MI 52-110.

Reviewing with financial management and the independent auditors interim financial information, including interim financial statements, management discussion and analysis and financial press releases for the purpose of recommending approval by the Board of Directors prior to its release.

At least annually obtaining and reviewing a report prepared by the independent auditors describing (i) the auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Company (to assess auditors' independence).

Reviewing and approving hiring policies for employees or former employees of the past and present independent auditors.

Reviewing disclosure by management in the event that management deviates from existing approved policies and procedures which disclosure must also be contained in financial reporting sub-certification forms.

Engaging independent counsel and other advisors, without seeking approval of the Board of Directors or management, if the Committee determines such advisors are necessary to assist the Committee in carrying out its duties and setting and paying for any counsel or advisors employed by the Audit Committee for such purpose. The Committee shall advise the Board of Directors and management of such engagement.

Discussing with the Company's legal counsel legal matters that may have a material impact on the financial statements or of the Company's compliance policies and internal controls.

Conducting special investigations, independent of the Board of Directors or management, relating to financial and non-financial related matters concerning the Company and/or any one or more of its directors, officers, employees, consultants and/or independent contractors, if determined by the Committee to be in the best interests of the Company and its Shareholders. The Committee shall advise the Board of Directors with respect to the initiations of such investigations and shall periodically report any findings such investigation to the Board of Directors.

Reporting annually to the shareholders in the Company's Annual Information Form on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.

IV. MEETINGS

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year and any time the Company proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee.

The Audit Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer), the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The independent auditors will have direct access to the Committee at their own initiative.

The Chairman of the Committee will report periodically the Committee's findings and recommendations to the Board of Directors.

YAMANA GOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATIONS AND FINANCIAL CONDITION
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

TABLE OF CONTENTS

| | | |
|-------------|--|----|
| 1: | Core Business | 1 |
| 2: | Highlights | 1 |
| 3: | Outlook and Strategy | 4 |
| 4: | Summary of Financial and Operating Statistics | 7 |
| 4.1: | Three-Year Annual Financial Statistics | 7 |
| 4.2: | Three-Year Annual Operating Statistics | 8 |
| 4.3: | Quarterly Financial Statistics | 9 |
| 4.4: | Quarterly Operating Statistics | 10 |
| 5: | Overview of Annual Results | 12 |
| 5.1: | Overview of Annual Financial Results | 12 |
| 5.2: | Overview of Annual Operating Results | 15 |
| 6: | Overview of Quarterly Results | 16 |
| 6.1: | Overview of Quarterly Financial Results | 16 |
| 6.2: | Overview of Quarterly Operating Results | 18 |
| 7: | Operating Mines | 19 |
| 8: | Construction, Development and Exploration | 29 |
| 9: | Mineral Reserve and Mineral Resource Estimates | 31 |
| 10: | Liquidity, Capital Resources and Contractual Commitments | 35 |
| 11: | Income Taxes | 39 |
| 12: | Economic Trends, Risks and Uncertainties | 40 |
| 13: | Contingencies | 45 |
| 14: | Critical Accounting Policies and Estimates | 45 |
| 15: | Non-GAAP Measures | 48 |
| 16: | Selected Quarterly Financial and Operating Summary | 53 |
| 17: | Disclosures Controls and Procedures | 55 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

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

Cautionary notes regarding forward-looking statements, including estimates of Measured, Indicated and Inferred Mineral Resources and regarding Mineral Reserves and Mineral Resources follow this Management's Discussion and Analysis of Operations and Financial Condition

1. CORE BUSINESS

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

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

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

2. HIGHLIGHTS

Financial

Twelve months ended December 31, 2011

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

Three months ended December 31, 2011

- Revenues of \$568.8 million, an increase of 6% over the same quarter of 2010.
- Net earnings of \$89.6 million or \$0.12 basic and diluted earnings per share were lower than the comparative quarter in 2010 after deducting an after-tax unrealized loss on the write-down of its investment securities portfolio of \$81.0 million.
- Adjusted earnings of \$184.2 million or \$0.25 basic and diluted adjusted earnings per share, representing an increase of 8% over the same quarter of 2010.
- Record mine operating earnings of \$296.8 million, a 9% increase over the same quarter of 2010.
- Cash flows from operations after changes in non-cash working capital of \$338.9 million, representing an increase of 35%, compared with the same quarter of 2010.
- Cash flows generated from operating activities before changes in non-cash working capital of \$320.4 million, representing an increase of 12%, compared with the same quarter of 2010.

*A non-GAAP measure — Refer to Section 15

Operational

Twelve months ended December 31, 2011

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

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

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

Three months ended December 31, 2011

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

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

- Production of 2.3 million silver ounces which, for presentation purposes only, is treated as GEO (assuming a gold equivalent ratio of 50:1).
- Quarter-over-quarter increase in GEO production from the Company’s largest gold mines: Gualcamayo and El Peñón of 12% and 1% respectively, compared with the same quarter of 2010.
- By-product cash costs of \$174 per GEO*.
- Co-product cash costs of \$486 per GEO*.
- Production of 45.4 million pounds of copper contained in concentrate from Chapada, representing an increase of 14% over the same quarter of 2010 with co-product cash costs per pound of copper* of \$1.20.
- Mercedes, Mexico — Subsequent to the year end, Mercedes reached commercial production as of February 1, 2012 upon achieving sustainable levels of operations based on qualitative and quantitative factors.

*A non-GAAP measure — Refer to Section 15

Construction, Development and Exploration

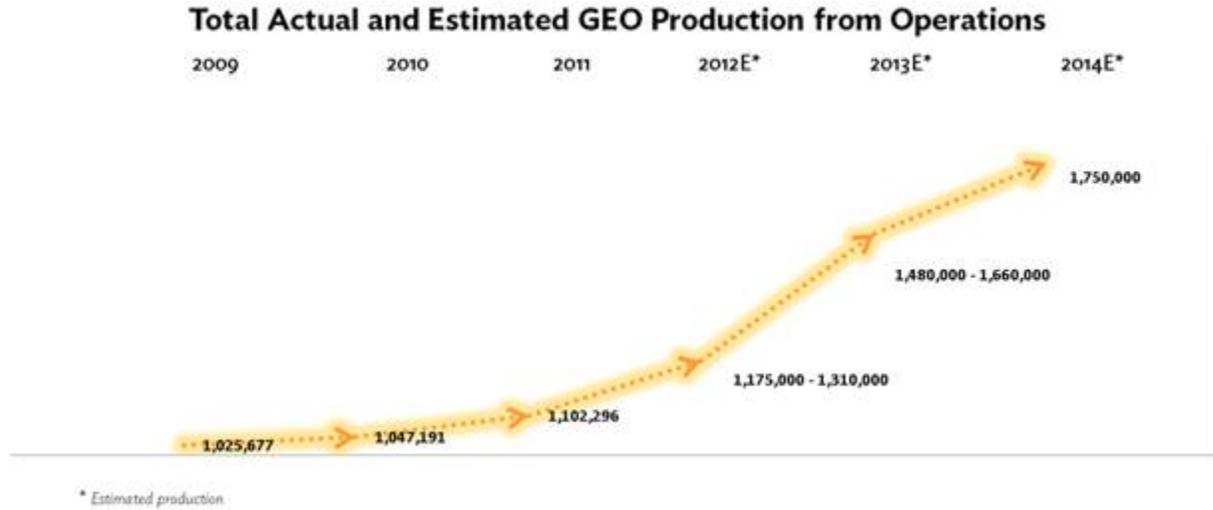
- Construction Projects - Construction is progressing to planned start-up of operations with C1 Santa Luz and Ernesto/Pau-a-Pique scheduled for the end of 2012 with current physical advancement of approximately 60% and 75% complete, respectively and at Pilar for mid-2013 with current physical advancement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

3. OUTLOOK AND STRATEGY

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

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

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



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

| | <u>Expected Average Annual Contribution</u> | <u>Expected Start-date</u> |
|-------------------------|---|----------------------------|
| C1 Santa Luz (i) | 100,000 gold ounces | Late-2012 |
| Ernesto/Pau-a-Pique (i) | 100,000 gold ounces | Late-2012 |
| Pilar | 140,000-150,000 gold ounces | Mid-2013 |

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

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

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

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

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

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

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

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

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

Cash costs (*a non-GAAP measure — see Section 15*) for 2012 are forecasted to be below \$250 per GEO. Cash costs are calculated after base metal by-product credits. The Company believes that by-product cash costs are a better representation of the Company's cost structure as any erosion in costs due to mining inflation and the appreciation of the Chilean peso will be off-set by additional cash flow from increases in the copper price. Cash costs are reported annually and are expected to vary from quarter to quarter. Cash costs are also impacted by inflation year-over-year.

Cash costs were estimated using the following copper price and exchange rates:

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

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

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

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

The Company expects to spend approximately \$125 million on exploration in 2012, a continuation of the successful 2011 program. Yamana's 2012 exploration program will continue to focus on increasing mineral reserves and mineral resources with its near-mine and regional exploration programs, as well as continuing to explore greenfield targets. The Company remains committed to the development of a pool of talented geoscientists in sustaining its exploration performance.

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

4. SUMMARY OF FINANCIAL AND OPERATING STATISTICS

4.1 THREE-YEAR ANNUAL FINANCIAL STATISTICS

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

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

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

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

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

(v) Source of information: Bloomberg.

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

4.2 THREE-YEAR ANNUAL OPERATING STATISTICS

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

- (i) Gold equivalent ounce calculations are based on an assumed gold to silver ratio of 50:1; for presentation purposes only. The assumed gold to silver ratio was 55:1 for 2010 and prior periods.
- (ii) 2011 gold production: El Peñón — 306,184 ounces; Minera Florida — 86,914 ounces, and silver production: El Peñón — 8.5 million ounces; Mineral Florida — 0.8 million ounces. Silver production is treated as a gold equivalent.
- (iii) Alumbreira represents a 12.5% interest.
- (iv) Including commissioning gold ounces from Mercedes for 2011 and Gualcamayo for 2009 produced and sold.
- (v) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with IFRS) with restatement of prior period comparatives.
- (vi) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

4.3 QUARTERLY FINANCIAL STATISTICS

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

- (i) Revenues consist of sales net of sales taxes.
- (ii) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.
- (iii) Realized prices based on gross sales compared to market prices for metals may vary due to infrequent shipments and depending on timing of the sales.
- (iv) Source of information: Bloomberg.

4.4 QUARTERLY OPERATING STATISTICS

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

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

- (ii) 2011 fourth quarter gold production: El Peñón — 75,407 ounces; Minera Florida — 18,326 ounces, and silver production: El Peñón — 2.0 million ounces; Mineral Florida — 0.2 million ounces. Silver production is treated as a gold equivalent.
- (iii) Alumbraera represents a 12.5% interest.
- (iv) A cautionary note regarding non-GAAP measures and their respective reconciliations are included in Section 15 including a discussion and definition of Adjusted Earnings and Adjusted Earnings per Share.

5. OVERVIEW OF ANNUAL RESULTS

5.1 OVERVIEW OF ANNUAL FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

Revenues for the year were \$2,173.3 million compared to \$1,686.8 million; an increase of 29% and are comprised of the following:

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

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

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

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

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

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

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

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

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

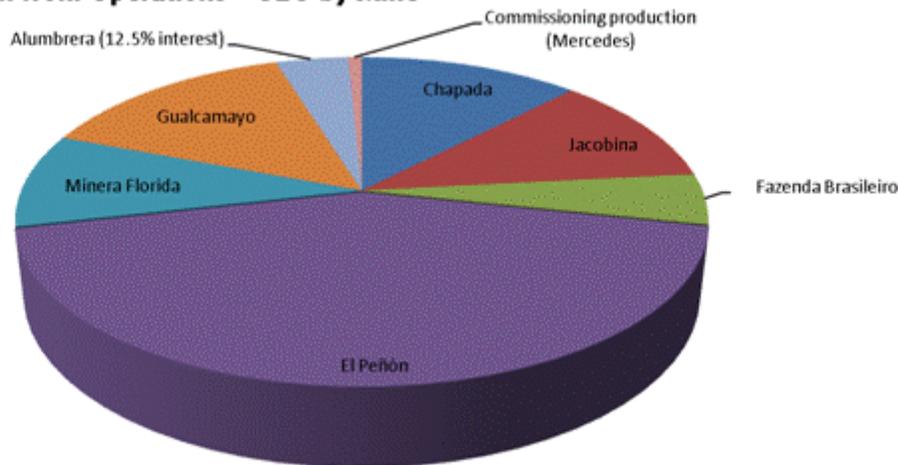
Income tax expense for the year was \$269.9 increasing from \$128.3 in 2010 mainly due to higher net earnings for the year and the impact of foreign exchange on non-monetary assets in Brazil and Argentina.

5.2 OVERVIEW OF ANNUAL OPERATING RESULTS

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

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

Total 2011 Production from Operations - GEO by Mine



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

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

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

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

6. OVERVIEW OF QUARTERLY RESULTS

6.1 OVERVIEW OF QUARTERLY FINANCIAL RESULTS

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

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

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

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

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

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

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

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

Revenues for the quarter are comprised of the following:

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

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

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

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

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

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

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

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

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

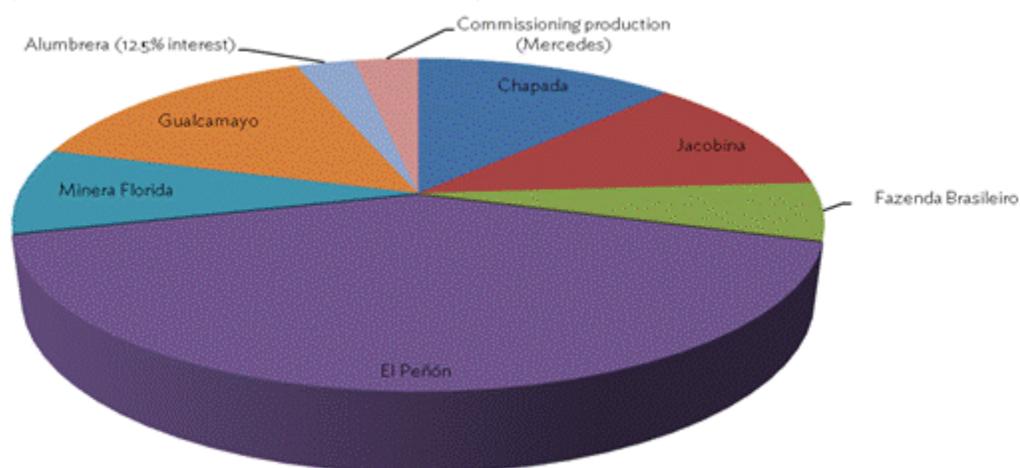
Income tax expense for the quarter was \$63.6 million decreasing from \$99.7 million in 2010 mainly due to a smaller foreign exchange loss in comparison to the fourth quarter of 2010 and a reversal of a tax contingency during the quarter with no comparable prior period balance.

6.2 OVERVIEW OF QUARTERLY OPERATING RESULTS

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

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

Production from Operations in the Fourth Quarter - GEO by Mine



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

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

7. OPERATING MINES

CHAPADA MINE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EL PEÑÓN

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

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

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

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

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

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

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

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

GUALCAMAYO

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

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

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

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

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

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

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

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

JACOBINA

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

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

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

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

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

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

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

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

MINERA FLORIDA

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

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

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

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

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

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

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

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

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

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

Near-mine exploration at Minera Florida focused on the Portezuelo, El Roble and Tribuna sectors to delineate the extension of the orebodies. Total GEO mineral reserves for Minera Florida increased by 28% compared to 2010 with

consecutive increases in mineral reserves over the last 2 years. Mine development has advanced as planned in areas such as Tribuna, Maqui Clavo I, which is expected to maintain and ensure future production levels.

MERCEDES

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

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

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

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

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

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

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

OTHER MINES

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

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

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

FAZENDA BRASILEIRO

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

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

The Fazenda Brasileiro mine was acquired in 2003 with 2.5 years of mine life remaining based on known mineral reserves. The Company has since been mining at Fazenda Brasileiro for eight years. The mine continues to further outline exploration potential and mineral resource additions are expected in 2012.

The two new mineralization zones, CLX₂ and Lagoa do Gato, both discovered in 2009, are identified as having significant potential for high-grade sources of ore for the mill. Both infill and extension drilling confirm the continuity of mineralization in both areas. In 2011, the Company continued to develop the high-grade mineral reserves at CLX₂, improve mine fleet costs using road trucks and with a focus on increasing mineral reserves and mineral resources. The Company is evaluating the possible extension of mine life. Total gold mineral reserves for Fazenda Brasileiro increased by 104% compared to 2010.

ALUMBRERA

The Company's interest in the Alumbreira Mine is accounted for as an equity investment. The Company recorded earnings from its 12.5% interest in Alumbreira Mine of \$1.3 million and \$39.0 million for the three-month and year ended December 31, 2011, compared with \$19.1 million and \$49.3 million reported for the respective periods of 2010. Lower earnings for the year ended December 31, 2011 was due to lower production and higher operating costs. Both production and unit costs were impacted by lower grades for gold and copper. Additionally, earnings for the quarter were impacted by unfavourable concentrate pricing adjustments resulting from the downward trend of the copper price from the third quarter to the year end. The Company received cash distributions of \$44.1 million during the three-months and \$71.5 million for the year ended December 31, 2011, compared with \$24.1 million and \$61.5 million for the comparative periods in 2010, respectively.

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

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

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

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

8. CONSTRUCTION, DEVELOPMENT AND EXPLORATION

CONSTRUCTION AND DEVELOPMENT

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

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

BRAZIL

Ernesto/Pau-a-Pique

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

C1 Santa Luz

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

Pilar

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

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

ARGENTINA

Agua Rica

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

Suyai

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

CHILE

Jeronimo

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

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

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

EXPLORATION

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

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

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

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

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

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

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

9. MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

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

Complete information relating to mineral reserves and mineral resources indicating tonnage, grade and the date of each NI 43-101 Report for the various mines and projects is contained in a complete mineral resource and mineral reserve table accompanying the 2011 annual report.

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

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

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

The most notable changes are detailed below:

El Peñón, Chile

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

Chapada, Brazil

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

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

Jacobina, Brazil

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

Gualcamayo, Argentina

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

Minera Florida, Chile

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

Fazenda Brasileiro, Brazil

Total mineral reserves increased by 104% to 359,000 ounces at an average grade of 2.4 g/t as some mineral resources were upgraded to mineral reserves, primarily from CLX₂ and Canto in addition to the remodelling of some existing mineral reserves. Measured and indicated mineral resources modestly declined as mineral resources were converted to mineral reserves through infill drilling and inferred mineral resources increased by 160% to 525,000 ounces in 4.7 million tonnes of mineral resources at 3.45 g/t. The Company has been mining at Fazenda Brasileiro for seven years after acquiring the mine in 2003 with only 2.5 years of mine life remaining based on known mineral reserves.

Mercedes, Mexico

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

C1 Santa Luz, Brazil

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

Ernesto/Pau-a-Pique, Brazil

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

Pilar, Brazil

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

Jeronimo, Chile

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

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

The Company's mineral reserves and mineral resources as at December 31, 2011 are summarized in the following table. Complete information relating to mineral reserves and mineral resources indicating tonnage, grade and the date of each NI 43-101 Report for the various mines and projects is contained in a complete mineral resource and mineral reserve table accompanying the 2011 annual report are also available on the Company's website, www.yamana.com.

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

10. LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL COMMITMENTS

LIQUIDITY

Consistent with the Company's overall capital management strategy, the Company continues to have sufficient liquidity and capital resources to pursue its growth strategies, meet its ongoing obligations and future contractual commitments while creating shareholder value. Factors that could impact the Company's liquidity are monitored regularly and include but are not limited to the market prices of gold, copper and silver, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates, exploration and discretionary expenditures.

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

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

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

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

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

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

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

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

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

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

OPERATING CASH FLOWS OF CONTINUING OPERATIONS

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

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

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

FINANCING ACTIVITIES OF CONTINUING OPERATIONS

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

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

INVESTING ACTIVITIES OF CONTINUING OPERATIONS

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

The following is a summary of capital expenditures by mine:

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

(i) Net of movement in accounts payable.

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

CAPITAL RESOURCES

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances.

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

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

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

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

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

CONTRACTUAL COMMITMENTS

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

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

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

- (i) Excludes interest expense.
- (ii) The decommissioning, restoration and similar liabilities (hereinafter referred to as decommissioning liabilities) relate to reclamation and closure costs relating to the Company's mine operations and projects under development. The Company accrues decommissioning liabilities at their fair value determined as the discounted future cash expenditures. Significant management judgements and estimates are made when estimating reclamation and closure costs which are based on the Company's interpretation of current regulatory requirements and are amortized over the life of each mine on a unit-of-production basis. Decommissioning liabilities of the mines and projects are incurred in Brazilian Reals, Chilean Pesos, Argentine Pesos, Mexican Pesos and United States Dollars. Decommissioning liabilities other than United-States-Dollar denominated are subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign

currency translation of monetary items. Refer to *Note 19, Decommissioning, restoration and similar liabilities* to the Consolidated Financial Statements.

11. INCOME TAXES

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

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

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

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

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

The Company has approximately \$220.6 million of tax losses available for carry forward in Brazil. Approximately 5% of these losses have been recognized as a tax asset. The Company expects to use these losses against future income from operating mines in Brazil.

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

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

The income tax rate will vary from period to period based on the mix of taxable income earned in each jurisdiction where we operate. The income tax expense will also vary depending on the foreign currency exchange rate in effect in the period.

The Company's combined Canadian federal and provincial statutory tax rate was 28.3% (2010 - 31.0%). There are a number of factors that affect the Company's effective tax rate including the rate differential and proportion of income earned in each jurisdiction, tax benefits that are not recognized, foreign currency gains and losses and changes in tax rates. As a result, the Company's effective tax rate may fluctuate from period to period. A reconciliation of the Company's statutory rate to the effective tax rate is provided in Note 29 to the consolidated financial statements.

12. ECONOMIC TRENDS, RISKS AND UNCERTAINTIES

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

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

Below is a summary of the principal risks and related uncertainties facing the Company. Readers are also encouraged to read and consider the risk factors more particularly described in the Company's Annual Information Form for the period ended December 31, 2011. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Commodity Risk

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

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



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

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

Gold prices continue to be driven by positive market fundamentals. An uncertain global environment paired with low-growth economic recovery continues to make gold a safe investment relative to stocks and fluctuating currencies. Constrained long-term mine supply and a steady investment demand from ETFs are supportive of gold prices. Furthermore, central bank purchases are also underpinning higher prices. In light of these factors, the Company expects gold prices to remain well supported in the near to mid-term, although with a high degree of market volatility.

The Company has not hedged any of its gold sales.

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



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

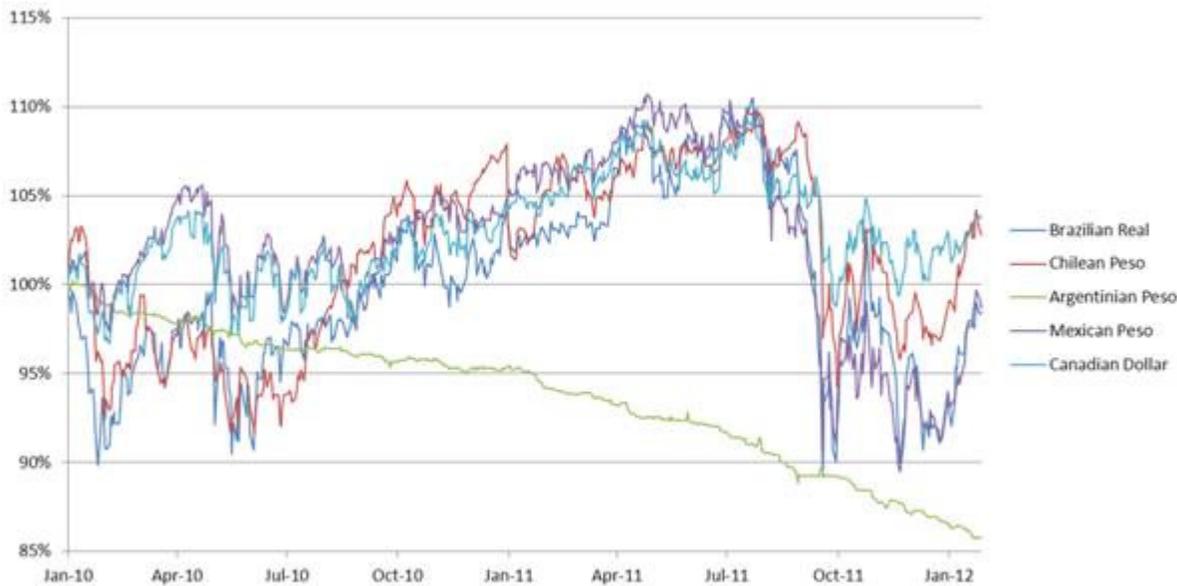
Strong copper prices are primarily being driven by positive supply demand fundamentals as flat supply growth is unbalanced with demand from emerging markets, mainly China. Towards the end of the year, copper prices softened due to global growth uncertainties and concerns over the European debt crisis.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

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

Currency Risk

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

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



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

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

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

The Company entered into forward contracts to economically hedge against the risk of an increase in the value of the Brazilian Real versus the United States Dollar. Currency contracts totaling 924.3 million Reals at an average rate of 2.06 Real to the United States Dollar have been designated against forecast Reals denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to 2014.

The Company also entered into forward contracts to economically hedge against the risk of an increase in the value of the Mexican Pesos versus the United States Dollar. Currency contracts totaling 464.5 million Pesos at an average rate of 13.32 Pesos to the United States Dollar have been designated against forecast Pesos denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to 2015.

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

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

(Quantities in thousands)

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

Interest Rate Risk

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

As at December 31, 2011, the Company has a total of \$63.2 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The interest rate hedge has been accounted for as cash flow hedge with the effective portion of changes in the fair value of the interest rate swaps being recorded in Other Comprehensive Income until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps has been recorded in current earnings.

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

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding derivatives except upon the occurrence of customary events of default. The Company mitigates liquidity risk through the implementation of its Capital Management Policy by spreading the maturity dates of derivatives over time, managing its capital expenditures and operation cash flows, and by maintaining adequate lines of credit.

Investment Risk

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

Foreign Operations and Political Risk

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

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

Health, Safety and Environmental Risk

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

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

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

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

Energy Risk

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

13. CONTINGENCIES

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

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

14. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

In preparing the consolidated financial statements in accordance with the IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on the Company's consolidated financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

a) Critical Judgements in the Application of Accounting Policies

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

- **Assets' carrying values and impairment charges**
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the fourth quarter, the Company recognized an unrealized, non-cash impairment loss on certain equity investments in the amount of \$81.0 million on an after-tax basis (\$92.6 million on a pre-tax basis).
- **Capitalization of exploration and evaluation costs**
Management has determined that exploration and evaluation costs incurred during the year for the respective operating mines, Pilar and other exploration interests have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the year, the Company capitalized a total of \$89.6 million (2010 - \$58.6 million) of exploration expenditures.
- **Determination of economic viability of a project**
Management has determined that costs associated with projects under construction or developments including C1 Santa Luz, Ernesto/Pau-a-Pique, Pilar and Mercedes have future economic benefits and are economically

recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

- **Commencement of commercial/operating level production**
During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc., whether the necessary permits are in place to allow continuous operations.
- **Deferral of stripping costs**
In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company. As at December 31, 2011, a cumulative total of \$94.2 million (2010 - \$51.6 million) of stripping costs have been capitalized.
- **Determination of significant influence**
Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, operating involvement, etc.

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

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

- **Revenue recognition**
Revenue from the sale of concentrate to independent smelters are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts may be caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. In a period of high price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.
- **Mineral reserve estimates**
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- **Impairment of mining interests and goodwill**
While assessing whether any indications of impairment exist for mining interests and goodwill, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests and goodwill. Internal sources of information include the manner

in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and/or goodwill.

- **Asset lives, depletion/depreciation rates for property, plant and equipment and mineral interests**
Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.
- **Estimation of decommissioning and restoration costs and the timing of expenditure**
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- **Income taxes and recoverability of potential deferred tax assets**
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.
- **Inventory valuation**
Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.
- **Accounting for acquisitions**
The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date).
- **Contingencies**
Refer to *Note 33, Contingencies* to the Consolidated Financial Statements.

15. NON-GAAP MEASURES

The Company has included certain non-GAAP measures including “Co-product cash costs per gold equivalent ounce”, “Co-product cash costs per pound of copper”, “By-product cash costs per gold equivalent ounce”, “Adjusted Earnings or Loss and Adjusted Earnings or Loss per share” to supplement its financial statements, which are presented in accordance with International Financial Reporting Standards (“IFRS”). The term IFRS and generally accepted accounting principles (“GAAP”) are used interchangeably throughout this MD&A, except that 2009 financial data is presented in accordance with previous Canadian GAAP.

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

CO-PRODUCT AND BY-PRODUCT CASH COSTS

The Company has included cash costs per GEO and cash costs per pound of copper information because it understands that certain investors use this information to determine the Company’s ability to generate earnings and cash flows for use in investing and other activities. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its operating mines to generate cash flows. The measures are not necessarily indicative of operating profit or cash flows from operations as determined under IFRS.

Cash costs per GEO are determined in accordance with the Gold Institute’s Production Cost Standard and are calculated on a co-product and by-product basis applying zinc and copper net revenue as a credit to the cost of gold production and as such the by-product gold equivalent ounce cash costs are impacted by realized zinc and copper prices. The GEO is determined by converting silver production to its gold equivalent using relative gold/silver metal prices of 50:1 and adding the converted silver production expressed in gold ounces to the ounces of gold production.

Cash costs on a co-product basis are computed by allocating operating cash costs separately to metals (gold and copper) based on an estimated or assumed ratio. Cash costs on a by-product basis are computed by deducting copper by-product revenues from the calculation of cash costs of production per GEO. Cash costs per GEO and per pound of copper are calculated on a weighted average basis.

Per Gold Equivalent Ounce (“GEO”)

The following tables provide a reconciliation of cost of sales per the financial statements to (i) Co-product cash costs per GEO, (ii) Co-product cash costs per pound of copper and (iii) By-product cash costs per GEO:

Reconciliation of Cost of Sales per the Financial Statements to Co-product Cash Costs per GEO

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

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

- (i) Cost of sales includes non-cash items including the impact of the movement in inventory.
- (ii) Costs directly attributed to a specific metal are allocated to that metal. Costs not directly attributed to a specific metal are allocated based on relative value. As a rule of thumb, the relative value has been 80/75% copper and 20/25% gold. TCRC's are defined as treatment and refining charges.
- (iii) Depletion, depreciation and amortization is excluded from both total cash costs and cost of sales from continuing operations for the comparative period.
- (iv) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

Reconciliation of Cost of Sales per the Financial Statements to Co-product Cash Costs per Pound of Copper

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

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

- (i) Cost of sales includes non-cash items including the impact of the movement in inventory.
- (ii) Costs directly attributed to a specific metal are allocated to that metal. Costs not directly attributed to a specific metal are allocated based on relative value. As a rule of thumb, the relative value has been 80/75% copper and 20/25% gold. TCRC's are defined as treatment and refining charges.
- (iii) Depletion, depreciation and amortization is excluded from both total cash costs and cost of sales from continuing operations for the comparative period.
- (iv) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

Reconciliation of Cost of Sales per the Financial Statements to By-product Cash Costs per GEO

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

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

- (i) Depletion, depreciation and amortization is excluded from both total cash costs and cost of sales from continuing operations for the comparative period.
- (ii) The financial results for periods ending prior to January 1, 2010 have not been restated in accordance with IFRS.

ADJUSTED EARNINGS OR LOSS AND ADJUSTED EARNINGS OR LOSS PER SHARE

The Company uses the financial measures “Adjusted Earnings or Loss” and “Adjusted Earnings or Loss per share” to supplement information in its consolidated financial statements. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company’s performance. The presentation of adjusted measures are not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) share-based payments and other compensation, (b) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non-monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) unrealized (gains) losses on commodity derivatives, (e) impairment losses and reversals, (f) deferred income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (g) mark-to-market (gains) losses on share-purchase warrants, (h) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments for the comparative period reflect both continuing and discontinued operations.

The terms “Adjusted Earnings (Loss)” and “Adjusted Earnings (Loss) per share” do not have a standardized meaning prescribed by IFRS, and therefore the Company’s definitions are unlikely to be comparable to similar measures presented by other companies. Management believes that the presentation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share provide useful information to investors because they exclude non-cash and other charges and are a better indication of the Company’s profitability from operations. The items excluded from the computation of Adjusted Earnings or Loss and Adjusted Earnings or Loss per share, which are otherwise included in the determination of net earnings or loss and net earnings or loss per share prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company’s past financial performance or the future prospects and may hinder a comparison of its period-to-period profitability. Reconciliations of Adjusted Earnings to net earnings are provided in *Section 5 “Overview of Annual Results”* and *Section 6 “Overview of Quarterly Results”* for both the yearly and quarterly reconciliations, respectively.

ADDITIONAL GAAP MEASURES

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

- *Gross margin* - represents the amount of revenues in excess of cost of sales excluding depletion, depreciation and amortization.
- *Mine operating earnings* - represents the amount of revenues in excess of cost of sales excluding depletion, depreciation and amortization and depletion, depreciation and amortization.
- *Operating earnings* - represents the amount of earnings before net finance income/expense and income tax expense.
- *Cash flows generated from operations before changes in non-cash working capital* - excludes the non-cash movement from period-to-period in working capital items including accounts receivable, advances and deposits, inventory, accounts payable and accrued liabilities.

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

16. SELECTED QUARTERLY FINANCIAL AND OPERATING SUMMARY

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

| (in thousands of United States Dollars) | December 31, 2010 | September 30, 2010 | June 30, 2010 | March 31, 2010 |
|---|------------------------------|-----------------------------------|--------------------------|---------------------------|
| Financial results | | | | |
| Revenues (ii) | \$ 535,130 | \$ 453,965 | \$ 351,375 | \$ 346,341 |
| Mine operating earnings | \$ 273,132 | \$ 202,567 | \$ 146,988 | \$ 131,149 |
| Earnings from continuing operations | \$ 125,569 | \$ 141,740 | \$ 63,665 | \$ 124,184 |
| Net earnings | \$ 125,569 | \$ 139,244 | \$ 70,138 | \$ 131,536 |
| Adjusted earnings (iii) | \$ 170,979 | \$ 117,253 | \$ 84,047 | \$ 75,924 |
| Cash flows from operating activities of continuing operations | \$ 250,506 | \$ 162,281 | \$ 127,188 | \$ 141,356 |
| Cash flows generated from operations before changes in non-cash working capital items (iii) | \$ 287,222 | \$ 210,852 | \$ 194,282 | \$ 164,471 |
| Cash flows to investing activities of continuing operations | \$ (147,192) | \$ (133,181) | \$ (56,933) | \$ (123,334) |
| Cash flows (to) from financing activities of continuing operations | \$ (54,199) | \$ (19,532) | \$ (27,362) | \$ 32,223 |
| Per share financial results | | | | |
| <i>Earnings per share from continuing operations</i> | | | | |
| Basic | \$ 0.17 | \$ 0.19 | \$ 0.09 | \$ 0.17 |
| Diluted | \$ 0.17 | \$ 0.19 | \$ 0.09 | \$ 0.17 |
| <i>Earnings per share</i> | | | | |
| Basic | \$ 0.17 | \$ 0.19 | \$ 0.09 | \$ 0.18 |
| Diluted | \$ 0.17 | \$ 0.19 | \$ 0.09 | \$ 0.18 |
| <i>Adjusted earnings per share (iii)</i> | | | | |
| Basic | \$ 0.23 | \$ 0.16 | \$ 0.12 | \$ 0.10 |
| Diluted | \$ 0.23 | \$ 0.16 | \$ 0.12 | \$ 0.10 |
| Financial Position | | | | |
| Cash and cash equivalents | \$ 330,498 | \$ 279,691 | \$ 262,223 | \$ 221,983 |
| Total assets | \$ 10,319,082 | \$ 10,083,956 | \$ 9,867,620 | \$ 9,785,771 |
| Total long-term liabilities | \$ 2,838,324 | \$ 2,811,820 | \$ 2,743,497 | \$ 2,747,153 |
| Production | | | | |
| Commercial GEO - continuing operations (iv) | 286,682 | 267,409 | 253,264 | 239,836 |
| GEO - discontinued operations (i) (iv) | — | — | 10,052 | 33,236 |
| Total GEO produced (iv) | 286,682 | 267,409 | 263,316 | 273,072 |
| By-product cash costs per GEO produced - continuing operations, including 12.5% equity interest in Alumbraera (iii)(iv) | \$ (34) | \$ 58 | \$ 103 | \$ 86 |
| Co-product cash costs per GEO produced - continuing operations, including 12.5% equity interest in Alumbraera (iii)(iv) | \$ 465 | \$ 439 | \$ 434 | \$ 423 |
| Chapada concentrate production (tonnes) | 69,869 | 76,808 | 65,859 | 51,659 |
| Chapada copper contained in concentrate production (millions of lbs) | 39.9 | 42.8 | 37.0 | 29.7 |
| Chapada co-product cash costs per pound of copper | \$ 1.20 | \$ 1.14 | \$ 1.13 | \$ 1.24 |
| Alumbraera (12.5% interest) concentrate production (tonnes) | 16,422 | 15,487 | 16,480 | 19,961 |
| Alumbraera (12.5% interest) attributable copper contained in concentrate production (millions of lbs) | 9.3 | 8.3 | 9.3 | 11.8 |
| Alumbraera co-product cash costs per lb of copper (iii) | 1.37 | 1.53 | 1.52 | 0.89 |
| Gold Equivalent Ounces Breakdown - Continuing Operations | | | | |
| Total gold ounces produced | 243,407 | 222,299 | 208,399 | 190,663 |
| Silver ounces produced (millions of ounces) | 2.4 | 2.5 | 2.5 | 2.7 |
| Sales | | | | |
| Commercial gold sales - continuing operations (ounces) | 234,708 | 227,189 | 202,559 | 197,597 |
| Gold sales - discontinued operations (ounces) | — | — | 11,268 | 36,664 |
| Total gold sales (ounces) | 234,708 | 227,189 | 213,827 | 234,261 |
| Chapada concentrate sales (tonnes) | 74,009 | 81,127 | 57,895 | 51,795 |
| Chapada payable copper contained in concentrate sales (millions of lbs) | 39.6 | 43.5 | 31.6 | 29.1 |
| Silver sales (millions of ounces) | 2.4 | 2.5 | 2.6 | 2.7 |
| Average realized gold price per ounce (ii) | \$ 1,374 | \$ 1,235 | \$ 1,201 | \$ 1,114 |
| Average realized copper price per pound (excluding derivative contracts) (ii) | \$ 3.81 | \$ 3.27 | \$ 3.07 | \$ 3.25 |
| Average realized silver price per ounce (ii) | \$ 28.20 | \$ 19.73 | \$ 18.45 | \$ 17.07 |

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- (i) Results of São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with IFRS) with restatement of prior period comparatives.
 - (ii) Revenues consist of sales net of sales taxes. Revenue per ounce data is calculated based on gross sales. Realized prices reflect continuing operations.
 - (iii) A cautionary note regarding non-GAAP measures is included in Section 15 of this Management's Discussion and Analysis of Operations and Financial Condition.
 - (iv) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio of 50:1, for presentation purposes only. The assumed gold to silver ratio was 55:1 for 2010 and prior periods.
 - (v) Including commissioning gold ounces from Mercedes for 2011.

17. DISCLOSURE CONTROLS AND PROCEDURES

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

As at the end of the period covered by this Management's Discussion and Analysis, management of the Company, with the participation of the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting is effective and no material weaknesses were identified. The Company has certified the above in its annual filings with both the U.S. Securities and Exchange Commission on Form 40-F as required by the United States Sarbanes-Oxley Act and with Canadian securities regulatory authorities.

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

CHANGES IN INTERNAL CONTROLS

During the period ended December 31, 2011, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chairman and Chief Executive Officer and the Executive Vice President, Finance and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are

resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

This report provides a discussion and analysis of the financial condition and results of operations (“Management’s Discussion and Analysis”) to enable a reader to assess material changes in financial condition between December 31, 2011 and December 31, 2010 and results of operations for the periods ended December 31, 2011 and December 31, 2010.

This Management’s Discussion and Analysis has been prepared as of February 22, 2012. The audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB follow this Management’s Discussion and Analysis. This Management’s Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2010 (collectively the “Financial Statements”). You are encouraged to review the Financial Statements in conjunction with your review of this Management’s Discussion and Analysis. This Management’s Discussion and Analysis should be read in conjunction with both the annual audited consolidated financial statements for the year ended December 31, 2011 and the most recent Annual Information Form for the year ended December 31, 2011 on file with the Securities Commissions of all of the provinces in Canada and the 2011 Annual Report on Form 40-F on file with the United States Securities and Exchange Commission. Certain notes to the Financial Statements are specifically referred to in this Management’s Discussion and Analysis and such notes are incorporated by reference herein. All Dollar amounts in the Management’s Discussion and Analysis are in United States Dollars, unless otherwise specified.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management’s Discussion and Analysis contains or incorporates by reference “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and “forward-looking information” under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company’s strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as “plan,” “expect,” “budget,” “target,” “project,” “intend,” “believe,” “anticipate,” “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the Company’s expectations in connection with the projects and exploration programs discussed herein being met, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating metal prices (such as gold, copper, silver and zinc), currency exchange rates (such as the Brazilian Real, the Chilean Peso, the Argentine Peso and the Mexican Peso versus the United States Dollar), possible variations in ore grade or recovery rates, changes in the Company’s hedging program, changes in accounting policies, changes in the Company’s corporate mineral resources, risks related to non-core mine disposition, changes in project parameters as plans continue to be refined, changes in project development, construction production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, final pricing for concentrate sales, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company’s annual Management’s Discussion and Analysis and Annual Information Form for the year ended December 31, 2011 filed with the securities regulatory authorities in all provinces of Canada and available at www.sedar.com, and the Company’s

Annual Report on Form 40-F filed with the United States Securities and Exchange Commission. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED MINERAL RESOURCES

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

CAUTIONARY NOTE REGARDING MINERAL RESERVES AND MINERAL RESOURCES

Readers should refer to the Annual Information Form of the Company for the year ended December 31, 2011 and other continuous disclosure documents filed by the Company since January 1, 2012 available at www.sedar.com, for further information on mineral reserves and mineral resources, which is subject to the qualifications and notes set forth therein.

YAMANAGOLD

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

TABLE OF CONTENTS

| | |
|---|---|
| Management's Responsibility for Financial Reporting | 1 |
| Audit Reports | 2 |
| Consolidated Statements of Operations | 4 |
| Consolidated Statements of Comprehensive Income | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Consolidated Balance Sheets | 6 |
| Consolidated Statements of Changes in Equity | 7 |

NOTES TO FINANCIAL STATEMENTS:

| | |
|--|----|
| Note 1: Nature of Operations | 8 |
| Note 2: Basis of Consolidation and Presentation | 8 |
| Note 3: Significant Accounting Policies | 9 |
| Note 4: Critical Judgements and Estimation Uncertainties | 18 |
| Note 5: Recent Accounting Pronouncements | 21 |
| Note 6: Dispositions and Acquisitions of Mineral Interests | 23 |
| Note 7: Trade and Other Receivables | 24 |
| Note 8: Inventories | 25 |
| Note 9: Other Financial Assets | 25 |
| Note 10: Other Assets | 25 |
| Note 11: Property, Plant and Equipment | 26 |
| Note 12: Investment in Associate | 27 |
| Note 13: Investments | 27 |
| Note 14: Goodwill and Intangibles | 28 |
| Note 15: Trade and Other Payables | 29 |
| Note 16: Other Financial Liabilities | 29 |
| Note 17: Other Provisions and Liabilities | 30 |
| Note 18: Long-term Debt | 30 |
| Note 19: Decommissioning, Restoration and Similar Liabilities | 31 |
| Note 20: Share Capital | 32 |
| Note 21: Other Comprehensive Income and Reserves | 32 |
| Note 22: Share-based Payments | 33 |
| Note 23: Non-Controlling Interest | 36 |
| Note 24: Cost of Sales Excluding Depletion, Depreciation and Amortization | 36 |
| Note 25: Employee Compensation and Benefits Expenses | 36 |
| Note 26: Finance Income and Expense | 37 |
| Note 27: Capital Management | 37 |
| Note 28: Financial Instruments | 38 |
| Note 29: Income Taxes | 43 |
| Note 30: Supplementary Cash Flow Information | 45 |
| Note 31: Operating Segments | 46 |
| Note 32: Contractual Commitments | 48 |
| Note 33: Contingencies | 48 |
| Note 34: Related Parties | 49 |
| Note 35: Transition to IFRS | 49 |
| Note 36: Subsequent Events | 54 |

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

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

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

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

"Peter Marrone"
Chairman and
Chief Executive Officer

"Charles B. Main"
Executive Vice President, Finance and
Chief Financial Officer

February 22, 2012

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF YAMANA GOLD INC.

We have audited the accompanying consolidated financial statements of Yamana Gold Inc. and subsidiaries (the “Company”), which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010, and January 1, 2010 and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yamana Gold Inc. and subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2012 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants
February 22, 2012
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS (CONT'D)

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF YAMANA GOLD INC.

We have audited the internal control over financial reporting of Yamana Gold Inc. and its subsidiaries (the "Company") as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated February 22, 2012 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants
February 22, 2012
Vancouver, Canada

YAMANA GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

| <i>(In thousands of United States Dollars)</i> | 2011 | 2010 (Note 35) |
|---|----------------|-------------------|
| Net earnings | \$ 548,294 | \$ 466,487 |
| Other comprehensive (loss) income, net of taxes (Note 21) | (71,774) | 23,075 |
| Total comprehensive income | 476,520 | 489,562 |
| Total comprehensive income attributable to: | | |
| Equity shareholders | <u>476,520</u> | <u>489,562</u> |

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

YAMANA GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

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

Supplementary cash flow information (Note 30).

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

YAMANA GOLD INC.
CONSOLIDATED BALANCE SHEETS
AS AT

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

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

Approved by the Board

“Peter Marrone”
Director

“Patrick Mars”
Director

YAMANA GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31

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

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

YAMANA GOLD INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010
(Tabular amounts in thousands of United States Dollars unless otherwise noted)

1. NATURE OF OPERATIONS

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

Yamana Gold Inc. is a company domiciled in Canada. The address of the Company’s registered office is 200 Bay Street, Suite 2200, RBC Plaza North Tower Toronto, Ontario, Canada, M5J 2J3. The Company is listed on the Toronto Stock Exchange (Symbol: YRI), The New York Stock Exchange (Symbol: AUU) and The London Stock Exchange (Symbol: YAU).

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

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

2. BASIS OF CONSOLIDATION AND PRESENTATION

(a) STATEMENT OF COMPLIANCE

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

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

(b) BASIS OF PREPARATION AND PRESENTATION

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

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

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

(c) BASIS OF CONSOLIDATION

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

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

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

An associate is an entity over which the Company's ownership and rights arising from its equity investment provide the Company with the ability to exercise significant influence and are accounted for using the equity method. The Company's investment in Minera Alumbra Ltd., which owns the Bajo de la Alumbra Mine in Argentina, has been accounted for using the equity method. Cash distributions received are credited to the equity investment. Where the Company transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the associate. Balances outstanding between the Company and associates are not eliminated in the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) FOREIGN CURRENCY TRANSLATION

The Company's mining operations operate primarily within an economic environment where the functional currency is the United States Dollar. Transactions in foreign currencies are translated to functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the United States Dollar are translated into United States Dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depletion, depreciation and amortization which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings. Foreign exchange gains and losses and interest and penalties related to tax, if any, are reported within the income tax expense line.

(b) CASH AND CASH EQUIVALENTS

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

(c) INVENTORIES

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

The cost of production includes an appropriate proportion of depreciation and overhead. Work-in-process (metal-in-circuit and gold-in-process) represents inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of work-in-process inventories include estimates of metal contained and recoverable in the ore stacked on leach pads, the amount of metal stacked in the mill circuits that is expected to be recovered from the

leach pads, the amount of gold in these mill circuits and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to decline in selling prices or the costs of completion or the estimated costs to be incurred to make the sale have increased, the Company could be required to write-down the recorded value of its work-in-process inventories to net realizable value.

Ore in stock piles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stock piles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Inventories of materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the original write-down. Write-downs of inventory and reversals of write-downs are reported as a component of current period costs.

(d) PROPERTY, PLANT AND EQUIPMENT

i. Land, Building, Plant and Equipment

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

The depreciable amount of building, plant and equipment is recorded on a straight-line basis over the lesser of mine life or estimated useful life of the asset to the residual value of the asset. Each part of an item of building, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if their useful lives differ. Useful lives of building, plant and equipment items range from two to fifteen years, but do not exceed the related estimated mine life based on proven and probable reserves and the portion of resources that management expects to become reserves in the future.

| | <u>Depreciation Method</u> | <u>Useful Life</u> |
|---------------------------------|----------------------------|--------------------|
| Building | Straight Line | 4 to 15 years |
| Machinery and equipment | Straight Line | 2 to 7 years |
| Vehicles | Straight Line | 3 to 5 years |
| Furniture and office equipment | Straight Line | 2 to 10 years |
| Computer equipment and software | Straight Line | 3 to 5 years |
| Land | Not depreciated | |

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

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

ii. Exploration, Evaluation Assets and Depletable Producing Properties

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

When accounting for deferred stripping when multiple pits exist within a mining complex using a common infrastructure:

- In circumstances where the new development is not closely located to a producing mine or is development of a new ore body, the Company accounts for the pre-stripping costs as if the development was a separately identified mine under *assets under construction*.
- In circumstances where the access to ore body is improved to benefit future period production, the Company capitalize the stripping costs and amortize the costs over the component of the ore body for which access has been improved.
- In circumstances where the expenditures relate to ensuring or facilitating continued access to a common ore body and the pit is in close proximity to an existing pit, the Company accounts for the costs as a current period expense.

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

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

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

iii. Assets Under Construction

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

- A significant portion of planned capacity, production levels, grades and recovery rates are achieved at a sustainable level
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits and production inputs are achieved to allow continuous and sustainable operations
- Positive and sustainable cash flows

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

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

iv. Option Agreements Relating to Mineral Properties

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

(e) BORROWING COSTS

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

(f) FINANCIAL INSTRUMENTS

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

Fair Value Through Profit or Loss ("FVTPL")

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

Available-For-Sale ("AFS")

AFS financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at fair value with unrealized gains and losses recognized in other comprehensive income ("OCI"). Realized gains and losses are recorded in earnings when investments mature or are sold and are calculated using the carrying amount of securities sold. AFS financial assets are reviewed quarterly for possible significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the fact and circumstances of the financial assets, the market price of actively traded securities, as well as the severity of loss, the financial position and near-term prospects of the investment, credit risk of the counterparties, the length of time the fair value has been below costs, both positive and negative evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook. When a decline in the fair value of an available-for-sale investment has been recognized in OCI and there is objective evidence that the asset is impaired after management's review, any cumulative losses that had been recognized in OCI are reclassified as an impairment loss in the Consolidated Statement of Operations. The reclassification adjustment is calculated as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized, if applicable. Impairment losses recognized in the Consolidated Statement of Operations for an investment are subject to reversal, except for an equity instrument classified as available-for-sale.

Derivative instruments

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

For cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement (“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 — add to cost of sales to offset the foreign exchange effect recorded by the mines.
- Amount related to hedging of capital expenditures — add to capitalized purchases of goods or services to offset the foreign exchange recorded by the mines or development projects.

iii. Interest Rate Derivatives

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

iv. Termination of Hedge Accounting

Hedge accounting is discontinued prospectively when:

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

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

(g) REVENUE RECOGNITION

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

determinable selling price and collectability is reasonably assured. Revenue includes treatment and refining charges if payment of these amounts can be enforced at the time of sale.

Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract or at spot prices.

Concentrate revenue from smelters is recorded at the time the risks and rewards of ownership pass to the buyer and are provisionally priced, that is, the price is set at a specified future date after shipment based on market prices. Revenue on provisionally priced sales is recognized based on estimates of the fair value of consideration receivable predicated on forward market prices. At each reporting date, the provisionally priced metal is fair valued based on forward selling price for the remaining quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, for which there is an active and freely traded commodity market such as London Metals Exchange and the value of product sold by the Company is directly linked to the form in which it is traded on that market. Variations between the prices set under the smelting contracts are caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. The provisional sales quantities are adjusted for changes in metal quantities upon receipt of new information and assay results.

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

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

(h) BUSINESS COMBINATIONS

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

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

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

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

(i) ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

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

(j) NON-CONTROLLING INTERESTS

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest's share of the carrying values of the subsidiaries. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired as at the date of acquisition and are presented immediately after the shareholder's equity section of the Consolidated Balance Sheet. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity. If the change in ownership does not result in loss of control, it is accounted for as an equity transaction.

(k) IMPAIRMENT OF ASSETS AND GOODWILL

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

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

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

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

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

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

(l) DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES AND OTHER PROVISIONS

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

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

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

(m) INCOME TAXES

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

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

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

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

(n) EARNINGS PER SHARE

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

(o) SHARE-BASED PAYMENTS

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

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

(p) PENSION PLAN

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

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

(q) SEGMENT REPORTING

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

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

The Company is organized on the basis of five segments:

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

(r) TRANSACTION AND FINANCING COSTS

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

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

(s) INVESTMENT IN ASSOCIATES

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

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

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

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

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

a) Critical Judgements in the Application of Accounting Policies

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

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

- **Capitalization of exploration and evaluation costs**
Management has determined that exploration and evaluation costs incurred during the year for the respective operating mines, Pilar and other exploration interests have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the year the Company capitalized a total of \$89.6 million (2010 - \$58.6 million) of exploration expenditures.
- **Determination of economic viability of a project**
Management has determined that costs associated with projects under construction or developments including C1 Santa Luz, Ernesto/Pau-a-Pique, Pilar and Mercedes have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.
- **Commencement of commercial/operating level production**
During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc., whether the necessary permits are in place to allow continuous operations.
- **Deferral of stripping costs**
In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company. As at December 31, 2011, a cumulative total of \$94.2 million (2010 - \$51.6 million) of stripping costs have been capitalized.
- **Determination of significant influence**
Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, operating involvement, etc.

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

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

- **Revenue recognition**
Revenue from the sale of concentrate to independent smelters are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts may be caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. In a period of high price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.
- **Mineral reserve estimates**
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions

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

- **Impairment of mining interests and goodwill**
While assessing whether any indications of impairment exist for mining interests and goodwill, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests and goodwill. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests and/or goodwill.
- **Asset lives, depletion/depreciation rates for property, plant and equipment and mineral interests**
Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.
- **Estimation of decommissioning and restoration costs and the timing of expenditure**
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- **Income taxes and recoverability of potential deferred tax assets**
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.
- **Inventory valuation**
Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

- Accounting for acquisitions
The fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date).
- Contingencies
Refer to *Note 33, Contingencies* to the Consolidated Financial Statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

(i) *Consolidated Financial Statements*

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

(ii) *Joint Arrangements*

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

(iii) *Disclosure of Interests in Other Entities*

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

(iv) *Separate Financial Statements*

IAS 27 *Separate Financial Statements* (“IAS 27”) has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated

financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 *Consolidated and Separate Financial Statements* that is replaced by IFRS 10.

(v) *Investments in Associates and Joint Ventures*

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

- (b) IFRS 13 *Fair Value Measurement* (“IFRS 13”) was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The implementation of this standard is not expected to have a material impact on the Company’s consolidated financial statements.
- (c) IAS 1 *Presentation of Financial Statements* (“IAS 1”) was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income (“OCI”) that may be reclassified to the profit or loss section of the Consolidated Statement of Operations. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The implementation of this standard is not expected to have a material impact on the Company’s consolidated financial statements.
- (d) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (“IFRIC 20”) was issued in October 2011 and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRIC 20 was issued to address the accounting for costs associated with waste removal in surface mining (“stripping costs”). The interpretation clarifies when production stripping should lead to the recognition of an asset and how the asset should be measured, both initially and in subsequent periods. The Company is currently in the process of assessing the impact of this standard on the Company’s consolidated financial statements.
- (e) IFRS 9 *Financial Instruments* was issued in November, 2009 with the intent to replace IAS 39 - *Financial Instruments: Recognition and Measurement* (“IAS 39”) in three phases. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

6. DISPOSITION AND ACQUISITION OF MINERAL INTERESTS

(a) DISPOSITION OF SAN ANDRÉS, SÃO FRANCISCO AND SÃO VICENTE MINES

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

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

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

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

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

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

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

(b) ACQUISITION OF CONSTRUCTION GARDILCIC LTDA. AND CONSTRUCTOR TCG LTDA.

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

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

The purchase price was calculated as follows:

| | |
|-------------------------------|-------------------------|
| Cash Consideration | \$ 48,938 |
| Purchase consideration | <u>\$ 48,938</u> |

The purchase price allocation is as follows:

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

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

7. TRADE AND OTHER RECEIVABLES

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

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

8. INVENTORIES

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

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

9. OTHER FINANCIAL ASSETS

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

- (i) Long-term tax credits consist of South American sales taxes which are recoverable against other taxes payable and value added tax credits.
- (ii) On March 6, 2011, the Company agreed with Aura to restructure the debt and other amounts payable to the Company relating to certain promissory notes in the aggregate amount of \$64.5 million plus deferred purchase price consideration of \$25.0 million related to the sale of the abovementioned mines. Under the restructuring agreement, the Company received a combination of cash, shares of Aura and a net smelter return royalty equal to 1.5% on the sales from the San Andrés, São Francisco and São Vicente Mines for an amount of up to \$16.0 million. The Company recorded this net smelter return royalty at its estimated fair value of \$10.0 million.
- (iii) At December 31, 2011, the Company had restricted cash of \$0.2 million (December 31, 2010 -\$0.2 million; January 1, 2010 - \$13.8 million). Restricted cash held in the United States represents funds on deposit that have been pledged as backing for letters of credit subject to annual renewal issued for reclamation bonding and relate to the Beartrack and **Royal Mountain King** mines in reclamation since acquisition.

10. OTHER ASSETS

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

11. PROPERTY, PLANT AND EQUIPMENT

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

- (i) Included in land, building, plant and equipment is \$40.5 million of land properties which are not subject to depreciation (December 31, 2010 - \$40.5 million; January 1, 2010 - \$39.4 million).
- (ii) During the year ended December 31, 2011, the Company capitalized \$19.7 million of interest costs for assets under construction (December 31, 2010 - \$4.3 million; January 1, 2010 - \$16.7 million). A weighted average capitalization rate of 7.1% (December 31, 2010 — 7.0%, January 1, 2010 — 7.6%) was used to determine the amount of borrowing costs eligible for capitalization.
- (iii) The following table shows the reconciliation of capitalized stripping costs incurred in the production phase:

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

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

12. INVESTMENT IN ASSOCIATE

The Company holds a 12.5% indirect interest in the Bajo de la Alumbreira Mine, held by Minera Alumbreira Ltd. (“Alumbreira”). Although the investment is less than 20% of the outstanding shares of Alumbreira, 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 Alumbreira have been included in the earnings of the Company since acquisition.

Summarized financial information is as follows:

| | December 31, 2011 | December 31, 2010 (Note 35) | January 1, 2010 (Note 35) |
|--|----------------------|-----------------------------------|---------------------------------|
| Total assets | \$ 999,282 | \$ 1,223,238 | \$ 1,237,362 |
| Total liabilities | 404,576 | 623,607 | 620,259 |
| Net assets | <u>\$ 594,706</u> | <u>\$ 599,631</u> | <u>\$ 617,103</u> |
| Company’s share of net assets of associate (12.5%) | <u>\$ 74,338</u> | <u>\$ 74,954</u> | <u>\$ 77,138</u> |
| | | December 31, 2011 | December 31, 2010 |
| Company’s share of total revenues (12.5%) for the year | | <u>\$ 190,273</u> | <u>\$ 198,758</u> |
| Company’s share of earnings (12.5%) for the year | | <u>\$ 39,019</u> | <u>\$ 49,264</u> |
| | | December 31, 2011 | December 31, 2010 |
| Balance, beginning of the year (Note 35) | | <u>\$ 201,585</u> | <u>\$ 213,789</u> |
| Equity in earnings | | 39,019 | 49,264 |
| Cash distributions | | (71,502) | (61,468) |
| Balance, end of year | | <u>\$ 169,102</u> | <u>\$ 201,585</u> |

13. INVESTMENTS

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

(a) Available-for-sale Securities

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

(i) % ownership on an undiluted basis.

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

14. GOODWILL AND INTANGIBLES

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

(a) Goodwill

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired on a business acquisition. The Company's total goodwill of \$55.0 million as at December 31, 2011 relates to the acquisition of the gold producing Jacobina mine and related assets in Brazil in 2006. To date, the accumulated impairments relating to goodwill is \$nil. The recognition of goodwill represents the substantial value implicit in the Company's intent and ability to develop the mine. Additionally, it captures the expected synergies including but not limited to the expected increases in cash flows resulting from cost savings and revenue enhancements that can be realized from the Jacobina mine in Brazil.

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

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

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

(b) Other Intangibles

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

15. TRADE AND OTHER PAYABLES

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

- (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

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

- (i) The Company is subject to additional taxes in Chile on the repatriation of profits to its foreign shareholders. Total taxes in the amount of \$81.3 million have been accrued on the assumption that the profits will be repatriated.
- (ii) The Company has an agreement with Miramar Mining Corporation (“Miramar” acquired by Newmont Mining Corporation) for a Proceeds Interest of Cdn\$15.4 million. The agreement entitles Miramar to receive payment of this interest over time calculated as the economic equivalent of a 2.5% net smelter return royalty on all production from the Company’s mining properties held at the time of Northern Orion entering into the agreement, or 50% of the net proceeds of disposition of any interest in the Agua Rica property until the Proceeds Interest of Cdn\$15.4 million is paid.

17. OTHER PROVISIONS AND LIABILITIES

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

- (i) Provision for silicosis consists of amounts accrued to settle claims by former employees of Jacobina Mineração e Comércio Ltda (“JMC”), relating to silicosis. This balance represents management’s best estimate for all known and anticipated future obligations related to health claims against JMC prior to acquisition by the Company in April 2006. The amount and timing of any expected payments are uncertain as their determination is outside the control of the Company’s management. The Company estimates this contingency to be about \$14.0 million as at December 31, 2011 (December 31, 2010 - \$8.9 million; January 1, 2010 - \$6.5 million). The increase of \$5.1 million in the year relates to an increase in the expected amount of future payment and also the impact of the foreign exchange rate of this Brazilian-Real denominated liability. There were no payments made during the year.

18. LONG-TERM DEBT

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

- (i) Balances are net of transaction costs of \$5.9 million net of amortization (December 31, 2010 - \$6.1 million; January 1, 2010 - \$8.2 million).
- (a) The revolving facility has a credit limit of up to \$750.0 million. The following summarizes the terms in respect to this facility as at December 31, 2011:
- The credit facility is unsecured and has a maturity date of June 16, 2014.
 - Amounts drawn bear interest at a rate of LIBOR plus 2.0% to 3.25% per annum, depending upon the Company’s leverage ratio defined as the net total debt to rolling 12 months earnings before interest, taxes, depreciation and amortization. The effective interest rate at December 31, 2011 was 5.88%.
 - Undrawn amounts are subject to a commitment fee of 0.50% to 0.81% per annum depending upon the Company’s leverage ratio.

(b) The unsecured senior debt notes are the result of a private placement for a total of \$270.0 million notes in three series as follows:

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

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

| | <u>Revolving facility</u> | <u>Senior debt notes</u> |
|---------------------|---------------------------|--------------------------|
| 2012 | \$ — | \$ — |
| 2013 | — | — |
| 2014 | 167,632 | 15,000 |
| 2015 | — | — |
| 2016 | — | 73,500 |
| 2017 and thereafter | — | 181,500 |
| | <u>\$ 167,632</u> | <u>\$ 270,000</u> |

19. DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES

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

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

The Decommissioning, Restoration and Similar Liabilities are calculated as the net present value of estimated undiscounted future cash flows, which total \$270.8 million (December 31, 2010 - \$262.3 million) using discount rates specific to the liabilities of 1.5% to 12.5 % (December 31, 2010 — 2.8% to 9.1%). The settlement of the obligations will occur through to 2031. The Decommissioning, Restoration and Similar Liabilities of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos, Mexican Pesos and United States Dollars. The liabilities, other than those denominated in United States Dollar, are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items. The translation gains/losses are reflected in Property, Plant and Equipment.

20. SHARE CAPITAL

(a) COMMON SHARES ISSUED AND OUTSTANDING:

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

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

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

(b) EARNINGS PER SHARE

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

Total options and warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the period ended December 31, 2011 were \$nil (December 31, 2010 — 0.08 million) and \$nil (December 31, 2010 — 4.9 million), respectively.

(c) DIVIDENDS PAID AND DECLARED

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

21. OTHER COMPREHENSIVE INCOME AND RESERVES

(a) OTHER COMPREHENSIVE INCOME

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

(b) RESERVES

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

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

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

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

22. SHARE-BASED PAYMENTS

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

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

(a) STOCK OPTIONS

The Company's Share Incentive Plan is designed to advance the interests of the Company by encouraging employees, officers, directors and consultants to have equity participation in the Company through the acquisition of common shares. The Share Incentive Plan is comprised of a share option component and a share bonus component. The aggregate maximum number of common shares that may be reserved for issuance under the Share Incentive Plan is 24.9 million (2010 - 24.9 million). Pursuant to the share bonus component of the Share Incentive Plan, common shares may be issued as a discretionary bonus to employees, officers, directors and consultants of the Company. Options granted under the share option component of the Share Incentive Plan vest immediately and have an exercise price of no less than the closing price of the common shares on the Toronto Stock Exchange on the trading day immediately preceding the date on which the options are granted and are exercisable for a period not to exceed ten years.

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

There were no options that were granted in the years ended December 31, 2011 and December 31, 2010.

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

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

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

Stock options outstanding and exercisable as at December 31, 2011 are as follows:

| Exercise price (Cdn\$) | Outstanding | | Exercisable | |
|------------------------|------------------|---|------------------|---|
| | Quantity (000's) | Weighted average remaining contractual life (Years) | Quantity (000's) | Weighted average remaining contractual life (Years) |
| \$3.00- \$4.99 | 15 | 3.36 | 15 | 3.36 |
| \$9.00-\$9.99 | 1,426 | 2.36 | 1,426 | 2.36 |
| \$10.00-\$12.99 | 72 | 2.47 | 72 | 2.47 |
| Total | 1,513 | 2.37 | 1,513 | 2.37 |

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

(b) DEFERRED SHARE UNITS (“DSU”)

DSU are granted to the eligible participants of the Deferred Share Unit Plan, who are non-executive directors of the Company or designated affiliates (an “eligible director”), and the Chairman or Chief Executive Officer (an “eligible officer”) of the Company. The number of DSU granted to each eligible director on each DSU issue-date has the value equal to at least one half of the director’s remuneration payable in the current quarter. The Board may also grant, in its sole and absolute discretion, to an eligible officer the rights to acquire any number of DSU as a discretionary payment in consideration of past services to the Company. Each DSU entitles the holder, who ceases to be an eligible director or eligible officer, to a payment in cash without any further action on the part of the holder of the DSU on the relevant separation date. The value of a DSU is equal to the market value in Canadian dollars of a common share of the Company at the separation date.

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

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

(c) RESTRICTED SHARE UNITS (“RSU”)

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

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

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

(d) SHARE PURCHASE WARRANTS

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

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

23. NON-CONTROLLING INTEREST

The Company holds a 56.7% interest in Agua De La Falda (“ADLF”) project along with Corporación Nacional del Cobre de Chile (“Codelco”). The ADLF project is an exploration project which includes the Jeronimo Deposit and is located in Northern Chile.

| | <u>2011</u> | <u>2010</u> |
|-----------------------|------------------|------------------|
| Agua De La Falda S.A. | <u>\$ 46,800</u> | <u>\$ 46,800</u> |

24. COST OF SALES EXCLUDING DEPLETION, DEPRECIATION AND AMORTIZATION

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

25. EMPLOYEE COMPENSATION AND BENEFITS EXPENSES

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

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

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

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

26. FINANCE INCOME AND EXPENSE

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

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

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

27. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. The Company has not made any changes to its policies and processes for managing capital during the year.

The externally imposed financial covenants on the revolving facility (*Note 18*) are as follows:

- (a) Tangible net worth of at least \$2.3 billion.
- (b) Maximum net total debt (debt less cash) to tangible net worth of 0.75.
- (c) Leverage ratio (net total debt/EBITDA) to be less than or equal to 3.5:1.

Not meeting these capital requirements could result in a condition of default by the Company. As at December 31, 2011, the Company has met all of the externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

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

There were no material differences between the carrying value and fair value of non-current assets and liabilities. The long-term debt has a carrying value of \$431.8 million (December 31, 2010 - \$486.5 million; January 1, 2010 - \$529.5 million), which is comprised of a revolving facility and senior debt notes with fair values of \$162.9 million and \$268.8 million, respectively (December 31, 2010 - \$246.9 million and \$300.8 million; January 1, 2010 - \$278.3 million and \$303.1 million). The fair value was calculated by discounting the future cash flows by a discount factor based on an interest rate of 5% which reflects the Company's own credit risk. Fair values of available-for-sale securities were calculated based on current and available market information.

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. As at December 31, 2011, there were no embedded derivatives requiring separate accounting other than concentrate sales.

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

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

Fair Value Measurements at December 31, 2011

| | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|--|------------------|------------------|------------------|-------------------------|
| Assets: | | | | |
| Available-for-sale securities (Note 13(a)) | 81,353 | — | — | 81,353 |
| Derivative related assets (Note 9) | — | 9,629 | — | 9,629 |
| | <u>\$ 81,353</u> | <u>\$ 9,629</u> | <u>\$ —</u> | <u>\$ 90,982</u> |
| Liabilities: | | | | |
| Derivative related liabilities (Note 16) | — | 20,629 | — | 20,629 |
| | <u>\$ —</u> | <u>\$ 20,629</u> | <u>\$ —</u> | <u>\$ 20,629</u> |

Fair Value Measurements at December 31, 2010

| | Level 1 Input | Level 2 Input | Level 3 Input | Aggregate Fair Value |
|--|-------------------|------------------|------------------|-------------------------|
| Assets: | | | | |
| Available-for-sale securities (Note 13(a)) | 102,958 | — | — | 102,958 |
| Derivative related assets (Note 9) | — | 44,183 | — | 44,183 |
| | <u>\$ 102,958</u> | <u>\$ 44,183</u> | <u>\$ —</u> | <u>\$ 147,141</u> |
| Liabilities: | | | | |
| Derivative related liabilities (Note 16) | — | 4,803 | — | 4,803 |
| | <u>\$ —</u> | <u>\$ 4,803</u> | <u>\$ —</u> | <u>\$ 4,803</u> |

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 prices.

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

The following table summarizes derivative related assets:

| | December 31, 2011 | December 31, 2010 |
|----------------------------|----------------------|----------------------|
| Currency contracts | | |
| Forward contracts (Note 9) | \$ 9,629 | \$ 44,183 |
| Less: Current portion | (9,629) | (25,540) |
| Non-current portion | <u>\$ —</u> | <u>\$ 18,643</u> |

The following table summarizes the components of derivative related liabilities:

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

The following table summarizes unrealized derivative gains (losses):

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

The following table summarizes realized derivative gains (losses):

| | 2011 | 2010 |
|---------------------|-----------------|-------------------|
| Currency contracts | \$ 1,626 | \$ (246) |
| Commodity contracts | — | (5,230) |
| | <u>\$ 1,626</u> | <u>\$ (5,476)</u> |

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

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

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

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

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

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

(b) CURRENCY RISK

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

The Company entered into forward contracts to economically hedge against the risk of an increase in the value of the Brazilian Real versus the United States Dollar. Currency contracts totaling 924.2 million Reais at an average rate of 2.06 Real to the United States Dollar have been designated against forecast Reais denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2012 through to December 31, 2014. Of this, 309.4 million Reais is hedged for 2012, 292.0 million is hedged for 2013 and approximately 322.8 million Reais for 2014.

The Company also entered into forward contracts to economically hedge against the risk of an increase in the value of the Mexican Pesos versus the United States Dollar. Currency contracts totaling 464.5 million Pesos at an average rate of 13.32 Pesos to the United States Dollar have been designated against forecast Pesos denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2012 through to May 31, 2015. Of this, 87.5 million Pesos is hedged for 2012, 156.0 million Pesos is hedged for 2013, 156.0 million Pesos is hedged for 2014 and 65.0 million Pesos for 2015.

The effective portion of changes in the fair value of the currency contracts has been recorded in OCI until the forecast expenditure impacts earnings. The ineffective portion of changes in the fair value of the currency contracts has been recorded in current earnings.

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

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

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

(c) COMMODITY PRICE RISK

Gold, copper and silver prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold, copper and silver-producing

countries. The profitability of the Company is directly related to the market price of gold, copper and silver. A decline in the market prices for these precious metals could negatively impact the Company's future operations. The Company has not hedged any of its gold sales.

As the December 31, 2011, the Company's exposure to commodity price is limited to the trade receivables associated with provisional pricing of metal concentrate sales particularly copper. A 10% change in the price of copper has an \$18.5 million before tax effect on profit or loss.

(d) INTEREST RATE RISK

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2011, the Company has a total of \$63.2 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on part of the Company's revolving credit line at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in OCI until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

At December 31, 2011, most of the Company's long-term debt was at fixed rates, hence there is little market risk arising from fluctuations in floating interest rate.

(e) CREDIT RISK

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

For cash, cash equivalents, trade and other receivables, income taxes recoverable, derivative related assets, restricted cash, long-term note receivable and long-term tax credits, credit risk is represented by the carrying amount on the balance sheet. Cash, cash equivalents and restricted cash are deposited in highly rated corporations and the credit risk associated with these deposits is low. The Company sells its products to large international financial institutions and other organizations with high credit ratings. Historical levels of receivable defaults and overdue balances over normal credit terms are both negligible, thus the credit risk associated with trade receivables is also considered to be negligible. Long-term tax credits have negligible credit risk as they are receivable from the governmental authorities and are carried at their estimated fair value. The long-term note receivable in relation to the sale of assets is due from a highly rated corporation and the credit risk associated with it is low. For derivatives, the Company assumes no credit risk when the fair value of the instruments is negative. When the fair value of the instruments is positive, this is a reasonable measure of credit risk. The Company does not have any assets pledged as collateral.

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

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

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

(f) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding derivatives except upon the occurrence of customary events of default. The Company mitigates liquidity risk by spreading the maturity dates of derivatives over time, managing its capital expenditures and operating cash flows and by maintaining adequate lines of credit. In addition, the Company addresses the capital management process as described in Note 27. Contractual maturities relating to contractual commitments are included in Note 32 and relating to long-term debt is included in Note 18.

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

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

29. INCOME TAXES

(a) INCOME TAX EXPENSE

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

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

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

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

(b) DEFERRED INCOME TAXES

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

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

| 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 | <u>\$ (1,858,699)</u> | <u>\$ (3,836)</u> | <u>\$ 18,472</u> | <u>\$ —</u> | <u>\$ (1,844,063)</u> |

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

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

(c) UNRECOGNIZED DEDUCTIBLE TEMPORARY DIFFERENCES AND UNUSED TAX LOSSES

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

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

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

(d) UNRECOGNIZED TAXABLE TEMPORARY DIFFERENCES ASSOCIATED WITH INVESTMENTS AND INTERESTS IN SUBSIDIARIES

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

30. SUPPLEMENTARY CASH FLOW INFORMATION

(a) NON-CASH INVESTING AND FINANCING TRANSACTIONS

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

(b) NET CHANGES IN NON-CASH OPERATING WORKING CAPITAL

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

Changes in non-cash working capital items are net of items related to property, plant and equipment.

31. OPERATING SEGMENTS

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

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

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

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

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

(i) Balances exclude discontinued operations.

SEGMENT OPERATING EARNINGS

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

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

(i) Excludes operating results of discontinued operations.

32. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

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

Operating Leases

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

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

33. CONTINGENCIES

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

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Contingent liabilities (excluding those relating to joint ventures and associates) | | |
| Indemnities | \$ 177,000 | \$ 177,000 |
| | <u>\$ 177,000</u> | <u>\$ 177,000</u> |

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 Alumbreira project. On August 22, 2008, the National Commercial Court No. 8 of the City of Buenos Aires issued a first-instance judgement rejecting the claim. The plaintiff appealed this judgement and a decision of the appellate court is pending. While the Company continues to consider that the plaintiff's allegations are unfounded and has been advised by its Argentine counsel that the appeal is unlikely to be successful; the outcome is not certain. There is no assurance that the Company will be wholly successful in confirming the first-instance judgement at appellate courts. There have not been any significant developments on this matter during the current year.

34. RELATED PARTIES

(a) PARENT AND SIGNIFICANT SUBSIDIARIES

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

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

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

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

(c) OTHER RELATED PARTIES TRANSACTIONS

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

35. TRANSITION TO IFRS

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

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

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

RECONCILIATION OF BALANCE SHEET AS AT JANUARY 1, 2010

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

RECONCILIATION OF BALANCE SHEET AS AT DECEMBER 31, 2010

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

RECONCILIATION OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

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

NOTES TO THE RECONCILIATION OF EQUITY

- (a) Under IFRS, significant parts of property, plant and equipment, with useful lives that differ significantly from the asset as a whole, are to be depreciated separately over their useful lives. No adjustment to property, plant and equipment and retained earnings was necessary.
- (b) The Company has elected to apply the IFRS 1 optional exemption for its decommissioning liabilities. Accordingly the decommissioning liabilities have been remeasured using the requirements of IFRIC 1 as at January 1, 2010. For the most part, measurement differences have arisen due to liability specific discount rates that have been applied under IFRS. The effect is to increase environmental rehabilitation liability by \$22.0 million, decrease decommissioning and restoration asset (under property, plant and equipment) by \$0.5 million for a total adjustment that decrease equity by \$22.4 million on transition to IFRS on January 1, 2010. The effect is to also decrease deferred income tax assets by \$0.8 million on transition to IFRS on January 1, 2010 and to decrease

deferred income tax liabilities by \$0.9 million. As at January 1, 2010 and December 31, 2010, the adjustments to equity include those noted above and described below in the comprehensive income reconciliation.

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

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

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

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

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

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

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

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

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

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

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

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

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

RECLASSIFICATIONS

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

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

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

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

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

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

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT FOR 2010

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

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

36. SUBSEQUENT EVENTS

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

**CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Peter Marrone, certify that:

1. I have reviewed this annual report on Form 40-F of Yamana Gold Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
 4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
-

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2012

/s/ Peter Marrone

Name: Peter Marrone

Title: Chairman and Chief Executive Officer

**CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Charles Main, certify that:

1. I have reviewed this annual report on Form 40-F of Yamana Gold Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
 4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
-

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2012

/s/ Charles Main

Name: Charles Main

Title: Executive Vice President, Finance and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

Yamana Gold Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended December 31, 2011 (the "Report").

I, Peter Marrone, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter Marrone

Name: Peter Marrone

Title: Chairman and Chief Executive Officer

Date: March 30, 2012

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

Yamana Gold Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended December 31, 2011 (the "Report").

I, Charles Main, Executive Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles Main

Name: Charles Main

Title: Executive Vice President,
Finance and Chief Financial Officer

Date: March 30, 2012

**CONSENT OF INDEPENDENT REGISTERED CHARTERED
ACCOUNTANTS**

We consent to the incorporation by reference in Registration Statements Nos. 333-173707 on Form F-10 and Nos. 333-145300, 333-148048, and 333-159047 on Form S-8; and to the use of our reports dated February 22, 2012 relating to the consolidated financial statements of Yamana Gold Inc. and subsidiaries (“Yamana”) and the effectiveness of Yamana’s internal control over financial reporting appearing in this Annual Report on Form 40-F of Yamana for the year ended December 31, 2011.

/s/ Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. ("Yamana") for the year ended December 31, 2011 (the "Form 40-F"), I, Evandro Cintra, Ph. D., P. Geo., Senior Vice President, Technical Services of Yamana, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Agua Rica Project as at December 31, 2011 (the "Estimates") and to the inclusion of references to and summaries of the Estimates (collectively, the "Incorporated Information") in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana's Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Evandro Cintra
Name: Evandro Cintra, Ph.D., Professional Geologist
Title: Senior Vice President, Technical Services

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Enrique Munoz Gonzalez, MAusIMM, Registered Member of the Chilean Mining Commission, hereby consent to the use of my name in connection with the reference to the mineral reserve estimates for the Agua Rica Project as at December 31, 2011 (the “Estimates”) and to the inclusion of references to and summaries of the Estimates (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

By: /s/ Enrique Munoz Gonzalez
Name: Enrique Munoz Gonzalez, MAusIMM, Registered Member of the Chilean Mining Commission
Title: Mining Engineer

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of the Chilean Mining Commission, Corporate Manager, Reserves of Yamana, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the C1 Santa Luz Project (excluding the C1 extension) and the Pilar Project (for Jordino), and the mineral reserve estimates for the Mercedes Project, the El Peñón Project and Minera Florida Project as at December 31, 2011 (the “Estimates”) and to the inclusion of references to and summaries of the Estimates (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Marco Antonio Alfaro Sironvalle
Name: Marco Antonio Alfaro Sironvalle, P.Eng., Ph.D. Eng., MAusIMM, Registered Member of the Chilean Mining Commission
Title: Corporate Manager, Reserves

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Chester M. Moore, P. Eng., of Roscoe Postle Associates Inc. (formerly known as Scott Wilson Roscoe Postle Associates Inc.), hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Amancaya Project and the La Pepa Project as at December 31, 2011 (the “Estimates”) and to the reports entitled “Technical Report on the Jacobina Mine Complex, Bahia State, Brazil” dated March 30, 2009, “Technical Report on the El Peñón Mine, Northern Chile” dated December 7, 2010 and “Technical Report on the Alhué Mine of Minera Florida Limitada, Central Chile, prepared for Yamana Gold Inc., Report for NI 43-101” dated March 22, 2010 (the “Reports”) and to the inclusion of references to and summaries of the Estimates and the Reports (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

ROSCOE POSTLE ASSOCIATES INC.

By: /s/ Chester M. Moore
Name: Chester M. Moore, P. Eng.
Title: Principal Geologist

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Emerson Ricardo Re, M.Sc., MAusIMM, Registered Member of the Chilean Mining Commission, Corporate Manager, Reserves and Resources of Yamana hereby consent to the use of my name in connection with the reference to the mineral reserve estimates for the Ernesto/Pau a Pique Project, Fazenda Brasileiro Project, C1 Santa Luz Project, Jacobina Project, the Pilar Project (for the Jordino Extension) and the Gualcamayo Project (excluding QDD Lower) as at December 31, 2011 (the “Estimates”) and to the reports entitled “Chapada Mine and Suruca Project, Goias State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011 and “Technical Report for Gualcamayo Project, San Juan, Argentina, Report for NI 43-101 pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 25, 2011 (the “Reports”) and to the inclusion of references to and summaries of the Estimates and the Reports (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Emerson Ricardo Re
Name: Emerson Ricardo Re, M.Sc., MAusIMM, Registered Member of the Chilean Mining Commission
Title: Corporate Manager, Reserves and Resources

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Stuart Collins, P. E., of Roscoe Postle Associates Inc. (formerly known as Scott Wilson Roscoe Postle Associates Inc.), hereby consent to the use of my name in connection with the reports entitled “Technical Report on the El Peñón Mine, Northern Chile” dated December 7, 2010, and “Technical Report on the Alhué Mine of Minera Florida Limitada, Central Chile, prepared for Yamana Gold Inc., Report for NI 43-101” dated March 22, 2010 (the “Reports”) and to the inclusion of references to and summaries of the Reports (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

ROSCOE POSTLE ASSOCIATES INC.

By: /s/ Stuart Collins
Name: Stuart Collins, P.E.
Title: Principal Mining Engineer

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. ("Yamana") for the year ended December 31, 2011 (the "Form 40-F"), I, Greg Walker, P. Geo., Senior Manager, Resource Estimation of Yamana, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Mercedes Project as at December 31, 2011 (the "Estimates") and the report entitled "Chapada Mine and Suruca Project, Goias State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators" dated March 7, 2011 (the "Report") and to the inclusion of references to and summaries of the Estimates and the Report (collectively, the "Incorporated Information") in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana's Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Greg Walker
Name: Greg Walker, P. Geo.
Title: Senior Manager, Resource Estimation

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Julio Bruna Novillo, AusIMM, Member of CIM, of Xstrata Plc, hereby consent to the use of my name in connection with the reference to the mineral reserve and mineral resource estimates for the Alumbreira Project as at December 31, 2011 (the “Estimates”) and to the inclusion of references to and summaries of the Estimates (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

XSTRATA PLC

By: /s/ Julio Bruna Novillo
Name: Julio Bruna Novillo, AusIMM, Member of CIM
Title: Superintendent Geology — MAA

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F, we hereby consent to the use of our name in connection with the reference to the mineral resource estimate for the Suyai Project as at December 31, 2011 (the "Estimate"); and to references to the inclusion of the Estimate in the Annual Report on Form 40-F.

We also consent to the incorporation by reference of the above mentioned Annual Report on Form 40-F in the Registration Statements No. 333-173707 on Form F-10 and Nos. 333-145300, 333-148048 and 333-159047 on Form S-8.

WESTERN SERVICES ENGINEERING INC.

By: /s/ Robin J. Young
Name: Robin J. Young
Title: P. Geo.

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Raul Contreras, MAusIMM, Registered Member of the Chilean Mining Commission, Senior Consultant, Resource Estimation of Metalica Consultores S.A., hereby consent to the use of my name in connection with the reference to the mineral reserve and mineral resource estimates for the Chapada Project (for Suruca) as at December 31, 2011 (the “Estimates”) and the report entitled “Chapada Mine and Suruca Project, Goias State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011 (the “Report”) and to the inclusion of references to and summaries of the Estimates and the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

METALICA CONSULTORES S.A.

By: /s/ Raul Contreras
Name: Raul Contreras, MAusIMM, Registered Member of the Chilean Mining Commission
Title: Senior Consultant, Resource Estimation

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Guillermo Bagioli Arce, MAusIMM, Registered Member of the Chilean Mining Commission, of Metalica Consultores S.A., hereby consent to the use of my name in connection with the reference to the mineral reserve estimates for the Gualcamayo Project (for QDD Lower), the Pilar Project (for Jordino) and the Jeronimo Project as at December 31, 2011 (the “Estimates”) and the report entitled “Technical Report for Gualcamayo Project, San Juan, Argentina, Report for NI 43-101 pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 25, 2011 (the “Report”) and to the inclusion of references to and summaries of the Estimates and the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

METALICA CONSULTORES S.A.

By: /s/ Guillermo Bagioli Arce
Name: Guillermo Bagioli Arce
Title: MAusIMM, Registered Member of the Chilean Mining Commission

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Normand Lecuyer, B. Sc., P. Eng. of Roscoe Postle Associates Inc. (formerly known as Scott Wilson Roscoe Postle Associates Inc.), hereby consent to the use of my name in connection with the reference to the report entitled “Technical Report on the Jacobina Mine Complex, Bahia State, Brazil” dated March 30, 2009 (the “Report”) and to the inclusion of references to and summaries of the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

ROSCOE POSTLE ASSOCIATES INC.

By: /s/ Normand Lecuyer
Name: Normand Lecuyer, P. Eng.
Title: Principal Mining Engineer

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Homero Delboni Jr., Ph. D., Senior Consultant of HDA Serviços s/s Ltda., hereby consent to the use of my name in connection with the reference to the report entitled “Chapada Mine and Suruca Project, Goiás State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011 (the “Report”) and to the inclusion of references to and summaries of the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

HDA SERVIÇOS S/S LTDA.

By: /s/ Homero Delboni Jr.
Name: Homero Delboni Jr., Ph.D.
Title: Senior Consultant

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Kevin C. Scott, P. Eng., hereby consent to the use of my name in connection with the reference to the report entitled “Technical Report on the El Peñón Mine, Northern Chile” dated December 7, 2010 (the “Report”) and to the inclusion of references to and summaries of the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

By: /s/ Kevin C. Scott
Name: Kevin C. Scott
Title: P. Eng.

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Dominique François-Bongarçon, Ph.D, FAusIMM, of Agoratek International, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Jeronimo Project as at December 31, 2011 (the “Estimates”) and to the inclusion of references to and summaries of the Estimates (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

AGORATEK INTERNATIONAL

By: /s/ Dominique François-Bongarçon
Name: Dominique François-Bongarçon, Ph.D, FAusIMM
Title: President

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Marcos Valencia A., P. Geo., Regional Resource Estimation Manager, Andes Exploration of Yamana, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Gualcamayo Project, the El Peñón Mine and the Minera Florida Mine as at December 31, 2011 (the “Estimates”) and the report entitled “Technical Report for Gualcamayo Project, San Juan, Argentina, Report for NI 43-101 pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 25, 2011 (the “Report”) and to the inclusion of references to and summaries of the Estimates and the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Marcos Valencia A.
Name: Marcos Valencia A., P. Geo.
Title: Regional Resource Estimation Manager, Andes
Exploration

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Sergio Brandão Silva, P.Ge., Exploration Director, Brazil, of Yamana, hereby consent to the use of my name in connection with the reference to the mineral resource estimates for the Pilar Project (for the Jordino Down Dip, Tres Buracos, HG and Ogo Extension), the Ernesto/Pau a Pique Project, the Jacobina Project, the C1 Santa Luz Project (for the C1 extension) and the Fazenda Brasileiro Project as at December 31, 2011 (the “Estimates”) and the report entitled “Chapada Mine and Suruca Project, Goiás State, Brazil, Technical Report pursuant to National Instrument 43-101 of the Canadian Securities Administrators” dated March 7, 2011 (the “Report”) and to the inclusion of references to and summaries of the Estimates and the Report (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

YAMANA GOLD INC.

By: /s/ Sergio Brandão Silva
Name: Sergio Brandão Silva, P.Ge.
Title: Exploration Director, Brazil

March 30, 2012

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Yamana Gold Inc. (“Yamana”) for the year ended December 31, 2011 (the “Form 40-F”), I, Porfirio Cabaleiro Rodriguez, BSc Mine Eng, MAIG of Coffey Mining Pty Ltd, hereby consent to the use of my name in connection with the reference to the mineral reserve and mineral resource estimates for the Chapada Project (excluding Suruca) as at December 31, 2011 (the “Estimates”) and to the inclusion of references to and summaries of the Estimates (collectively, the “Incorporated Information”) in the Annual Information Form filed as an exhibit to the Form 40-F.

I do also hereby consent to the use of my name and the incorporation by reference of the Estimates in Yamana’s Registration Statement on Form F-10 (File No. 333-173707) and Registration Statements on Form S-8 (File Nos. 333-148048; 333-145300; 333-159047).

COFFEY MINING PTY LTD

By: /s/ Porfirio Cabaleiro Rodriguez
Name: Porfirio Cabaleiro Rodriguez
Title: MAIG

March 30, 2012
