YAMANAGOLD

www.yamana.com

2011 First Quarter Report

Cover Photo:

The Gualcamayo mine, an open pit gold operation with three substantial zones of gold mineralization, is located in the northern San Juan province of Argentina.

2011 Financial Review

Management's Discussion & Analysis of Operations & Financial Condition 1

Consolidated Interim Statements of Operations 30

Consolidated Interim Statements of Comprehensive Income 30

Consolidated Interim Statements of Cash Flows 31

Consolidated Interim Balance Sheets 32

Consolidated Interim Statements of Changes in Equity 33

Notes to the Consolidated Interim Financial Statements 34

Management's Discussion & Analysis of Operations & Financial Condition

(United States Dollars unless otherwise specified, in accordance with International Financial Reporting Standards ("IFRS"))
A cautionary note regarding forward-looking statements follows this Management's Discussion and Analysis of Operations and Financial Condition.

1. CORE BUSINESS

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

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

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

2. HIGHLIGHTS

Financial

Three months ended March 31, 2011

- Revenues of $476.1 million, an increase of 37% over the first quarter of 2010.
- Net earnings of $148.2 million or $0.20 basic and diluted earnings per share, representing an increase of 13% over the first quarter of 2010.
- Adjusted Earnings (a non-GAAP measure) of $152.2 million, representing basic and diluted Adjusted Earnings per share of $0.21, an increase of 100% over the first quarter of 2010.
- Mine operating earnings of $238.5 million, an 82% increase over the first quarter of 2010.
- Cash flows generated from operations before changes in non-cash working capital of $282.3 million, representing an increase of 73%, compared with the first quarter of 2010.
- Cash and cash equivalents at March 31, 2011 were $460.4 million, a 39% increase from December 31, 2010.

Operational

Three months ended March 31, 2011

- Production of 267,368 GEO was 11% higher than production from continuing operations in the first quarter of 2010. Production of wholly owned mines is summarized as follows:

For the three months ended March 31, (In GEO)	**2011**	2010
Chapada	33,392	27,794
El Peñón	115,798	108,437
Jacobina	30,319	25,022
Gualcamayo	37,597	29,462
Minera Florida	27,635	20,630
Fazenda Brasileiro	11,252	14,738

- Production of 221,489 gold ounces and 2.3 million silver ounces, which for presentation purposes only is treated as a gold equivalent at a ratio of 50:1.
- Quarter-over-quarter increase in production of wholly owned mines was 13%, highlighted by production increases at Minera Florida, Gualcamayo, Jacobina, Chapada and El Peñón of 34%, 28%, 21%, 20% and 7% respectively, compared with the first quarter of 2010.
- By-product cash costs of $14 per GEO, compared to $86 per GEO in the first quarter of 2010 from continuing operations.
- Co-product cash costs of $449 per GEO.
- Co-product cash costs per pound of copper at Chapada of $1.21 on production of 38.5 million pounds of copper contained in concentrate.

Development and Exploration

- In March, the Company announced an arrangement with the current joint venture partners of the Alumbrera Mine to facilitate the integration of the Company-owned Agua Rica into Alumbrera. Subject to the other joint venture partners' option to have Alumbrera acquire the assets of Agua Rica, and following the integration of the projects, Yamana would own 12.5% of the combined project. In addition, the Company will receive a combination of initial and option payments and deferred consideration, which allows Yamana to retain positive exposure to the majority of the significant gold resources at the Agua Rica project.
- Construction of the Mercedes project is on schedule with production expected to commence by end of first quarter 2012. Exploration at Mercedes continued to confirm the continuation of high grades of Lagunas Norte in the Barrancas system. The results of this exploration and the acceleration of the development of Lagunas Norte is expected to continue to increase and upgrade the total mineral resources at Mercedes, and extend mine life providing the Company the flexibility to increase production above initial levels.
- Exploration at Pilar confirmed mineralization along a 2.6 kilometre down dip extension of the current resource. The Company has already increased the capacity of the mill by 30% from feasibility levels and will continue to assess potential increases to production and mine life with a strategic plan to fully utilize the increased capacity beginning 2014. Start-up is expected in the first quarter of 2013.
- Mining of higher grade areas is expected to increase average annual production at Jacobina to 150,000 gold ounces in 2014.
- At the Jeronimo project in Chile, based on the pre-feasibility study recently completed, the Company is evaluating processing methods for better recoveries to optimize the project economics. A feasibility study is expected by end of year.
- New gold mineralized zones with favourable results discovered in near-mine exploration:
  - Chapada – completed pre-feasibility study of Suruca with results supporting additional reserves of 1.05 million ounces of gold. A feasibility study is in progress to be delivered late 2011.
  - Fazenda Brasileiro – discovery of CLX_2 representing the best and most immediate opportunity for increase in grades, increase in mineral resources and extension of mine life of Fazenda Brasileiro.
  - Jacobina – infill and step-out drilling results indicating high-grade mineralized zones at Morro do Vento and Canavieiras as significant near-mine targets likely to increase in the grade of mineral reserves and resources.
  - Gualcamayo – discovery of the Rodado mineralized zone during tunnel development to reach QDD Lower West; continued exploration effort to extend Salamanca with update of inferred resources expected in 2011; underground development is progressing accordingly to meet production start up in 2013.
  - El Peñón – discovery of Elizabeth, a new sub parallel vein system intersecting a new mineralized structure 200 metres east of the Victoria Este vein system.
  - Minera Florida – discovery of Victoria, a high-grade deposit, representing new ounces to replace resources and reserves. The construction license for reprocessing the tailings was granted and plant construction initiated.

3. OUTLOOK AND STRATEGY

The Company continues to focus on building sustainable and reliable gold production through optimizing existing operations, expanding current, near-term and in-development production plans, developing new operations and advancing its exploration properties. The Company expects to succeed in attaining its objectives set for the near-term and beyond through a disciplined approach to growth and cost management. The Company's 2011 targets include:

- Produce 1.04 million to 1.14 million gold equivalent ounces ("GEO") comprised of the following:

Gold (oz)	Silver (oz)
860,000 – 965,000	8.5 million – 9.5 million

- Continue to focus on cost containment with by-product costs expected to be below $250 per GEO.
- Continue to deliver strong financial results and significant free cash flow.
- Advance the four development projects which are expected to begin production over the next two years and which will contribute an additional average annual production of 440,000 GEO.
- Unlock further value within existing portfolio: Agua Rica and Suyai in Argentina and Jeronimo in Chile.
- Focus exploration on several new areas of mineralization discovered in 2009 and 2010.
- Increase gold mineral reserves and gold mineral resources.
- Uphold best practices and international standards in safety, health, environmental protection and community relations.

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

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

The Company continues to enhance the value of Agua Rica. In March 2011, the Company announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that would facilitate the integration of Agua Rica into Minera Alumbrera. Following the integration, Xstrata, Goldcorp and Yamana would own interests in the combined projects of 50%, 37.5% and 12.5% respectively, consistent with their current interest in Alumbrera. Subject to Xstrata and Goldcorp exercising their option to have Alumbrera acquire all assets related to 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 and option 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 deferred consideration, which would allow Yamana to retain positive exposure to the majority of the significant gold resources at the Agua Rica project.

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

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

	Expected average annual contribution	Expected start-date
C1 Santa Luz *(i)*	100,000 gold ounces	Late-2012
Mercedes	120,000 GEO	Mid-2012
Ernesto/Pau-a-Pique *(i)*	100,000 gold ounces	Late-2012
Pilar	120,000 gold ounces	Early-2013

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

Investment in capital expenditures for 2011 is expected to be approximately $640 million, of which $200 million is for sustaining capital. This excludes capitalized exploration.

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

With approximately $990 million of available cash and undrawn credit available at the end of the first quarter of 2011, in addition to expected robust cash flows from operations, the Company is fully funded for its expected growth.

4. OVERVIEW OF FINANCIAL RESULTS

Quarterly Financial Review

- Net earnings of $148.2 million or $0.20 basic and diluted earnings per share, compared with $131.5 million or $0.18 basic and diluted earnings per share from the same quarter of 2010.
- Adjusted earnings (a non-GAAP measure) of $152.2 million or $0.21 basic and diluted earnings per share, an increase of 100% over the same quarter of 2010.
- Revenues of $476.1 million, up 37% from the first quarter of 2010.
- Mine operating earnings of $238.5 million, an increase of 82% from the first quarter of 2010.
- Cash flows generated from operations before changes in non-cash working capital of $282.3 million compared with $163.1 million in the first quarter of 2010.

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

Three months ended March 31, (in thousands of United States Dollars)	2011	2010
Revenues	$ 476,077	$ 346,341
Cost of sales excluding depletion, depreciation and amortization	(157,102)	(145,143)
Gross margin	318,975	201,198
Depletion, depreciation and amortization	(80,511)	(70,049)
Mine operating earnings	238,464	131,149
Expenses		
General and administrative	(27,436)	(25,324)
Exploration	(6,478)	(6,758)
Equity earnings from Minera Alumbrera	11,732	11,652
Other operating (expenses) income	(3,614)	825
Operating earnings	212,668	111,544
Finance income	5,335	4,586
Finance expense	(11,528)	(29,474)
Net finance expense	(6,194)	(24,888)
Earnings from continuing operations before income taxes, and non-controlling interest	206,475	86,656
Income tax (expense) recovery	(58,227)	37,529
Earnings from continuing operations	148,248	124,185
Earnings from discontinued operations *(i)*	-	7,352
Net earnings	$ 148,248	$ 131,537
Earnings Adjustments *(ii)*:		
Non-cash unrealized foreign exchange losses on income taxes	(1,493)	(60,233)
Other non-cash unrealized foreign exchange gains	259	8,240
Non-cash unrealized gains on derivatives	(32)	(4,586)
Share-purchase warrant mark-to-market gain	(140)	(3,508)
Stock-based and other compensation	2,844	6,049
Future income tax expense (recovery) on translation of intercompany debt	2,251	(3,772)
Other non-recurring loss	263	1,966
Adjusted Earnings before income tax effects	152,200	75,693
Income tax effect of adjustments	8	231
Adjusted Earnings *(ii)*	$ 152,208	$ 75,924
Earnings per share – basic and diluted	$ 0.20	$ 0.18
Adjusted Earnings per share – basic and diluted *(ii)*	$ 0.21	$ 0.10

(i) 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.

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

Transition to IFRS

Effective the first quarter of 2011, the Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The comparative financial information of 2010 in this Management Discussion and Analysis has also been restated to conform to IFRS. This Management Discussion and Analysis should be read in conjunction with *Note 30* "Transition to IFRS" to the consolidated financial statements.

To transition from Canadian GAAP to IFRS, the main adjustment to net earnings was the revaluation of deferred income tax assets and liabilities related to non-monetary items using current exchange rates rather than historical exchange rates as it was the case under Canadian GAAP. Under IFRS, the use of current exchange rates in the revaluation of deferred income tax assets and liabilities increases volatility in income tax expense and net earnings period to period. The calculation of Adjusted Earnings excludes foreign exchange gains and losses, therefore, the effect of revaluating deferred income tax assets and liabilities due to movements in foreign currencies is excluded from the Adjusted Earnings calculation.

Prior to January 1, 2011, the Company used the non-GAAP financial measure "cash flows from operating activities before changes in non-cash working capital" to supplement its consolidated financial statements. Coincident with the IFRS disclosure requirement for finance income received or expense paid and income tax paid to be presented as separate items in the statement of cash flows, the Company has determined to replace "cash flows from operating activities before changes in non-cash working capital" with "cash flows generated from operations before changes in non-cash working capital" by excluding finance income received and finance expense paid in the calculation of "cash flows generated from operations before changes in working capital". Finance income is now included in the determination of cash flows from investing activities and finance expense is now included in the determination of cash flows from financing activities. Additionally, in accordance with IFRS, the Company now reflects income taxes paid or received in the calculation of operation cash flows on a cash basis excluding any impact of movements in the income tax liability or receivable. While changes are effected to comply with the requirements of IFRS, every possible effort has been made to maintain consistency between the current composition of cash flows from operating activities and the version under Canadian GAAP to the extent possible. Management expects that the measure better reflects the Company's cash flow generating capabilities for investors.

Overview of Financial Results

Gold, silver and copper prices continued on an upward trend and remained strong during the quarter. For the quarter, realized prices of gold, silver and copper increased by 27%, 95% and 35% respectively, over the first quarter of 2010.

Net earnings for the quarter were $148.2 million compared with net earnings of $131.5 million for the first quarter of 2010, which included earnings from discontinued operations of $7.4 million. Earnings per share were $0.20 on a basic and diluted basis for the first quarter of 2011, compared with basic and diluted earnings per share of $0.18 for the same quarter in 2010.

Adjusted Earnings were $152.2 million or $0.21 per share in the first quarter of 2011 compared with $75.9 million or $0.10 per share in the same quarter of 2010 representing an increase of 100% on a per share basis. Higher Adjusted Earnings in the first quarter of 2011 were mainly due to an increase in adjusted mine operating earnings, partly offset by higher income tax expense compared with the same quarter of 2010 when income tax expense was favorably impacted by the revaluation of deferred income tax liability related to non-monetary items using current exchange rate. Under IFRS, use of current exchange rate in the revaluation of deferred income tax asset and liability can increase volatility in income tax expense period to period.

Revenues were $476.1 million in the first quarter consisting of 208,135 ounces of gold, 2.3 million ounces of silver, and 29.7 million pounds of copper compared with $346.3 million in the same quarter of 2010. Sales quantities for the quarter were lower than production. The Company had metal concentrate inventory of 11,800 tonnes awaiting shipment as of March 31 resulting in an increase in inventory at the end of the quarter. Shortly after quarter end, a $32.5 million shipment was made comprised of 11,000 tonnes of metal concentrate, which will positively impact second quarter earnings. First quarter revenues were also impacted by an increase in metal prices vis-à-vis the same quarter of 2010. Higher revenues contributed to higher mine operating earnings of $238.5 million in the quarter, compared to $131.1 million in the first quarter of 2010.

The average prices of gold, copper and silver for the first quarter of 2011 and 2010 are summarized below:

	Realized prices *(i)*		Market prices	
For the three months ended March 31,	2011	2010	2011	2010
Gold (per oz.)	$ 1,387	$ 1,114	$ 1,388	$ 1,109
Silver (per oz.)	$ 33.99	$ 17.07	$ 30.27	$ 16.93
Copper (per lb.)	$ 4.28	$ 3.25	$ 4.37	$ 3.29

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

Revenues for the quarter are comprised of the following:

For the quarter ended March 31, 2011	Quantity sold	Realized price	Revenues (in 000's)
Gold *(i)*	208,135 oz.	$ 1,387	$ 288,775
Silver	2,297,683 oz.	$ 33.99	78,090
Total Precious Metals	254,088 GEO		366,865
Copper *(i)*	29,691,807 lbs.	$ 4.28	127,077
Gross Revenues			$ 493,942
Add (deduct):			
- Treatment and refining charges of gold and copper concentrate			$ (5,185)
- Sales taxes			(9,130)
- Metal price adjustments related to concentrate revenues			(4,631)
- Other adjustments			1,081
Revenues			$ 476,077

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

Cost of sales excluding depletion, depreciation and amortization for the quarter was $157.1 million compared with $145.1 million in the first quarter of 2010. The following table provides a reconciliation of the co-product cash costs to the cost of sales of the quarter:

For the quarter ended March 31, 2011	Gold ounces or pounds of copper produced	Co-product cash cost per unit	Total (in 000's)
Chapada – Gold	33,392 oz.	$ 286	$ 9,552
Chapada – Copper	38,481,570 lbs.	1.21	46,461
El Peñón (GEO) *(i)*	115,798 oz.	397	45,986
Jacobina	30,319 oz.	611	18,536
Gualcamayo	37,597 oz.	507	19,073
Minera Florida (GEO) *(i)*	27,635 oz.	476	13,143
Fazenda Brasileiro	11,252 oz.	968	10,889
Co-product cash cost of sales (non-GAAP measure)			$ 163,640
Add (deduct):			
- Inventory and other non-cash adjustments			(8,368)
- Chapada concentrate treatment and refining charges			(5,185)
- Other commercial costs			3,888
- Overseas freight for Chapada concentrate			3,127
Cost of sales excluding depletion, depreciation and amortization			$ 157,102

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

Depletion, depreciation and amortization and ("DDA") expense for the quarter was $80.5 million, a 15% increase from $70.0 million in the first quarter of 2010. Increase in DDA was mainly due to the additional DDA related increase volume of sales.

General and administrative expenses of $27.4 million for the quarter versus $24.5 million for the first quarter of 2010 mainly reflected the impact of the strengthened Brazilian Real and Chilean Peso against the United States Dollar on expenses settled in those currencies.

For the quarter, finance income was $5.3 million compared with $4.6 million in the same quarter of 2010. Financing expenses were $11.5 million compared with an expense of $29.5 million in the first quarter of 2010. Lower finance expenses primarily reflect increase amount of capitalized interest, lower financing fees incurred in 2011, and higher foreign exchange losses recorded during the first quarter of 2010.

The Company recorded equity earnings from its 12.5% interest in Alumbrera of $11.7 million for the quarter, an amount similar to that attributable to the Company in the quarter ended March 31, 2010. During the quarter, the Company received $20.4 million of cash dividends from Alumbrera compared to $12.9 million in the first quarter of 2010, representing an increase of 58%.

Cash flow generated from operations before changes in working capital were $282.3 million compared with $163.1 million for the first quarter of 2010, which has been restated to reflect the composition of the revised measure for cash flows. Cash flows from operating activities after changes in non-cash working capital were $228.9 million for the first quarter compared with $141.4 million for the quarter ended March 31, 2010 from continuing operations. Using the previous calculation methodology, first quarter 2011 cash flows from operating activities before changes in working capital would be approximately $262 million, representing a 90% increase over $137.8 million of cash flows from operating activities before changes in working capital as reported in the first quarter of 2010.

The difference between cash flows generated from operations before changes in working capital and cash from operations after changes in working capital is primarily accounted for by the movement in trade accounts receivable as metal prices were higher at the end of the quarter versus the end of 2010 and higher metal quantities reflected in trade accounts receivable due to the timing of sales, partly offset by higher income tax paid. The increase in cash flows from operations was primarily due to an increase in gold and copper prices generating higher sales revenues and positive pricing adjustments for copper in concentrate.

Cash and cash equivalents as at March 31, 2011 were $460.4 million, representing an increase of $129.9 million since December 31, 2010 primarily as a result of increased cash flows from operating activities.

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

(in thousands of United States Dollars)	March 31, **2011**	December 31, 2010	September 30, 2010	June 30, 2010
Financial results				
Revenues *(ii)*	$ 476,077	$ 535,130	$ 453,965	$ 351,375
Mine operating earnings	$ 238,464	$ 270,894	$ 200,937	$ 143,531
Earnings from continuing operations	$ 148,248	$ 211,340	$ 114,539	$ 7,797
Net earnings for the period	$ 148,248	$ 154,457	$ 110,353	$ 70,141
Adjusted earnings *(iv)*	$ 152,208	$ 170,979	$ 117,250	$ 84,050
Cash flows from operating activities of continuing operations	$ 228,898	$ 258,314	$ 158,215	$ 123,445
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	$ 282,306	$ 288,094	$ 219,977	$ 187,049
Cash flows to investing activities of continuing operations	$ (109,445)	$ (151,256)	$ (129,116)	$ (56,933)
Cash flows from (to) financing activities of continuing operations	$ 7,113	$ (54,199)	$ (19,532)	$ (27,362)
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.20	$ 0.28	$ 0.15	$ 0.02
Diluted	$ 0.20	$ 0.28	$ 0.15	$ 0.02
Earnings per share				
Basic	$ 0.20	$ 0.21	$ 0.15	$ 0.09
Diluted	$ 0.20	$ 0.21	$ 0.15	$ 0.09
Adjusted Earnings per share				
Basic	$ 0.21	$ 0.23	$ 0.16	$ 0.12
Diluted	$ 0.21	$ 0.23	$ 0.16	$ 0.12
Financial position				
Cash and cash equivalents	$ 460,430	$ 330,498	$ 279,691	$ 262,223
Total assets	$10,419,977	$10,303,873	$10,049,351	$ 9,626,861
Total long-term liabilities	$ 2,854,475	$ 2,823,105	$ 2,862,427	$ 2,760,105
Production				
Commercial GEO – continuing operations *(v)*	267,368	286,682	267,409	253,264
GEO – discontinued operations *(i)*	-	-	-	10,052
Total GEO produced	267,368	286,682	267,409	263,316
Commercial GEO – continuing operations excluding 12.5% equity interest in Alumbrera *(v)*	255,994	272,621	256,039	241,794
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 14	$ (34)	$ 58	$ 103
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 449	$ 465	$ 439	$ 434
Chapada concentrate production (tonnes)	69,236	69,869	76,808	65,859
Chapada copper contained in concentrate production (millions of lbs)	38.5	39.9	42.8	37.0
Chapada co-product cash costs per pound of copper	$ 1.21	$ 1.20	$ 1.14	$ 1.13
Alumbrera (12.5% interest) concentrate production (tonnes)	12,690	16,422	15,487	16,480
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lbs.)	7.1	9.3	8.3	9.3
Alumbrera co-product cash costs per lb. of copper *(iv)*	1.85	1.37	1.53	1.52
Gold Equivalent Ounces Breakdown – Continuing Operations				
Total gold ounces produced	221,489	243,407	222,299	208,399
Silver ounces produced (millions of ounces)	2.3	2.4	2.5	2.5
Sales				
Commercial gold sales – continuing operations (ounces)	219,547	234,708	227,189	202,559
Gold sales – discontinued operations (ounces) *(i)*	-	-	-	11,268
Total gold sales (ounces)	219,547	234,708	227,189	213,827
Commercial gold sales – continuing operations excluding Alumbrera (ounces)	208,135	221,757	217,094	186,921
Chapada concentrate sales (tonnes)	57,909	74,009	81,127	57,895
Chapada payable copper contained in concentrate sales (millions of lbs)	29.7	39.6	43.5	31.6
Silver sales (millions of ounces)	2.3	2.4	2.5	2.6
Average realized gold price per ounce *(ii)*	$ 1,387	$ 1,374	$ 1,235	$ 1,201
Average realized copper price per pound (excluding derivative contracts) *(ii)*	$ 4.28	$ 3.81	$ 3.27	$ 3.07
Average realized silver price per ounce *(ii)*	$ 33.99	$ 28.20	$ 19.73	$ 18.45

(in thousands of United States Dollars)	March 31, 2010	December 31, 2009 *(vi)*	September 30, 2009 *(vi)*	June 30, 2009 *(vi)*
Financial results				
Revenues *(ii)*	$ 346,341	$ 399,825	$ 333,179	$ 236,710
Mine operating earnings	$ 131,149	$ 184,341	$ 136,419	$ 81,558
Earnings from continuing operations	$ 124,184	$ 53,458	$ 54,446	$ 21,400
Net earnings for the period	$ 131,536	$ 36,175	$ 60,823	$ 9,641
Adjusted Earnings *(iv)*	$ 75,924	$ 100,863	$ 88,340	$ 95,814
Cash flows from operating activities of continuing operations	$ 141,356	$ 211,206	$ 144,249	$ 115,824
Cash flows generated from operations of continuing operations before changes in non-cash working capital items *(iv)*	$ 163,082	$ 155,225	$ 167,741	$ 104,635
Cash flows to investing activities of continuing operations	$ (123,334)	$ (90,532)	$ (152,160)	$ (123,001)
Cash flows from (to) financing activities of continuing operations	$ 32,223	$ (10,578)	$ (28,212)	$ 2,559
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.17	$ 0.07	$ 0.07	$ 0.04
Diluted	$ 0.17	$ 0.07	$ 0.07	$ 0.04
Earnings per share				
Basic	$ 0.18	$ 0.05	$ 0.08	$ 0.01
Diluted	$ 0.18	$ 0.05	$ 0.08	$ 0.01
Adjusted Earnings per share				
Basic	$ 0.10	$ 0.14	$ 0.12	$ 0.13
Diluted	$ 0.10	$ 0.14	$ 0.12	$ 0.13
Financial Position				
Cash and cash equivalents	$ 221,983	$ 170,070	$ 97,498	$ 93,102
Total assets	$9,785,771	$9,707,260	$9,550,270	$9,421,659
Total long-term liabilities	$2,747,153	$2,589,460	$2,445,613	$2,368,298
Production				
Commercial GEO – continuing operations *(v)*	239,838	289,456	269,191	217,162
GEO – discontinued operations *(i)*	33,236	35,796	45,516	48,065
Commissioning GEO produced *(iii)*	-	-	-	24,347
Total GEO produced	273,074	325,252	314,707	289,574
Commercial GEO – continuing operations excluding 12.5% equity interest in Alumbrera *(v)*	226,081	277,912	259,359	201,533
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 86	$ 38	$ 47	$ 111
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbrera *(iv)(v)*	$ 423	$ 366	$ 350	$ 362
Chapada concentrate production (tonnes)	51,659	63,990	62,783	61,785
Chapada copper contained in concentrate production (millions of lbs)	29.7	37.0	36.3	35.6
Chapada co-product cash costs per pound of copper	$ 1.24	$ 1.05	$ 1.07	$ 0.91
Gold Equivalent Ounces Breakdown – Continuing Operations				
Total gold ounces produced	190,663	238,438	216,273	196,096
Silver ounces produced (millions of ounces)	2.7	2.8	2.9	2.5
Sales				
Commercial gold sales – continuing operations (ounces)	197,597	232,923	215,138	161,388
Commissioning gold sales (ounces)	-	-	-	24,698
Gold sales – discontinued operations (ounces)	36,664	35,941	40,601	44,187
Total gold sales (ounces)	234,261	268,864	255,739	230,273
Commercial gold sales – continuing operations excluding Alumbrera (ounces)	187,341	222,008	203,947	145,695
Chapada concentrate sales (tonnes)	51,795	63,646	65,693	67,291
Chapada payable copper contained in concentrate sales (millions of lbs)	29.1	34.6	36.1	34.2
Silver sales (millions of ounces)	2.7	2.9	2.8	2.4
Average realized gold price per ounce *(ii)*	$ 1,114	$ 1,095	$ 962	$ 922
Average realized copper price per pound (excluding derivative contracts) *(ii)*	$ 3.25	$ 3.18	$ 2.74	$ 2.06
Average realized silver price per ounce *(ii)*	$ 17.07	$ 17.47	$ 14.97	$ 14.03

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

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

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

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

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

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

5. OPERATING MINES

Overview of Quarterly Operating Results

In the three months ended March 31, 2011, production of gold equivalent ounces ("GEO") totaled 267,368 GEO compared with 239,838 GEO in 2010 from continuing operations, representing a quarter-to-quarter increase of 11%.

In the first quarter, copper production of 38.5 million pounds from the Chapada Mine increased by 30% over production of 29.7 million pounds in the first three months of 2010. Tonnage of copper concentrate production at Chapada also increased by 34% over the first quarter of 2010. Additionally, 7.1 million pounds of copper produced from Alumbrera were attributable to the Company in the first three months of 2011, compared to 11.8 million pounds in the same quarter of 2010.

For the quarter, by-product cash costs including Alumbrera were $14 per GEO and excluding Alumbrera were $79 per GEO compared with $86 per GEO and $161 per GEO of continuing operations, respectively, in the first quarter of 2010. By-product cash costs take into account of the natural hedge of by-product metal prices for the Company's production cost structure. By-product credits inherently offset unusually high mining inflation during periods of high metal prices. The Company believes that by-product cash costs are a better representation of its cost structure. Lower by-product cash costs compared to last year reflect strong cost containment and strong copper prices which mitigated cost pressures due to mining industry inflation and the appreciation of currencies in the countries where the Company's mines are located. Quarter-over-quarter, value of the Chilean Peso increased by 9% and the Brazilian Real went up 8% against the United States Dollar. The Company hedges approximately 50% of the operating expenses of its mines in Brazil with an average contract rate of 2.07 Reais per United States Dollar that largely offset the foreign exchange losses related to operating expenses incurred in Reais.

Average co-product cash costs for the quarter were $449 per GEO including Alumbrera and $458 per GEO excluding Alumbrera. This compares to co-product cash costs of continuing operations of $423 per GEO and $434 per GEO, respectively, for the quarter ended March 31, 2010. Increase in average co-product costs was mainly due to the strengthened exchange rates for the Brazilian Reais and Chilean Pesos.

Co-product cash costs per pound of copper were $1.21 for the quarter from Chapada, compared with $1.24 and co-product cash costs including the Company's interest in the Alumbrera Mine, were $1.31 per pound of copper, compared with $1.14 for the quarter ended March 31, 2010.

The following table summarizes GEO production from operations by mine for the first quarter of 2011 with comparatives:

For the three months ended March 31,	**2011**		2010	
	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO ($) *(i)*	Gold Equivalent Ounce (GEO)	By-product Cash Cost per GEO ($) *(i)*
Brazil				
Chapada	33,392	(2,615)	27,794	(1,876)
Jacobina	30,319	611	25,022	687
Fazenda Brasileiro	11,252	968	14,738	622
Chile				
El Peñón *(ii)*	115,798	397	108,437	384
Minera Florida *(ii)*	27,635	476	20,630	363
Argentina				
Gualcamayo	37,597	507	29,462	443
Total production, excluding Alumbrera	255,994	79	226,083	161
Alumbrera (12.5% interest)	11,374	(1,452)	13,755	(1,142)
Total production from continuing operations	267,368	14	239,838	86

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

(ii) First quarter 2011 gold production: El Peñón – 73,568 ounces; Minera Florida – 23,986 ounces, and silver production: El Peñón – 2.1 million ounces; Mineral Florida – 0.2 million ounces. Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio of 50:1, for presentation purposes only. The assumed gold to silver ratio was 55:1 for prior periods.

CHAPADA MINE

Operating Statistics	March 31, **2011**	March 31, 2010
Production		
Concentrate (tonnes)	69,236	51,659
Gold contained in concentrate production (ounces)	33,392	27,794
Copper contained in concentrate (millions of pounds)	38.5	29.7
Co-product cash costs per oz of gold produced *(i)*	$ 286	$ 346
Co-product cash costs per lb of copper produced *(i)*	$ 1.21	$ 1.24
By-product cash costs per oz of gold produced *(i)*	$ (2,615)	$ (1,876)
Ore mined (tonnes)	4,726,809	3,743,891
Ore processed (tonnes)	5,088,739	4,318,621
Gold ore grade (g/t)	0.32	0.34
Copper ore grade (%)	0.39	0.36
Concentrate grade – gold (g/t)	15.00	16.76
Concentrate grade – copper (%)	25.2	26.10
Gold recovery rate (%)	64.7	60.0
Copper recovery rate (%)	87.1	85.5
Sales *(ii)*		
Concentrate (tonnes)	57,909	51,795
Payable gold contained in concentrate (ounces)	33,395	27,557
Payable copper contained in concentrate (millions of pounds)	29.7	29.1
Depletion, depreciation and amortization per gold ounce sold	$ 48	$ 69
Depletion, depreciation and amortization per copper pound sold	$ 0.22	$ 0.20

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

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

Chapada produced a total of 33,392 ounces of gold contained in concentrate in the first quarter compared with 27,794 ounces of gold in concentrate in the first quarter of 2010, representing a quarter-over-quarter increase of 20%. Production of copper from Chapada of 38.5 million pounds in the first quarter was 30% higher than the production of 29.7 million pounds of copper contained in concentrate during the comparable period in 2010.

Chapada had metal concentrate inventory awaiting shipment as of March 31 which resulted in an increase of $10.6 million in its metal concentrate inventory at the end of the quarter. Subsequent to the quarter end, a $32.5 million shipment comprised of 11,000 tonnes of metal concentrate was made, which will positively impact second quarter earnings.

Higher production of both gold and copper in the quarter compared with the first quarter of 2010 was mainly due to increase in ore mined and ore processed. The Company began operating a new fleet of large truck in the first quarter of 2010. Operating efficiency has developed since then with experience in operating the large trucks which has contributed to the increase in productivity. The Company also took measures to improve operating efficiencies during the rainy season compared to that of the prior year.

Production of gold and copper at Chapada in 2011 is expected to be in line with guidance.

By product cash costs for the quarter were *negative* $2,615 per GEO, compared with *negative* $1,876 per GEO for the same quarter of 2010. Higher by-product cash costs credits reflect the continuous strength of copper prices resulting in lower by-product cash costs.

Co-product cash costs for the quarter were $286 per gold ounce and $1.21 per pound of copper which compared with $346 per gold ounce and $1.24 per pound of copper for the same quarter of 2010. Lower co-product cash costs for both gold and copper reflect continuous effort by management in improving operating efficiency.

Over the past year, copper contained in concentrate has remained within the range of 35-40 million pounds per quarter. An appreciating Brazilian Real continues to put pressure on product cash costs. Also, associated overseas transportation costs, which is a function of sales volume and distance from customers, were $3.1 million for first quarter of 2011, which is comparable with the period of 2010.

Total revenue for the quarter net of sales taxes and treatment and refining costs was $157 million. Revenue includes positive mark-to-market adjustments and final and provisional pricing-quantity settlements in the quarter of positive $9.9 million, representing an increase in revenue from increasing copper prices during the quarter compared to the fourth quarter of 2010.

EL PEÑÓN

Operating Statistics	March 31, **2011**	March 31, 2010
Production		
Gold equivalent (ounces)	115,798	108,437
Gold production (ounces)	73,568	60,977
Silver production (ounces)	2,111,482	2,610,289
Cash costs per gold equivalent ounce produced *(i)*	$ 397	$ 384
Ore mined (tonnes)	324,858	328,493
Ore processed (tonnes)	358,013	367,509
Gold ore grade (g/t)	6.91	5.64
Silver ore grade (g/t)	227.80	253.31
Gold recovery rate (%)	92.0	90.4
Silver recovery rate (%)	79.9	86.3
Sales		
Gold sales (ounces)	72,909	60,227
Silver sales (ounces)	2,094,698	2,558,164
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 307	$ 305

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

El Peñón had production of 115,798 GEO during the first quarter of 2011. Production for the quarter consisted of 73,568 ounces of gold and 2.1 million ounces of silver, compared with 108,437 GEO, which consisted of 60,977 ounces of gold and 2.6 million ounces of silver produced in the first quarter of 2010. This represents a 7% quarter-over-quarter increase in 2011 versus 2010 production on a GEO basis.

Higher gold production was mainly due to improved gold grades and recovery rates for gold compared with the same quarter of 2010. Higher gold grade areas including Al Este and Bonanza contributed to the increase in gold production. Since conversion to owner-mining, operational dilution has decreased and feed grade has improved. This combined with increased capacity and the mining of higher grade veins including North Block area and Bonanza has led to increased production. The decrease in silver production was primarily the result of mining lower planned silver grade areas, which was offset by improvements in gold.

GEO production at El Peñón's is expected to be in line with guidance for 2011.

Cash costs were $397 per GEO in the quarter ended March 31, 2011, compared with $384 per GEO in the first quarter in 2010. The appreciation of the Chilean Peso was the main contributing factor to the increased cash costs. The average currency exchange rate of the Chilean Peso versus the United States Dollar went up by 9% from the first quarter of 2010.

GUALCAMAYO

Operating Statistics	March 31, **2011**	March 31, 2010
Production		
Gold production (ounces)	37,597	29,462
Cash costs per ounce produced *(i)*	$ 507	$ 443
Ore mined (tonnes)	1,937,349	1,788,093
Ore processed (tonnes)	1,896,533	1,786,251
Gold grade (g/t)	0.95	0.68
Gold recovery rate (%)	66.4	76.0
Sales		
Gold sales (ounces)	34,665	36,142
Depletion, depreciation and amortization per gold ounce sold	$ 348	$ 240

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

Gualcamayo produced 37,597 ounces of gold in the first quarter compared with 29,462 ounces produced in the first quarter of 2010, representing a 28% quarter-over-quarter improvement.

Gold recovery rate at Gualcamayo was 66.4% for the first quarter compared to 76% for the comparative quarter of 2010. The decrease in recovery is a result of an increase in inventory placed on the pads in March. Average yearly recovery rate is expected to be sustainable at 70% – 75%. The Company is taking steps to improve recoveries and minimize carbon fines as it completes the construction of a new heap leach pad later this year. Ore is expected to be loaded on the new pad by November 2011.

Production at Gualcamayo for 2011 is expected to be in line with guidance.

Cash costs were $507 per ounce in the quarter ended March 31, 2011, compared with $443 per ounce in the first quarter of 2010. Management continued to reduce cash costs from $662 per ounce level in the fourth quarter of 2010 down to the current level.

In 2011, the Company will focus on a number of operational initiatives, including efforts in sustaining the 1,500 tonne per hour feed through the mills, fleet expansion, underground development of QDD Lower West and expansion of heap leach pad at Valle Norte. In addition, the Company will continue to work on reducing reliance on contractors for increased cost predictability. Gold production for the second half of 2011 is expected to increase based on continuing higher grades, increases in crusher availability and throughput tonnage, and by the end of year improved recovery at the new heap leach pad.

JACOBINA

Operating Statistics	March 31, **2011**	March 31, 2010
Production		
Gold production (ounces)	30,319	25,022
Cash costs per ounce produced *(i)*	$ 611	$ 687
Ore mined (tonnes)	529,035	488,865
Ore processed (tonnes)	529,035	488,865
Gold grade (g/t)	1.91	1.73
Gold recovery rate (%)	93.5	91.9
Sales		
Gold sales (ounces)	31,537	26,249
Depletion, depreciation and amortization per gold ounce sold	$ 373	$ 357

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

Production at Jacobina was 30,319 ounces of gold in the first quarter, an increase of 21% from production of 25,022 ounces of gold in the first quarter of 2010. Higher production was mainly due to increase volume of ore mined and ore processed accompanied by improved grade and recovery rate. Mining of higher grade areas is expected to increase average annual production at Jacobina to 150,000 gold ounces beginning in 2014.

The recovery rate at Jacobina for the first quarter was 93.5% compared to 91.9% for the first quarter of 2010. This is the result of the Company's effort to modify the leaching cycle in order to improve recoveries which have trended upwards since the start-up of higher throughput levels. Gold grade for the quarter averaged 1.91 g/t also showed a 10% improvement over 1.73 g/t for the first quarter of 2010.

Production at Jacobina for 2011 is expected to be in line with guidance. Given the positive upward trend in production and the significant increase in mineral reserve grade, the Company will evaluate opportunities to increase production levels in 2011.

Cash costs averaged $611 per ounce of gold for the first quarter compared with $687 per ounce of gold in the first quarter of 2010, representing a quarter-over-quarter improvement of 11%. Cash costs progressively improved throughout the first quarter. The Company completed the first quarter with cash costs of $606 per ounce of gold in March, presenting a cost trend consistent with that of the prior year.

MINERA FLORIDA

Operating Statistics	March 31, **2011**	March 31, 2010
Production		
Gold equivalent ounces	27,635	20,630
Gold production (ounces)	23,986	18,918
Silver production (ounces)	182,453	94,151
Cash costs per gold equivalent ounce produced *(i)*	$ 476	$ 363
Ore mined (tonnes)	208,392	161,934
Ore processed (tonnes)	232,284	152,631
Gold grade (g/t)	3.78	4.38
Silver ore grade (g/t)	35.15	25.20
Gold recovery rate (%)	84.6	84.0
Silver recovery rate (%)	68.7	67.2
Sales		
Gold sales (ounces)	22,738	18,682
Silver sales (ounces)	202,985	160,933
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 377	$ 355

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

Minera Florida produced a total of 27,635 GEO in the current quarter compared with 20,630 GEO in the first quarter of 2010. The 34% quarter-over-quarter increase was mainly the result of higher volume of ore mined and ore processed and more effectively mining in narrower veins; production at Minera Florida for the first quarter of 2010 was interrupted as a result of the earthquake in Chile. Cash costs for the first quarter were $476 per GEO compared with $363 per GEO in the same quarter in 2010 due primarily to the appreciation of the Chilean Peso and mining inflation.

Gold grade for the quarter averaged 3.78 g/t was lower than 4.38 g/t for the first quarter of 2010. The lower gold grade was part of the mine plan for production from veins with better gold grade such as Tribuna and Victoria, which is expected to commence shortly.

In addition, the mine produced 1,120 tonnes of zinc in the three-month period ended March 31, 2011 compared with 1,433 tonnes of zinc produced in the first quarter of 2010. Zinc is accounted for as a by-product credit to cash costs.

Production at Minera Florida for 2011 is expected to be in line with guidance.

The Company's expansion project at Minera Florida, which involves the processing of historic tailings, has advanced ahead of schedule. Completion is now planned for late 2011. Tailings re-processing is expected to contribute an additional 40,000 GEO per year for five years to current production at Minera Florida.

OTHER MINES

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

Operating Statistics	March 31, 2011	March 31, 2010
FAZENDA BRASILEIRO		
Production		
Gold production (ounces)	11,252	14,738
Cash costs per ounce produced *(i)*	$ 968	$ 622
Ore mined (tonnes)	215,712	294,945
Ore processed (tonnes)	205,389	281,579
Gold grade (g/t)	1.93	1.84
Gold recovery rate (%)	88.2	87.3
Sales		
Gold sales (ounces)	12,891	18,485
Depletion, depreciation and amortization per gold ounce sold	$ 253	$ 208
ALUMBRERA (12.5% interest)		
Production		
Concentrate (tonnes)	12,690	19,961
Gold production (ounces)	881	2,042
Gold production in concentrate (ounces)	10,493	11,713
Total gold produced	11,374	13,755
Copper contained in concentrate (millions of pounds)	7.1	11.8
Co-product cash costs per ounce of gold produced *(i)*	$ 244	$ 245
Co-product cash costs per pound of copper produced *(i)*	$ 1.85	$ 0.89
By-product cash costs per ounce produced *(i)*	$ (1,452)	$ (1,142)
Ore mined (tonnes)	330,068	753,629
Ore processed (tonnes)	1,131,995	1,128,200
Gold ore grade (g/t)	0.45	0.51
Copper ore grade (%)	0.39	0.54
Gold recovery rate (%)	69.3	72.2
Copper recovery rate (%)	73.1	84.7
Sales		
Concentrate (tonnes)	13,134	14,533
Gold sales (ounces)	10,696	8,397
Gold doré sales (ounces)	716	1,859
Total gold sales (ounces)	11,412	10,256
Payable copper contained in concentrate (millions of pounds)	7.1	8.2

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

FAZENDA BRASILEIRO

The Fazenda Brasileiro Mine produced 11,252 ounces of gold in the quarter ended March 31, 2011. This compares to 14,738 ounces of gold in the first quarter of 2010. Cash costs for the first quarter were $968 per ounce compared with $622 per ounce for the same period in 2010.

Production at Fazenda Brasileiro Mine is expected to be in line with guidance for 2011. The Fazenda Brasileiro mine was acquired in 2003 with 2.5 years of mine life remaining based on known mineral reserves. The Company has since been mining at Fazenda Brasileiro for seven years. The mine continues to outline exploration potential.

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

ALUMBRERA

The Company's interest in the Alumbrera Mine is accounted for as an equity investment. The Company recorded earnings from its 12.5% interest in Alumbrera Mine of $11.7 million for the three months ended March 31, 2011, similar to the earnings reported for the first quarter of 2010. The Company received $20.0 million in cash distributions during the three months ended March 31, 2011 compared with $12.9 million of cash received in the first quarter of 2010.

Attributable production from Alumbrera was 11,374 ounces of gold and 7.1 million pounds of copper for the quarter. This compares with attributable production of 13,755 ounces of gold and 11.8 million pounds of copper for the first quarter of 2010.

The Company recently announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that would facilitate the integration of Agua Rica, which is currently 100% owned by Yamana, into Minera Alumbrera. Following the integration, Xstrata, Goldcorp and Yamana would own interests in the combined projects of 50%, 37.5% and 12.5% respectively, consistent with their current interest in Alumbrera. The integration of Agua Rica with Alumbrera provides the greatest value potential for Yamana and the best opportunity for the development of Agua Rica in the Catamarca province of Argentina.

6. NON-GAAP MEASURES

The Company has included certain non-GAAP measures including *"Co-product cash costs per gold equivalent ounce", "Co-product cash costs per pound of copper", "By-product cash costs per gold equivalent ounce", "Adjusted Earnings or Loss and Adjusted Earnings or Loss per share"* 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.

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. Cash costs on a co-product basis are computed by allocating operating cash costs separately to metals (gold and copper) based on an estimated or assumed ratio. Cash costs on a by-product basis are computed by deducting copper by-product revenues from the calculation of cash costs of production per GEO. Cash costs per GEO and per pound of copper are calculated on a weighted average basis.

Per Gold Equivalent Ounce ("GEO")

The following tables provide a reconciliation of cost of sales per the financial statements to (i) Co-product cash costs per GEO, (ii) Co-product cash costs per pound of copper and (iii) By-product cash costs per GEO:

Reconciliation of Cost of Sales per the Financial Statements to Co-product Cash Costs per GEO

GEO	*In thousands of United States Dollars*		*United States Dollars per gold equivalent ounce*	
For the three months ended March 31,	**2011**	2010	**2011**	2010
Cost of sales *(i) (iii)*	$ 157,102	$ 145,143	$ 614	$ 642
Adjustments:				
Copper contained in concentrate related cash costs (excluding related TCRC's) *(ii)*	(42,185)	(32,032)	(165)	(142)
Treatment and refining costs (TCRC) related to Chapada gold	908	1,032	4	5
Inventory movements and adjustments	8,368	(10,757)	33	(48)
Commercial selling costs	(7,015)	(5,182)	(28)	(23)
Total GEO co-product cash costs (excluding Alumbrera)	$ 117,178	$ 98,204	$ 458	$ 434
Minera Alumbrera (12.5% interest) GEO cash costs	2,779	3,365	244	245
Total GEO co-product cash costs *(iii)*	$ 119,957	$ 101,569	$ 449	$ 423
Commercial GEO produced excluding Alumbrera	255,994	226,083		
Commercial GEO produced including Alumbrera	267,368	239,838		

(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.

Reconciliation of Cost of Sales per the Financial Statements to Co-product Cash Costs per Pound of Copper

Copper	*In thousands of United States Dollars*		*United States Dollars per gold equivalent ounce*	
For the three months ended March 31,	**2011**	2010	**2011**	2010
Cost of sales *(i) (iii)*	$ 157,102	$ 145,143	$ 4.08	$ 4.88
Adjustments:				
GEO related cash costs (excluding related TCRC's) *(ii)*	(116,271)	(97,172)	(3.02)	(3.27)
Treatment and refining costs (TCRC) related to Chapada copper	4,277	4,831	0.11	0.16
Inventory movements and adjustments	8,368	(10,757)	0.22	(0.36)
Commercial selling costs	(7,015)	(5,182)	(0.18)	(0.17)
Total Copper co-product cash costs (excluding Alumbrera)	$ 46,461	$ 36,863	$ 1.21	$ 1.24
Minera Alumbrera (12.5% interest) Copper cash costs	13,185	10,467	1.85	0.89
Total Copper co-product cash costs *(iii)*	$ 59,646	$ 47,330	$ 1.31	$ 1.14
Copper produced excluding Alumbrera (millions of lbs)	38.5	29.7		
Copper produced including Alumbrera (millions of lbs)	45.6	41.5		

(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.

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

GEO	*In thousands of United States Dollars*		*United States Dollars per gold equivalent ounce*	
For the three months ended March 31,	**2011**	2010	**2011**	2010
Cost of sales *(i)*	$ 157,102	$ 145,143	$ 614	$ 642
Adjustments:				
Chapada treatment and refining costs related to gold and copper	5,185	5,863	20	26
Inventory movements and adjustments	8,368	(10,757)	33	(48)
Commercial selling costs	(7,015)	(5,182)	(27)	(23)
Chapada copper revenue including copper pricing adjustment	(143,324)	(98,650)	(560)	(436)
Total GEO by-product cash costs (excluding Alumbrera)	$ 20,316	$ 36,417	$ 79	$ 161
Minera Alumbrera (12.5% interest) by-product cash costs	(16,519)	(15,708)	(1,452)	(1,142)
Total GEO by-product cash costs *(i)*	$ 3,797	$ 20,709	$ 14	$ 86
Commercial GEO produced excluding Alumbrera	255,994	226,083		
Commercial GEO produced including Alumbrera	267,368	239,838		

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

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) stock-based compensation, (b) foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non-monetary items, (c) foreign exchange (gains) losses related to other items, (d) unrealized (gains) losses on commodity derivatives, (e) impairment losses, (f) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (g) write-down of investments and other assets and any other non-recurring adjustments, (h) mark-to-market (gains) losses on share-purchase warrants. Non-recurring adjustments from unusual events or circumstances, such as the unprecedented volatility of copper prices in the fourth quarter of 2008, are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments 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. A reconciliation of Adjusted Earnings to net earnings as well as a discussion of the adjusting items is provided in Section 4 "Overview of Financial Results" for both the yearly and quarterly reconciliations.

7. LIQUIDITY AND CAPITAL RESOURCES

In an environment of tightened credit markets, the Company's liquidity position continues to be stable and reliable as evidenced by increased availability of funds through its recent refinancing of long-term debt described below. In the near-term, the Company expects its liquidity to be positively impacted by higher forecast production levels, higher metal prices, and stable demand for precious metals. The Company anticipates being able to meet all its obligations and is committed to fund its growth through sustaining and expansionary projects.

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

As at *(in thousands of United States Dollars)*	March 31, **2011**	December 31, 2010
Cash	$ 460,430	$ 330,498
Working capital	$ 646,600	$ 518,081

Three months ended *(in thousands of United States Dollars)*	March 31, **2011**	March 31, 2010
Cash flows (for the period ended)		
Cash flows from operating activities of continuing operations	$ 228,898	$ 141,356
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	$ 282,306	$ 163,082
Cash flows from financing activities of continuing operations	$ 7,113	$ 32,223
Cash flows to investing activities of continuing operations	$ (109,445)	$ (123,334)

Cash and cash equivalents as at March 31, 2011 were $460.4 million compared to $330.5 million as at December 31, 2010. Factors that could impact on the Company's liquidity are monitored regularly as part of the Company's overall capital management strategy. Factors that are monitored include but are not limited to the market price of gold, copper and silver, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates, exploration and discretionary expenditures.

Working capital was $646.6 million as at March 31, 2011, compared to $518.1 million as at December 31, 2010. The 25% increase in working capital is a result of higher prices for metals and increased operating activities. Working capital is defined as the excess of current assets over current liabilities.

Receivables at the end of the period were $206.4 million compared with $212.9 million as at December 31, 2010. 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.

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

Operating Cash Flows

Cash inflows from operations after taking into effect changes in working capital items for the period were $228.9 million, compared to inflows of $141.4 million for the period ended March 31, 2010 from continuing operations.

Cash flows generated before changes in non-cash working capital items for the period were $282.3 million compared to $163.1 million for the period ended March 31, 2010 from continuing operations. The increase is mainly attributed to increases in revenues. Changes in non-cash working capital items for the period were cash outflows of $53.4 million (March 31, 2010 – outflows of $21.7 million) mainly from higher inventory during the period in comparison to the comparative quarter ended March 31, 2010.

Financing Activities

Cash inflows from financing activities for the period ended March 31, 2011 were $7.1 million compared to cash inflows of $32.2 million for the comparative quarter ended March 31, 2010 from continuing operations due to the following:

- increase of dividends paid by $14.7 million;
- decrease of net long-term debt repayment of $25.0 million;
- net decrease of $40.8 million received from the exercise of options and warrants; and
- net decrease of $5.4 million paid for financing and other charges.

Investing Activities

Cash outflows to investing activities were $109.4 million (March 31, 2010 – $123.3 million) for the period of which approximately $104.6 million relates to expenditures on property, plant and equipment, compared with $77.5 million spent in the first quarter of 2010. Higher outflows on acquisition of property, plant and equipment reflected increased expenditures from continuing operations on the construction of new mines and expansion of existing assets. In the first quarter of 2010, the Company also spent $48.9 million in the transition to owner-mining at El Peñón.

The following is a summary of capital expenditures by mine:

Three months ended *(in thousands of United States Dollars)*	March 31, **2011**	March 31, 2010
ARGENTINA		
Gualcamayo	$ 5,083	$ 15,398
Agua Rica	2,830	912
BRAZIL		
Chapada	4,702	11,742
Jacobina	12,458	9,876
Fazenda Brasileiro	4,929	3,012
Ernesto/Pau-au-Pique *(i)*	8,711	1,146
C1 Santa Luz *(i)*	3,150	1,693
Pilar *(i)*	7,722	7,038
CHILE		
El Peñón *(ii)*	19,682	61,218
Minera Florida	12,430	8,105
MEXICO AND OTHER		
Mercedes *(i)*	20,543	5,156
Other	2,335	1,149
Total capital expenditures *(i)*	$ 104,575	$ 126,445

(i) Net of movement in accounts payable.

(ii) In the first quarter of 2010, capital expenditures included the purchase cost of Constructora Gardilcic Ltda. and Constructora TCG Ltda. of $48.9 million to convert El Peñón into an owner-mining operation.

8. CAPITALIZATION

Shareholders' equity as at March 31, 2011 was $7.1 billion compared to $6.7 billion as at March 31, 2010.

The following table sets out the common shares, warrants and options outstanding as at March 31, 2011:

(in thousands)	Actual outstanding as at March 31, **2011**	Weighted average year-to-date *(i)*
Common shares	744,859	742,073
Warrants	4,886	-
Options	1,845	1,036
	751,590	743,109

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

Share Capital

As at March 31, 2011, the Company had 744.9 million (March 31, 2010 – 740.6 million) common shares outstanding. The basic weighted average number of common shares outstanding was 742.1 million shares and 736.8 million shares for the quarter ended March 31, 2011.

The Company issued approximately 3.5 million common shares during the period in connection with the exercise of stock options and share appreciation rights.

As of April 30, 2011, the total number of shares outstanding were 744.9 million.

Warrants

As at March 31, 2011, the Company had a total of 4.9 million (March 31, 2010 – 4.9 million) share purchase warrants outstanding. The expiry dates on the share purchase warrants is May 5, 2011 and the exercise price is Cdn$19.08. The outstanding warrants are exercisable at an average weighted exercise price of Cdn$19.08 per share (March 31, 2010 – Cdn$19.08 per share). The weighted average remaining life of warrants outstanding is 0.1 years (March 31, 2010 – 1.1 years).

The Company's functional currency is the United States Dollar. Share purchase warrants denominated in Canadian Dollars indexed to the Company's equity instrument and foreign exchange rates are 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.

During 2011, the Company did not issue any additional warrants and there is no change as of April 30, 2011.

Stock-based Incentive Plans

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

The following table summarizes the stock-based compensation and other stock-based payments for 2011:

	Stock Option Plan		Deferred Share Units ("DSU")	Restricted Share Units ("RSU")
	Number of Stock Options (000's)	Weighted average Exercise Price (Cdn$)	Number of DSU (000's)	Number of RSU (000's)
Outstanding, beginning of period	5,490	$ 9.42	901	1,192
Granted	-	-	116	609
Exercised	(3,490)	9.30	-	-
Vested and converted to common shares	-	-	-	(8)
Expired	(155)	9.65	-	(2)
Outstanding, end of year	1,845	$ 9.61	1,017	1,791
Exercisable, end of year	1,343	$ 9.46		

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $27.4 million for the period ended March 31, 2011 compared with $25.3 million in the first quarter of 2010. Higher general and administrative expenses mainly reflected the impact of the strengthened Brazilian Real and Chilean Peso against the United States Dollar on expenses settled in those currencies.

10. FOREIGN EXCHANGE

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

In 2011, the Company recognized foreign exchange losses of $0.3 million, compared to foreign exchange losses of $8.2 million for the comparative quarter ended March 31, 2010.

The Company has hedge contracts outstanding where the value of the Real has been fixed against the United States Dollar. These hedges are further described in *Section 13, Derivatives*.

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

For the periods ended	March 31, **2011**	March 31, 2010	Variance	December 31, 2010	Variance
Average Exchange Rate					
USD-CAD	0.9896	1.0415	-5.0%	1.0136	-2.4%
USD-BRL	1.6665	1.8091	-7.9%	1.7021	-2.1%
USD-ARG	4.0030	3.8470	4.1%	3.9715	0.8%
USD-CLP	481.1157	528.8339	-9.0%	485.8691	-1.0%

As at	March 31, **2011**	March 31, 2010	Variance	December 31, 2010	Variance
Period-end Exchange Rate					
USD-CAD	0.9706	1.0188	-4.7%	0.9999	-2.9%
USD-BRL	1.6287	1.7905	-9.0%	1.6660	-2.2%
USD-ARG	4.0517	3.8676	4.8%	3.9713	2.0%
USD-CLP	477.4500	521.7280	-8.5%	461.9820	3.3%

11. INVESTMENTS AND INVESTMENT INCOME

Investments

As at March 31, 2011, the Company had total investments of $141.1 million compared with $103.0 million as at December 31, 2010. The main reason for the increase is a result of the increased investments in available-for-sale securities related to the additional common shares of Aura Minerals Inc. received for the debt restructuring in the quarter (refer to *Note 12* to the consolidated financial statements for details).

12. INCOME TAXES

The Company recorded an income tax expense of $58.2 million for the quarter (tax recovery of $37.5 million for the first quarter of 2010). The current quarter income tax provision mainly reflects a current income tax expense of $53.8 million ($17.2 million for the first quarter of 2010) and a deferred income tax expense of $4.4 million (deferred tax recovery of $54.7M for the first quarter of 2010). The expense reflects the current taxes incurred in the Company's Brazilian and Chilean mines.

The consolidated balance sheet reflects recoverable tax installments in the amount of $14.4 million and an income tax liability of $46.6 million. Additionally, the balance sheet reflects a deferred tax asset of $197.9 million and a deferred tax liability of $2.1 billion.

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. See *Note 24* to the consolidated interim financial statements for a breakdown of the foreign exchange and interest and penalties charged to the income tax expense.

13. DERIVATIVES

The Company recorded realized gain on the settlement of commodity derivatives of $1.6 million in the quarter compared with $5.2 million of realized loss in the first quarter of 2010.

Additionally, the Company recorded unrealized gain on commodity derivative contracts of $32,000 for the period ended March 31, 2011. This compares to an unrealized gain of $4.6 million in the first quarter of 2010. Included in cost of sales are currency derivative contracts realized gain in the amount $7.2 million, compared to gain of $6.1 million in 2010 and included in interest and financing expenses are realized losses in the amount of $1.5 million, compared to loss of $2.4 million in 2010 in respect to the interest rate swaps.

CURRENCY HEDGING

As at March 31, 2011, the Company held forward contracts to hedge against the risk of an increase in the value of the Real versus the United States Dollar with respect to a portion of the expected Real expenditures.

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 559.0 million Reais at an average rate of 2.1566 Real to the United States Dollar have been designated against forecast Reais denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to December 31, 2013. Of this, 209.3 million Reais is hedged for 2011, 273.6 million is hedged for 2012 and approximately 76.0 million Reais for 2013.

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 13.3200 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 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 currency hedge has been accounted for as a cash flow hedge with the effective portion of $33.7 million for 2010 credited to other comprehensive income and the ineffective portion of $4.3 million taken to income in 2011.

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

(Quantities in thousands)	Jacobina		Fazenda Brasileiro		Chapada		Total		
Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at March 31, 2011
2011	65,287	2.0880	35,672	2.0635	108,325	2.0739	209,284	2.0765	1.6287
2012	77,651	2.2128	47,964	2.2282	148,028	2.2350	273,643	2.2275	1.6287
2013	76,032	2.1387	-	-	-	-	76,032	2.1387	1.6287
	218,970	2.1487	83,636	2.1549	256,353	2.1640	558,959	2.1566	1.6287

(Quantities in thousands)	Mercedes		
Year of Settlement	Mexican Peso Notional Amount	Contract Fixed Rate	Market rate as at March 31, 2011
2012	87,500	13.3200	11.9048
2013	156,000	13.3200	11.9048
2014	156,000	13.3200	11.9048
2015	65,000	13.3200	11.9048
	464,500	13.3200	11.9048

INTEREST RATE HEDGING

The Company is exposed to interest rate risk on its variable rate debt. As at March 31, 2011, the Company had a total of $126.3 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in Other Comprehensive Income until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

The interest rate hedge has been accounted for as cash flow hedge with the effective portion of the hedge of $3.9 million loss for the period ended March 31, 2011 recorded in other comprehensive income.

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

14. CONTRACTUAL COMMITMENTS

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

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

(in thousands of United States Dollars)	2011 (9 months)	2012	2013	2014	2015	Thereafter	Total
Mine operating/construction and service contracts and other	$ 290,276	$ 185,178	$ 97,361	$ 77,764	$ 27,533	$ 28,442	$ 706,554
Long-term debt principal repayments *(i)*	-	-	-	237,632	73,500	181,500	492,632
Asset retirement obligations (undiscounted)	8,718	15,429	7,412	4,378	9,715	184,636	230,288
	$ 298,994	$ 200,607	$ 104,773	$ 319,774	$ 110,748	$ 394,578	$1,429,474

(i) Excludes interest expense.

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

16. OFF-BALANCE SHEET ARRANGEMENTS

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

17. GOLD AND COPPER MARKETS

For the quarter ended March 31, 2011, spot gold prices averaged $1,399 per ounce, or 26% higher, compared with $1,109 per ounce from the comparative period of 2010.

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

For the quarter ended March 31, 2011, spot copper prices averaged $4.42 per pound, representing an increase of 34% compared with $3.29 per pound from the same period in 2010.

Copper prices reached record highs in Q1 2011. Strong copper prices are primarily being driven by positive supply demand fundamentals as flat supply growth is unbalanced with demand from emerging markets, mainly China, and a positive outlook for global growth that is correlated with copper demand. Based on these factors, the Company expects copper prices to remain above historical levels in the near to mid-term.

18. EXPLORATION AND DEVELOPMENT

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

The following is a summary of the exploration expenditures:

Three months ended March 31, *(in millions of United States Dollars)*	**2011**	2010
Exploration capitalized	$ 12.6	$ 10.2
Exploration expensed	6.5	6.8
Total Exploration	$ 19.1	$ 17.0

The following summary highlights key updates from the exploration and development program at the Company since the end of the fourth quarter 2010.

BRAZIL

Chapada

Early in January 2011, the Company announced the revised Chapada production life-of-mine plan that incorporated the new resources at Suruca, a satellite deposit located six kilometres from Chapada. These resources were part of the overall increase in mineral reserves of 45% to 3.1 million ounces as at December 31, 2010. Mineral resources increased by close to 240% to 2.5 million ounces. The additional mineral reserves and resources at Chapada have already been incorporated into a revised production plan announced earlier this year that will result in production in excess of 140,000 ounces per year for the life of the mine at Chapada. Exploration continues at Suruca with drilling being completed along the southern extension of the Suruca deposit.

Fazenda Brasileiro

Total mineral resources at Fazenda Brasileiro more than doubled to 472,000 ounces, while mineral reserves declined modestly. This increase in resources was attributable to an entirely new area of mineralization, CLX_2, within the mining complex that was only recently discovered. Given the positive impact of this new discovery, the Company will be spending $5 million in exploration at Fazenda Brasileiro in 2011, to further develop and define this resource.

Jacobina

Mineral reserves at Jacobina increased by 8% to 1.7 million ounces as at December 31, 2010. Measured and indicated mineral resources also increased to 1.66 million ounces, a 16% increase over 2009. Of even greater significance, is the increase of 16% in mineral reserve grade, to 2.48 g/t and the 10% increase in resource grade. These grade increases will facilitate higher future production levels. Mining of higher grades areas is expected to increase annual production to 150,000 gold ounces commencing in 2014. Exploration drilling commenced in February and is focused on conversion of inferred resources to reserves at Canavieiras and Morro do Vento.

Pilar

Development at Pilar continued in the quarter with production expected to begin in the first quarter of 2013. Exploration confirmed mineralization along a 2.6 kilometre down dip extension of the current resource. Northwest of the known Jordino deposit, lies the Ogo deposit. A hole drilled at depth confirmed mineralization below the previously interpreted footwall, significantly expanding potential in the 2.2 kilometres of untested strike length to the North. Additional exploration drilling suggests that growth in mineral reserves and mineral resources should continue in 2011.

The Pilar project is being built at a capacity level that is 30% higher than that contemplated in the feasibility study. The Company expects to utilize the increased capacity beginning in 2014. Discovery of new resources along with the decision to advance Caiamar, a deposit located 38 kilometres from Pilar, to pre-feasibility assuming that ore would be processed at Pilar is expected to support the higher capacity level. Studies have been completed confirming the processing plant at Pilar is suitable to process the Caiamar ore and the higher grades can offset the costs of transporting the ore. Resource development work has started at Caiamar, which could positively impact Pilar production rates as early as 2015.

C1 Santa Luz

Development at C1 Santa Luz continued in the quarter with the completion of all the engineering studies and construction start up. The project is planned initially as a conventional open pit with processing to be done through a carbon-in-leach ("CIL") floatation circuit, which is on track to commence production in late-2012. Average annual production is expected to be approximately 100,000 ounces with production in each of the first two years expected to be approximately 130,000 ounces per year.

Ernesto/Pau-a-pique

Construction at Ernesto/Pau-a-pique commenced in the first quarter advancing the project as expected. Ernesto/Pau-a-pique is planned as an underground and open pit operation with conventional processing through a gravity and CIL circuit. Annual production of approximately 100,000 ounces is expected to commence in late 2012. Exploration drilling has been initiated at Lavrinha, an adjacent area to Ernesto, targeted to increase mineable resources and the project mine life.

ARGENTINA

Gualcamayo

In August 2010, the Company delivered an updated production plan for its Gualcamayo mine which included the additional mineral reserves and mineral resources discovered at its QDD Lower West deposit. This initial resource contributed to the 4% increase in reserves to 2.4 million ounces and a 16% increase in mineral resources, to 0.9 million ounces as at December 31, 2010. Further development of the QDD Lower West zone is expected as part of the 2011 exploration program. Currently, a new access tunnel for underground drilling is being excavated and further drilling at QDD Lower West is expected to commence in May. Continued success at this deposit will make additional positive contributions to reserves and resources in 2011.

CHILE

Jeronimo

Jeronimo is located in northern Chile approximately 30 kilometres south southwest of El Salvador at an elevation of 3,800 metres above sea level. The first mineral reserve estimate was declared of 1.6 million ounces, based on the pre-feasibility study recently completed on a fully consolidated basis. Based on the Company's current ownership interest (57%), attributable mineral reserves are 0.93 million ounces. Approximately one third of the mineral reserves declared were a direct result of conversion from mineral resources via infill drilling. The Company is evaluating processing methods for better recoveries, which are anticipated to 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 resources.

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

El Peñón

In 2010, mineral reserves at El Peñón increased modestly year over year due mostly to increases at Bonanza. The higher grades of the Bonanza mineralization are also evident in the higher gold grades of reserves at 7.29 g/t compared to 7.05 g/t in 2009. The silver reserve decreased as higher grades ore bodies (Fortuna, Providencia and Dorada) were replaced with lower grades at Bonanza and Al Este.

In 2010, the exploration effort was expanded district wide after the discovery of significant mineralization at Pampa Augusta Victoria. This effort will continue to focus on targets between the North Block area and Pampa Augusta Victoria. In addition, significant underground development will be completed in the main El Peñón Block to facilitate underground resource definition drilling. Exploration drilling commenced in February and is focusing on the expansion of resources at Pampa Augusta Victoria, Martillo Flats and the North Block area as well as exploration for new veins between the North Block and Pampa Augusta Victoria and in the main El Peñón mine area.

MEXICO

Mercedes

The construction of Mercedes began in mid 2010 and is progressing as expected. During the quarter the mill was received on site. Concrete works and the first phase of the tailings dam development were almost completed. The bulk excavation and access roads were also completed. Mercedes is on track to be in production by mid 2012 with average annual production of 120,000 GEO.

Exploration at Mercedes continued to confirm the continuation of high grades of Lagunas Norte in the Barrancas system, increasing the strike length of the Barrancas zone to 1.1 kilometres. Development of Lagunas Norte has been accelerated to potentially enhance production levels at the project. Drilling also confirmed the continuation of significant widths within the Diluvio zone of the Lupita vein structure. The results of this exploration are expected to continue to increase and upgrade the total mineral resources at Mercedes. These new areas, and additional exploration, will provide additional accesses to the ore bodies. This increases the prospects that the Company will be able to increase production and extend mine life.

19. RISKS AND UNCERTAINTIES

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

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

Operating and Political Risks

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

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

Currency Risks

Conducting exploration and production in Latin America also exposes the Company to the risk of currency fluctuations. A significant portion of the Company's expenditures are denominated in Brazilian Reais, Argentine Pesos, Chilean Pesos and to a lesser extent Canadian Dollars and Mexican Pesos. Revenues are earned in United States Dollars. A strengthened local currency could adversely affect the Company's costs denominated in United States Dollars. Historically, the Real has been highly volatile relative to other currencies and can fluctuate significantly against the United States Dollar over short-term periods. Refer to *Note 23* to the consolidated financial statements for an additional discussion on currency risks.

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

Commodity Risks

The mining industry is intensely competitive and is highly dependent on commodity prices. The profitability of the Company is directly related to the market price of gold, silver and copper. A decline in the price of gold, copper or silver could negatively impact the Company's operations. Refer to *Note 23* to the consolidated financial statements for an additional discussion on commodity risks.

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

Interest Rate Risks

The Company is exposed to interest rate risk on its variable rate debt. As at March 31, 2011, the Company has a total of $126.3 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 March 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 rates.

Credit Risks

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

Liquidity Risks

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

Environmental Risks

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

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities concerning the environmental effects associated with mineral exploration and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. To the extent Yamana is subject to uninsured environmental liabilities, the payment of

such liabilities would reduce funds otherwise available for business activities and could have a material adverse effect on the Company. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect. The Company mitigates the likelihood and potential severity of these environmental risks it encounters in its day-to-day operations through the application of high operating standards.

Energy Risks

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

20. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements in accordance with the International Financial Reporting Standards ("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.

As the Company prepare its first financial statements for the first quarter of 2011 using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that are not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in the interim financial statements of the first quarter of 2011 for the comparative periods.

The consolidated interim financial statements of the first quarter of 2011 should be read in conjunction with the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP and in consideration of the IFRS transition disclosures included in *Note 30* to the consolidated interim financial statements of the first quarter of 2011 and the additional annual disclosures included therein, including the Significant Accounting Policies disclosures in *Note 4*.

21. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after March 31, 2011 or later periods. Many of these updates are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) *Financial instruments*
IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) The IASB is expected to publish new IFRSs on the following topics during 2011. The Company will assess the impact of these new standards on the Company's operations as they are published:

- Hedge accounting
- Leases
- Revenue recognition

22. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chairman and Chief Executive Officer and Executive Vice President, Finance and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Timely Disclosure and Confidentiality Policy, our Code of Business

Conduct and Ethics, our Insider Trading Policy and Share Dealing Code, our Whistleblower Policy, our Fraud Policy, the effective functioning of our Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

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

Management's Report on Internal Control over Financial Reporting

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

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

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

Changes in Internal Controls

During the period ended March 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 judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between March 31, 2011 and December 31, 2010 and results of operations for the periods ended March 31, 2011 and March 31, 2010.

This Management's Discussion and Analysis has been prepared as of May 3rd, 2011. The unaudited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") follow this Management's Discussion and Analysis. This Management's Discussion and Analysis is intended to supplement and complement the audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2010 (collectively the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this Management's Discussion and Analysis. This Management's Discussion and Analysis should be read in conjunction with both the annual audited consolidated financial statements for the year ended December 31, 2010 and the most recent Annual Information Form for the year ended December 31, 2010 on file with the Securities Commissions of all of the provinces in Canada and the 2010 Annual Report on Form 40-F on file with the United States Securities and Exchange Commission. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein. All Dollar amounts in the Management's Discussion and Analysis are in United States Dollars, unless otherwise specified.

Cautionary Note Regarding Forward-Looking Statements

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

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

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

Cautionary Note Regarding Mineral Reserves and Mineral Resources

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

Consolidated Interim Statements of Operations

For the Three Months Ended March 31 *(In thousands of United States Dollars except for shares and per share amounts; unaudited)*	2011	2010
		(Note 30)
Revenue	$ 476,077	$ 346,341
Cost of sales excluding depletion, depreciation and amortization	(157,102)	(145,143)
Gross margin	318,975	201,198
Depletion, depreciation and amortization	(80,511)	(70,049)
Mine operating earnings	238,464	131,149
Expenses		
General and administrative	(27,436)	(25,324)
Exploration	(6,478)	(6,758)
Equity earnings from Minera Alumbrera (Note 9)	11,732	11,652
Other operating (expenses) income	(3,614)	825
Operating earnings	212,668	111,544
Finance income (Note 21)	5,335	4,586
Finance expense (Note 21)	(11,528)	(29,474)
Net finance expense	(6,193)	(24,888)
Earnings from continuing operations before taxes	206,475	86,656
Income tax (expense) recovery (Note 24)	(58,227)	37,529
Earnings from continuing operations	148,248	124,185
Earnings from discontinued operations (Note 12)	-	7,352
Net earnings	$ 148,248	$ 131,537
Earnings attributable to:		
Equity shareholders	$ 148,248	$ 131,537
Net earnings	$ 148,248	$ 131,537
Earnings per share from continuing operations		
Basic	$ 0.20	$ 0.17
Diluted	$ 0.20	$ 0.17
Earnings per share from discontinued operations		
Basic	$ -	$ 0.01
Diluted	$ -	$ 0.01
Net earnings per share		
Basic	$ 0.20	$ 0.18
Diluted	$ 0.20	$ 0.18
Weighted average number of shares outstanding (Note 16(b))		
Basic	742,073	736,764
Diluted	743,109	737,499

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

Consolidated interim Statements of Comprehensive Income

For the Three Months Ended March 31 *(In thousands of United States Dollars, unaudited)*	2011	2010
		(Note 30)
Net earnings	$ 148,248	$ 131,537
Other comprehensive income, net of taxes (Note 17)	(33,499)	(5,697)
Total comprehensive income	114,749	125,840
Attributable to:		
Equity shareholders	114,749	125,840
Total comprehensive income	$ 114,749	$ 125,840

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

Consolidated Interim Statements of Cash Flows

For the Three Months Ended March 31 *(In thousands of United States Dollars, unaudited)*	2011	2010
Operating activities		
Earnings from continuing operations before taxation	$ 206,475	$ 86,656
Adjustments to reconcile earnings before taxation to net operating cash flows:		
Depletion, depreciation and amortization	80,511	70,049
Share-based payments (Note 19)	2,844	1,337
Environmental rehabilitation provision paid	(840)	(867)
Equity earnings from Alumbrera (Note 9)	(11,732)	(11,652)
Cash distributions from Alumbrera Ltd (Note 9)	20,366	12,865
Finance income (Note 21)	(5,335)	(4,586)
Finance expense (Note 21)	11,528	29,474
Mark-to-market on sales of concentrate	27,956	(527)
Income tax paid	(48,657)	(16,096)
Other	(810)	(3,571)
Cash flows generated from operations before non-cash working capital	282,306	163,082
Net change in non-cash working capital (Note 25(b))	(53,408)	(21,726)
Cash flows from operating activities of continuing operations	$ 228,898	$ 141,356
Cash flows from operating activities of discontinued operations	$ -	$ 1,616
Investing activities		
Acquisition of property, plant and equipment (Note 8)	$ (104,575)	$ (77,507)
Proceeds from option on mineral property	10,000	-
Proceeds on disposition of mineral interests	428	-
Realized derivative proceeds (payments)	1,626	(5,230)
Other assets and investments	(16,924)	(40,597)
Cash flows to investing activities of continuing operations	$ (109,445)	$ (123,334)
Cash flows to investing activities of discontinued operations	$ -	$ (1,616)
Financing activities		
Issue of common shares upon exercise of options and warrants	$ 33,233	$ 74,005
Dividends paid	(22,064)	(7,343)
Finance expenses paid	(4,056)	(9,439)
Repayment of notes payable and long-term liabilities	-	(25,000)
Cash flows from financing activities of continuing operations	$ 7,113	32,223
Effect of foreign exchange on non-United States dollar denominated cash and cash equivalents	3,366	1,668
Increase in cash and cash equivalents	$ 129,932	$ 51,913
Cash and cash equivalents, beginning of period – continuing operations	330,498	170,070
Cash and cash equivalents, end of period	$ 460,430	$ 221,983
Cash and cash equivalents are comprised of the following:		
Cash at bank	$ 460,430	$ 221,983

Supplementary cash flow information (Note 25).
The accompanying notes are an integral part of the financial statements.

Consolidated Interim Balance Sheets

As at *(In thousands of United States Dollars, unaudited)*	March 31, **2011**	December 31, 2010	January 1, 2010
		(Note 30)	(Note 30)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 460,430	$ 330,498	$ 170,070
Trade and other receivables	206,395	212,945	102,126
Inventories (Note 6)	143,903	116,443	101,820
Other current assets (Note 7)	187,476	252,692	140,427
Assets held for sale (Note 12)	-	-	187,694
	998,204	912,578	702,137
Non-current assets:			
Property, plant and equipment (Note 8)	8,624,692	8,612,081	8,362,104
Investment in associates (Note 9)	192,951	201,585	213,789
Investments (Note 10)	141,127	102,958	56,366
Other non-current assets (Note 11)	193,106	234,258	166,452
Deferred tax assets	197,850	167,901	152,365
Goodwill and intangibles	72,047	72,512	55,938
Total assets	$10,419,977	$10,303,873	$9,709,151
LIABILITIES			
Current liabilities:			
Trade and other payables	$ 294,936	$ 301,335	$ 239,841
Income taxes payable	46,554	81,785	42,844
Other current liabilities (Note 13)	10,114	11,377	29,405
Liabilities held for sale (Note 12)	-	-	33,496
	351,604	394,497	345,586
Non-current liabilities:			
Long-term debt (Note 14)	485,478	486,550	529,450
Environmental rehabilitation	162,275	162,523	155,189
Deferred tax liabilities	2,057,312	2,026,600	1,967,122
Other non-current liabilities (Note 15)	149,409	147,432	140,270
Total liabilities	$3,206,078	$3,217,602	$3,137,617
EQUITY			
Share capital			
Issued and outstanding 744,859,369 common shares			
(December 31, 2010 – 741,362,131 shares)	6,198,950	6,151,423	6,062,906
Reserves	34,300	79,923	57,321
Retained earnings	933,849	808,125	404,507
Equity attributable to Yamana shareholders	$7,167,099	$7,039,471	$6,524,734
Non-controlling interest	46,800	46,800	46,800
Total equity	7,213,899	7,086,271	6,571,534
Total equity and liabilities	$10,419,977	$10,303,873	$9,709,151

Contractual commitments and contingencies (Notes 27 and 28).
The accompanying notes are an integral part of the financial statements.

Approved by the Board

"Peter Marrone"

PETER MARRONE
Director

"Patrick Mars"

PATRICK MARS
Director

Consolidated Interim Statements of Changes in Equity

For the Three Months Ended March 31 (In thousands of United States Dollars, unaudited)	Share capital	Contributed surplus 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, 2011	**$6,151,423**	**$ 30,196**	**$ 34,080**	**$ 15,647**	**$ 79,923**	**$ 808,126**	**$7,039,472**	**$ 46,800**	**$7,086,272**
Profit for period	-	-	-	-	-	148,248	148,248	-	148,248
Exercise of stock options and share appreciation	47,419	(14,186)	-	-	(14,186)	-	33,233	-	33,233
Transfer on vesting of restricted share units (Note 19)	108	(108)	-	-	(108)	-	-	-	-
Change in fair value	-	-	3,680	(37,179)	(33,499)	-	(33,499)	-	(33,499)
Share options and appreciation rights	-	2,170	-	-	2,170	-	2,170	-	2,170
Dividends	-	-	-	-	-	(22,525)	(22,525)	-	(22,525)
Balance at March 31, 2011	**$6,198,950**	**$ 18,072**	**$ 37,760**	**$ (21,532)**	**$ 34,300**	**$ 933,849**	**$7,167,099**	**$ 46,800**	**$7,213,899**
Balance at January 1, 2010	$6,062,906	$ 30,669	$ 8,647	$ 18,005	$ 57,321	$ 404,508	$6,524,735	$ 46,800	$6,571,535
Profit for period	-	-	-	-	-	131,536	131,536	-	131,536
Exercise of stock options and share appreciation	272	346	-	-	346	-	618	-	618
Exercise of share purchase warrants	78,854	-	-	-	-	-	78,854	-	78,854
Change in fair value	-	-	1,640	(7,337)	(5,697)	-	(5,697)	-	(5,697)
Share options and appreciation rights	-	1,909	-	-	1,909	-	1,909	-	1,909
Dividends	-	-	-	-	-	(7,343)	(7,343)	-	(7,343)
Reduction of deferred tax on share issue costs	(96)	-	-	-	-	-	(96)	-	(96)
Balance at March 31, 2010	$6,141,936	$ 32,924	$ 10,287	$ 10,668	$ 53,879	$ 528,701	$6,724,516	$ 46,800	$6,771,316

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

Notes to the Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2011 (With comparatives as at December 31, 2010 and for the Three-month Period Ended March 31, 2010
(Tabular amounts in thousands of United States Dollars unless otherwise noted; unaudited)

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 150 York Street, Suite 1102, Toronto, Ontario, Canada, M5H 3S5. The Company is listed on the Toronto Stock Exchange (Symbol: YRI), The New York Stock Exchange (Symbol: AUY) and The London Stock Exchange (Symbol: YAU).

The consolidated interim financial statements of the Company as at and for the three-month period ended March 31, 2011 comprise the Company, its subsidiaries, the Company's interest in associates and jointly controlled entities.

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

2. BASIS OF CONSOLIDATION AND PRESENTATION

(i) Statement of Compliance

These consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

As these consolidated interim financial statements are the Company's first financial statements prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements for the comparative annual period.

These consolidated interim financial statements should be read in conjunction with the Company's 2010 Canadian GAAP annual financial statements and in consideration of the IFRS transition disclosures included in *Note 30* to these financial statements and the additional annual disclosures included herein.

These financial statements were authorized for issuance by the Board of Directors of the company on May 3, 2011.

(ii) Basis of Preparation and Presentation

The consolidated interim financial statements have been prepared on the historical cost basis 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.

(iii) Basis of Consolidation

The accounting policies in *Note 4* have been applied in preparing the condensed consolidated interim financial statements.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. 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 entities' 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.

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

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

All inter-company transactions and balances are eliminated on consolidation.

3. MEASUREMENT UNCERTAINTY

The preparation of consolidated interim 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.

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:

- Asset carrying values and impairment charges
- Estimation of asset lives
- Determination of ore reserve estimates
- Deferral of stripping costs
- Recognition of deferred taxes
- Capitalization of exploration and evaluation costs
- Contingencies
- Acquisitions
- Determination of economic viability of a project
- Commencement of commercial production
- Determination of significant influence

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

- Asset carrying values and impairment charges
- Estimation of close down and restoration costs and the timing of expenditure
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Recoverability of potential deferred tax assets
- Contingencies
- Inventory valuation
- Share-based payments
- Depletion/depreciation

4. SIGNIFICANT ACCOUNTING POLICIES

(i) 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, will be reported within the income tax expense line.

(ii) Cash and Cash Equivalents

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

(iii) 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 the estimated future precious metal price based on prevailing and long-term metal prices and estimated costs to complete production into a saleable form.

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 in the mill circuits stacked 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 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.

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.

(iv) Property, Plant and Equipment

a. 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 close down and restoring 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.

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.

b. 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 multiple pits using a common infrastructure:

- In circumstances where the new development is not closely located to a producing mine or is development of an 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 development relates to ensuring or facilitating continued access to a common ore body and the pit is in close proximity to an existing pit, the Company accounts for the costs as a current period expense.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the orebody (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 and the portion of mineralization expected to be classified as reserves.

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 (ix) "Impairment of Assets and Goodwill" for detail of the policy.

c. Assets Under Construction

Assets under construction consist of expenditures for the construction of future mines and include pre-production revenues and expenses prior to achieving commercial production. Commercial production is a convention for determining the point in time in which a mine and plant has completed the operational 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 including production levels, grades and recovery rates is achieved at a sustainable level
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits to allow continuous operations is achieved

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.

d. 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.

(v) 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.

(vi) 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 ("FVTPL"), available-for-sale ("AFS"), or other financial liabilities.

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. 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") unless their impairment is determined to be other than temporary.

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. AFS financial assets are reviewed quarterly for possible other-than-temporary impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the fact and circumstances of the financial assets, including the severity of loss, the financial position and near-term prospects of the investment, the length of the fair value has been below costs, 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. If the impairment is determined to be other-than-temporary, the related amount of loss is removed from OCI and recognized in profit or loss.

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

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

a. 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.

b. 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 the 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.

c. Interest Rate Derivatives

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

d. 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 de-recognition 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.

(vii) 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.

(viii) Business Combinations

Business combinations are accounted for using the acquisition method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill and indefinite-life intangibles are not amortized but rather tested annually for impairment. Goodwill is allocated to cash generating units or groups of cash generating units expected to benefit from the related business combination for the purposes of impairment testing. Goodwill impairments are not reversed.

(ix) Impairment of Assets and Goodwill

The Company assesses at the end of each reporting period whether there is any indication 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.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant cash generating unit) and 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. 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.

(x) 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. 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.

(xi) Environmental Rehabilitation 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.

Environmental rehabilitation provision 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 an environmental rehabilitation provision. 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. Reclamation and closure costs 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 reclamation and closure. 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 environmental rehabilitation and other provisions is charged to the income statement in each accounting period. The amortization of the discount is shown as a financing cost. The initial closure provision together with other movements in the provisions for close down and restoration costs, 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. Reclamation and closure costs capitalized are amortized over the life of the mine on a unit-of-production basis.

(xii) 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.

(xiii) 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.

(xiv) Share-Based Payments

The Company's share-based compensation plans are described in *Note 19.*

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.

(xv) 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' operating 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

(xvi) Transaction and Financing Costs

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

Transaction costs are expensed as incurred for financial instruments classified as 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.

(xxvii) Investment in Associates

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

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

Our 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 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.

5. RECENT ACCOUNTING PRONOUCEMENTS

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) The IASB is expected to publish new IFRSs on the following topics during 2011. The Company will assess the impact of these new standards on the Company's operations as they are published:

- Hedge accounting
- Leases
- Revenue recognition
- Joint arrangements
- Consolidation
- Stripping costs
- Financial instruments

6. INVENTORIES

	March 31, **2011**	December 31, 2010	January 1, 2010
Product inventories	$ 34,532	$ 19,969	$ 26,372
Metal in circuit and gold in process	23,661	19,282	11,752
Ore stockpiles	25,390	21,290	20,303
Material and supplies	60,320	55,902	43,393
	$ 143,903	$ 116,443	$ 101,820

The amount of inventories recognized as an expense during the three-month period ended March 31, 2011, is included in cost of sales of $157.1 million (2010 – $145.1million) and included in cost of sales.

7. OTHER CURRENT ASSETS

	March 31, **2011**	December 31, 2010	January 1, 2010
Financial assets			
Current portion of derivative related assets (Note 23(a))	$ 27,971	$ 25,540	$ 14,110
Current portion of note receivable (Note 11(ii))	-	24,325	-
Non-financial assets			
Advances and deposits	132,404	158,144	98,035
Income taxes recoverable	14,442	31,467	12,323
Other	12,659	13,216	15,959
	$ 187,476	$ 252,692	$ 140,427

8. PROPERTY, PLANT AND EQUIPMENT

	Depletable producing properties *(iii)*	Land, building, plant & equipment *(i)*	Assets under construction *(ii)*	Tangible exploration & evaluation assets	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 movements, including reclassification	23,785	47,809	6,057	(30,214)	47,437
Change in decommissioning liabilities	(4,196)	-	-	-	(4,196)
Disposals	-	(7,002)	-	-	(7,002)
Cost, December 31, 2010	$2,965,648	$1,181,836	$ 94,505	$5,297,319	$9,539,308
Additions	40,462	13,966	38,333	11,814	104,575
Transfers and other movements, including reclassification	(5,727)	(3,074)	17,597	(12,830)	(4,034)
Change in decommissioning liabilities	-	(54)	(3)	(372)	(429)
Disposals	129	-	-	(13)	116
Cost, March 31, 2011	$3,000,512	$1,192,674	$ 150,432	$5,295,918	$9,639,536
Accumulated depreciation, January 1, 2010	$ 440,015	$ 187,149	$ -	$ -	$ 627,164
Depreciation for the year	202,774	101,035	-	-	303,809
Reclassifications	3,775	-	-	-	3,775
Disposals	-	(7,521)	-	-	(7,521)
Accumulated depreciation and impairment, December 31, 2010	$ 646,564	$ 280,663	$ -	$ -	$ 927,227
Depreciation for the period	59,770	27,847	-	-	87,617
Accumulated depreciation, March 31, 2011	$ 706,334	$ 308,510	$ -	$ -	$1,014,844
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, March 31, 2011	$2,294,178	$ 884,164	$ 150,432	$5,295,918	$8,624,692

(i) Included in land, building, plant and equipment is $40.7 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 three months ended March 31, 2011, the Company capitalized $2.8 million of interest costs for assets under construction (December 31, 2010 – $4.3 million). A weighted average capitalization rate of 7.1% (December 31, 2010 – 7.0%), 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:

	March 31, 2011	December 31, 2010
Balance, beginning of the period	$ 51,607	$ 13,995
Additions	-	38,615
Amortization	(370)	(1,003)
Balance, end of period	$ 51,237	$ 51,607

In March 2011, the Company announced an agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that would facilitate the integration of Agua Rica into Minera Alumbrera. Following the integration, Xstrata, Goldcorp and Yamana would own interests in the combined projects of 50%, 37.5% and 12.5% respectively, consistent with their current interest in Alumbrera. Subject to Xstrata and Goldcorp exercising their option to have Alumbrera acquire Agua Rica, which is 100% Yamana owned, the terms of the agreement provides for the Company to receive from Xstrata and Goldcorp a combination of initial payments of $110 million during the 36 months following execution of formal transaction documents, $150 million upon approval to proceed with construction and $50 million upon achieving commercial production. In addition, the Company would receive a deferred consideration revenue stream, which would allow Yamana to retain positive exposure to the majority of the significant gold resources at the Agua Rica project. The Company received a $10 million payment for the option in the period ended March 31, 2011 which has been recorded against the value of the mineral property.

9. INVESTMENT IN ASSOCIATE

The Company has a 12.5% indirect interest in the Bajo de la Alumbrera Mine, held by Minera Alumbrera Ltd. ("Alumbrera").

Earnings of Alumbrera have been included in the earnings of the Company from October 13, 2007, the date of acquisition.

Summarized financial information is as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Total assets	$1,108,944	$1,223,238	$1,237,362
Total liabilities	601,758	623,607	620,259
Net assets	507,186	599,631	617,103
Company's share of net assets of associate (12.5%)	63,398	74,954	77,138

	Three months ended	
	March 31, 2011	March 31, 2010
Company's share of total revenues (12.5%)	$ 46,307	$ 41,340
Company's share of profit and loss (12.5%)	$ 12,560	$ 14,124

	Three months ended	*Year ended*
	March 31, 2011	December 31, 2010
Balance, beginning of the period (Note 30)	$ 201,585	$ 213,789
Equity in earnings	11,732	49,264
Cash distributions	(20,366)	(61,468)
Balance, end of period	$ 192,951	$ 201,585

10. INVESTMENTS

	March 31, 2011	December 31, 2010	January 1, 2010
Available-for-sale securities (a)	$ 141,127	$ 102,958	$ 46,239
Long-term investments (b)	-	-	10,127
	$ 141,127	$ 102,958	$ 56,366

(a) Available-for-sale Securities

As at			March 31, 2011		December 31, 2010		January 1, 2010	
	% of Ownership *(i)*	Cost	Fair Value	Cumulative losses in OCI	Fair Value	Cumulative gains in OCI	Fair Value	Cumulative gains in OCI
Aura Minerals Inc.	19.2%	$149,482	$127,637	$ (21,845)	$ 91,225	$ 12,600	$ 40,886	$ 14,354
Other		8,965	13,490	4,525	11,733	3,268	5,353	1,368
		$158,447	$141,127	$ (17,320)	$102,958	15,868	$ 46,239	$ 15,722

(i) % ownership on an undiluted basis.

Available-for-sale securities are reviewed quarterly for evidence of other than temporary impairment as a result of an event occurring after initial recognition of the asset, and the event had a negative effect on the estimated future cash flows of that asset. The review includes an analysis of the facts and circumstances of each individual investment including the severity of loss, the financial position and near term prospects of the investment, a significant or prolonged decline in the fair value below cost, management's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value and management's market view and outlook.

(b) Other Investments

As at January 1, 2010, the Company also held long-term investments consisting of Master Asset Vehicle II notes ("MAVII") and Auction Rate Securities ("ARS") of $10.1 million which were sold during the year 2010. The Company disposed of its MAVII notes and ARS for proceeds of $13.4 million and a net gain of $3.0 million.

11. OTHER NON-CURRENT ASSETS

	March 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Derivative related assets (Note 23(a))	$ 18,049	$ 18,643	$ 167
Restricted cash *(i)*	220	220	13,844
Long-term note receivable *(ii)*	3,418	40,365	25,971
Long-term tax credits and income taxes receivable *(iii)*	131,413	137,231	107,177
Deferred consideration receivable *(iv)*	10,000	25,000	-
Non-financial assets			
Other	30,006	12,799	19,293
	$ 193,106	$ 234,258	$ 166,452

(i) At March 31, 2011, the Company had restricted cash of $0.2 million (December 31, 2010 – $0.2 million). Restricted cash represents funds on deposit that have been pledged as backing for letters of credit subject to annual renewal issued for reclamation bonding and relate to the Beartrack and Royal Mountain King mines in reclamation since acquisition.

(ii) Long-term note receivable is a secured promissory note received on the sale of San Andrés, São Francisco and São Vicente. The note is payable in two installments the first due on February 2011 and the second installment due on August 2012. The long-term note receivable is recorded at its fair value (Note 23(a)).

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

(iv) The debt restructuring as described in Note 12, included a net smelter return royalty equal to 1.5% on the sales from the San Andrés, São Francisco and São Vicente Mines for a cumulative amount of up to $16 million. The Company recorded this net smelter return royalty at its estimated fair value of $10 million.

12. DISPOSITION AND ACQUISITION OF MINERAL INTERESTS

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 entered into a binding letter agreement 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 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 a cumulative 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 of their fair value. There was not a material gain or loss on the transaction.

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

For the three months ended	Total discontinued operations March 31, 2011	March 31, 2010
Revenues	$ -	$ 40,158
Operating earnings	-	7,644
Earnings before taxes	-	9,328
Income tax expense	-	(1,976)
Earnings from discontinued operations	$ -	$ 7,352
Earnings per share from discontinued operations:		
Basic	$ -	$ 0.01
Diluted	$ -	$ 0.01
Cash flows of discontinued operations		
Operating activities	$ -	$ 1,616
Investing activities	$ -	$ (1,616)

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

As at	Total discontinued operations March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Accounts receivable	$ -	$ -	$ 7,953
Inventory	-	-	44,085
Other current assets	-	-	1,586
Mining interests	-	-	134,070
Total assets	$ -	$ -	$ 187,694
Liabilities			
Accounts payable and accrued liabilities and other	$ -	$ -	$ 13,937
Asset retirement obligation and other	-	-	19,559
Total liabilities	$ -	$ -	$ 33,496

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

13. OTHER CURRENT LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
Financial liabilities			
Current portion of derivative related liabilities (Note 23(a))	$ 3,474	$ 3,853	$ 12,105
Current portion of share purchase warrants (Note 18)	-	143	7,172
Other	-	-	3,271
Non-financial liabilities			
Environmental rehabilitation	4,186	4,767	4,941
Other	2,454	2,614	1,916
Other current liabilities	$ 10,114	$ 11,377	$ 29,405

14. LONG-TERM DEBT

	March 31, 2011	December 31, 2010	January 1, 2010
$750 million revolving facility (a)	$ 217,153	$ 218,307	$ 261,477
$270 million senior debt notes (b)	268,325	268,243	267,973
Long-term portion *(i)*	$ 485,478	$ 486,550	$ 529,450

(i) Balances are net of transaction costs of $7.2 million net of amortization (2010 – $6.1 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 March 31, 2011:

- The credit facility is unsecured and has a maturity date of December 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 March 31, 2011 was 5.96%.
- Undrawn amounts are subject to a commitment fee of 0.50% to 0.81% per annum depending upon the Company's leverage ratio.

(b) The unsecured senior debt notes are the result of a private placement for a total of $270.0 million notes in three series as follows:

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

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

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

15. OTHER NON-CURRENT LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
Financial liabilities			
Derivative related liabilities (Note 23(a))	$ 524	$ 950	$ 3,241
Long-term withholding taxes *(i)*	91,997	91,827	91,172
Royalty payable *(ii)*	15,401	14,978	14,193
Other	24,183	23,228	17,631
Non-financial liabilities			
Provision for Silicosis *(iii)*	9,804	8,949	6,533
Other	7,500	7,500	7,500
	$ 149,409	$ 147,432	$ 140,270

(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 $92.0 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.

(iii) Provision for Silicosis that 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 Company estimates this contingency to be about $9.8 million as at March 31, 2011 (December 31, 2010 – $8.9 million). The increase of $0.9 million in the quarter relates to the impact of the foreign exchange rate of this Brazilian-Real denominated liability.

16. SHARE CAPITAL

(a) 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.

Issued and fully paid – 744,859,369 common shares (December 31, 2010 – 741,362,131 shares):	March 31, 2011 Number of common shares (000's)	March 31, 2011 Amount	March 31, 2010 Number of common shares (000's)	March 31, 2010 Amount
Balance, beginning of period	741,362	$6,151,423	733,411	$6,062,906
Exercise of options and share appreciation rights *(i)*	3,490	47,419	23	272
Exercise of warrants	-	-	7,124	78,854
Issued on vesting of restricted share units (Note 19)	7	108	-	-
Reduction of deferred tax on share issue costs	-	-	-	(96)
Balance, end of period	744,859	$6,198,950	740,558	$6,141,936

(i) During the period ended March 31, 2011, the Company issued 3.5 million shares (December 31, 2010 – 0.3 million shares) to optionees on the exercise of their share options and appreciation rights for cash proceeds of $33.2 million (December 31, 2010 – $1.6 million). Previously recognized stock-based compensation in the amount of $14.2 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

	March 31, 2011	March 31, 2010
Weighted average number of common shares	742,073	736,764
Weighted average number of dilutive warrants	-	7
Weighted average number of dilutive stock options	1,036	728
Dilutive weighted average number of common shares	743,109	737,499

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 March 31, 2011 were 72 thousand (March 31, 2010 – nil) and 4.9 million (March 31, 2010 – 4.9 million), respectively.

	March 31, 2011	March 31, 2010
Dividends paid during the year	$ 22,064	$ 7,343
Dividend declared in respect of the year	$ 22,525	$ 7,343
Dividend paid during the year (per share)	$ 0.03	$ 0.01
Dividend declared in respect of the year (per share)	$ 0.03	$ 0.01

17. OTHER COMPREHENSIVE INCOME AND RESERVES

(a) Other Comprehensive Income

	March 31, 2011	March 31, 2010
Net change in unrealized losses on available-for-sale securities:		
Change in fair value	$ (40,815)	$ (7,428)
Tax impact	3,636	91
Net change in fair value of hedging instruments (Note 23(a))		
Change in fair value	3,829	5,800
Tax impact	(149)	(4,160)
Other comprehensive loss	$ (33,499)	$ (5,697)

(b) Reserves

	March 31, 2011	December 31, 2010
Contributed surplus reserve		
Balance, beginning of period	$ 30,196	$ 30,669
Exercise of stock options and share appreciation	(14,186)	(2,245)
Transfer on vesting of restricted share units	(108)	(6,091)
Share options and appreciation rights	2,170	7,863
Balance, end of period	$ 18,072	$ 30,196
Available for sale reserve		
Balance, beginning of period	$ 15,647	$ 18,005
Change in fair value of available-for-sale securities *(i)*	(37,179)	(2,626)
Reclassification of losses on available-for-sale securities to earnings *(ii)*	-	268
Balance, end of period	$ (21,532)	$ 15,647
Hedging reserve		
Balance, beginning of period	$ 34,080	$ 8,647
Net change in fair value of hedging instruments *(iii)*	3,680	25,433
Balance, end of period	$ 37,760	$ 34,080
Total reserve balance, end of period	$ 34,300	$ 79,923

(i) Net of tax recovery of $3.6 million (2010 – tax expense of $1.0 million).
(ii) Net of tax expense of $nil (2010 – $0.05 million).
(iii) Net of tax expense of $0.1 million (2010 – $12.7 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 income statement when the hedged transaction impacts the income statement, 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, the relevant portion of the reserve is recognized in the income statement.

18. SHARE PURCHASE WARRANTS

A summary of issued share purchase warrants and the changes thereof is as follows:

	March 31, 2011			December 31, 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 period	4,886	$ 19.08	$ 143	14,497	$ 13.74	$ 9,053
Exercised	-	-	-	(7,124)	11.05	(5,010)
Expired	-	-	-	(2,487)	10.95	(2,162)
Mark-to-market adjustments	-	-	(143)	-	-	(1,738)
Outstanding and exercisable, end of period *(i)*	4,886	$ 19.08	$ -	4,886	$ 19.08	$ 143

(i) No share purchase warrants were issued during the period and in 2010.

Share purchase warrants are denominated in Canadian Dollars, and are 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.

Fair value was determined based on an option pricing model with the following assumptions:

	March 31, 2011	December 31, 2010
Dividend yield	0.63%	0.63%
Expected volatility	35%	35%
Risk-free interest rate	0.90%	1.13%
Expected life	0.1 years	0.34 years

The Company had the following share purchase warrants outstanding as at March 31, 2011:

Exercise price (Cdn$)	Issuable shares on exercise of warrants (000's)	Weighted average remaining contractual life (Years)
$ 19.08	4,886	0.1

19. SHARE-BASED PAYMENTS

The total compensation cost relating to share-based payments was $2.8 million (March 31, 2010 – $1.3 million) and is made up as follows:

	March 31, 2011	March 31, 2010
Equity-settled plans	$ 2,169	$ 2,367
Cash-settled plans	675	(1,029)
Total expense recognized as compensation expense	$ 2,844	$ 1,338
Total carrying amount of liabilities for cash-settled arrangements *(i)*	$ 12,670	$ 6,225
Total fair value of liability for vested benefits	$ 18,072	$ 32,924

(i) Included in Other non-current liabilities, Note 15.

(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 period ended March 31, 2011 and none in the year ended 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:

	March 31, 2011		March 31, 2010	
	Number of options (000's)	Weighted average exercise price (Cdn$)	Number of options (000's)	Weighted average exercise price (Cdn$)
Outstanding, beginning of period	5,490	$ 9.42	5,876	$ 9.35
Exercised	(3,490)	9.30	(23)	7.36
Expired	(155)	9.65	-	-
Outstanding, end of period	1,845	$ 9.61	5,853	$ 9.32
Exercisable, end of period	1,343	$ 9.46	4,851	$ 9.17

Stock options outstanding and exercisable as at March 31, 2011 are as follows:

	Outstanding		Exercisable	
Exercise price (Cdn$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$0.01-$2.99	5	0.16	4	0.16
$3.00- $4.99	30	4.12	30	4.12
$6.00-$7.99	146	0.24	146	0.24
$9.00-$9.99	1,556	3.07	1,079	3.05
$10.00-$15.00	72	3.23	48	3.23
Total	1,809	2.86	1,307	2.76

	Outstanding		Exercisable	
Exercise price (US$)	Quantity (000's)	Weighted average remaining contractual life (Years)	Quantity (000's)	Weighted average remaining contractual life (Years)
$0.01-$3.99	17	3.12	17	3.12
$4.00-$5.99	19	4.12	19	4.12
Total	36	3.65	36	3.65
Grand total	1,845		1,343	

(b) Deferred Share Units ("DSU")

DSUs are granted to the eligible participants of the Deferred Share Unit Plan, who are non-executive directors of the Company or designated affiliates (an "eligible director"), and the Chairman or Chief Executive Officer (an "eligible officer") of the Company. The number of DSU granted to each eligible director on each DSU issue-date has the value equal to one third of the director's remuneration payable in the current quarter. The Board may also grant, in its sole and absolute discretion, to an eligible officer the rights to acquire any number of DSU as a discretionary payment in consideration of past services to the Company. Each DSU entitles the holder, who ceases to be an eligible director or eligible officer, to a payment in cash without any further action on the part of the holder of the DSU on the relevant separation date. The value of a DSU is equal to the market value in Canadian dollars of a common share of the Company at the separation date.

	March 31, 2011 Number of DSU (000's)	March 31, 2010 Number of DSU (000's)
Outstanding, beginning of period	901	605
Granted	116	11
Outstanding and exercisable, end of period	1,017	616

The value of the DSU as at March 31, 2011 was $12.7 million (2010 – $6.2 million). In 2011, the Company recorded a mark-to-market gain of $0.7 million which is included in other operating expenses and an expense of $0.7 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 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.

	March 31, 2011 Number of RSU (000's)	March 31, 2010 Number of RSU (000's)
Outstanding, beginning of period	1,192	1,349
Granted	609	-
Vested and converted to common shares	(8)	-
Forfeited	(2)	(2)
Outstanding, end of period	1,791	1,347

In period ended March 31, 2011, the Company credited $0.1 million to share capital in respect of RSU that have vested during the period and granted 609,263 RSU (March 31, 2010 – nil) with a weighted average grant date fair value of Cdn$12.13 (March 31, 2010 – $nil). The expense of $2.1 million (March 31, 2010 – $1.5 million) is included in general and administrative expenses. The fair value of RSU as at March 31, 2010 was $10.5 million (December 31, 2010 – $9.0 million).

20. 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.

21. FINANCE INCOME AND EXPENSE

During the period, the Company earned and expensed the following:

	March 31, 2011	March 31, 2010
Unrealized gain on derivatives	$ 32	$ 4,586
Realized gain on derivatives	1,626	-
Other finance income	3,677	-
Finance income	$ 5,335	$ 4,586
Unwinding of discounts on provisions	$ (2,067)	$ (2,256)
Net foreign exchange loss	(259)	(8,240)
Realized loss on derivatives	(1,510)	(7,621)
Interest expense on long-term debt	(7,527)	(5,306)
Bank fees, financial fees and taxes	(2,968)	(6,576)
Less: capitalized interest	2,803	525
Finance expense	$ (11,528)	$ (29,474)
Net finance expense recognized in earnings	$ (6,193)	$ (24,888)

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

	March 31, 2011	March 31, 2010
Total interest income on financial assets	$ 3,677	$ -
Total interest expense on financial liabilities	$ (10,018)	$ (21,853)

22. 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 externally imposed financial covenants on the revolving facility *(Note 14)* 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 March 31, 2011, the Company has met all of the externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

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

There were no material differences between the carrying value and fair value of non-current assets and liabilities except for the long-term debt, which has a carrying value of $485.5 million (December 31, 2010 – $486.5 million; January 1, 2010 – $529.5 million), comprised of a revolving facility and senior debt notes with fair values of $225.3 million and $300.2 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 and the Company's best estimate.

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. As at March 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.

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

Metal concentrate sales are based on 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 spot prices quoted on the LME or COMEX until measurement date. Therefore, metal concentrate sales would be classified within Level 2 of the fair value hierarchy. The Company continues to monitor and, as warranted, adjust for credit risk based upon the credit default swap spread for each of the counterparties.

The following table summarizes derivative related assets:

	March 31, 2011	December 31, 2010	January 1, 2010
Currency contracts			
Forward contracts	$ 46,020	$ 44,183	$ 14,277
Less: Current portion (Note 7)	(27,971)	(25,540)	(14,110)
Non-current portion (Note 11)	$ 18,049	$ 18,643	$ 167

The following table summarizes the components of derivative related liabilities:

	March 31, 2011	December 31, 2010	January 1, 2010
Currency contracts			
Forward contracts	$ -	-	(5,230)
Interest Rate Contracts			
Interest rate swaps	(3,998)	$ (4,803)	$ (10,116)
Less: Current portion (Note 13)	3,474	3,853	12,105
Non-current portion (Note 15)	$ (524)	$ (950)	$ (3,241)

The following table summarizes unrealized derivative (losses) gains:

	March 31, 2011	March 31, 2010
Non-hedge derivatives		
Share purchase warrants	$ 143	$ -
Commodity contracts	-	5,230
Hedge ineffectiveness		
Currency contracts	(152)	(913)
Interest rate contracts	41	269
	$ 32	$ 4,586

The following table summarizes realized derivative gains (losses):

	March 31, 2011	March 31, 2010
Currency contracts	$ 1,626	$ -
Commodity contracts	-	(5,230)
	$ 1,626	$ (5,230)

Additionally, included in cost of sales are realized gains in the amount of $7.2 million (March 31, 2010 – $6.1 million) with respect to currency derivative contracts. Included in sales are realized gains in the amount of $1.8 million (March 31, 2010 – $3.1 million) in respect of commodity contracts. Included in finance expenses are realized losses in the amount of $1.5 million (March 31, 2010 – $2.4 million) in respect to the interest rate swaps.

The Company estimates that approximately $28.7 million of net gains will be reclassified from accumulated other comprehensive income 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 gains (losses) in OCI *(Note 17):*

	March 31, 2011	March 31, 2010
Effective portion of change in fair value of hedging instruments:		
Currency contracts	$ 3,065	$ 4,700
Interest rate contracts	764	1,100
Future income tax	(149)	(4,160)
	$ 3,680	$ 1,640

(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 559.0 million Reais at an average rate of 2.1566 Real to the United States Dollar have been designated against forecast Reais denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to December 31, 2013. Of this, 209.3 million Reais is hedged for 2011, 273.6 million is hedged for 2012 and approximately 76.0 million Reais for 2013.

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 13.3200 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 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.

(c) Commodity Price Risk

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

The Company has not hedged any of its gold sales.

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

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

(d) Interest Rate Risk

The Company is exposed to interest rate risk on its variable rate debt. As at March 31, 2011, the Company has a total of $126.3 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 March 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 receivable, income taxes recoverable, derivative related assets, available-for-sale, 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. Tax related assets have negligible credit risk as they are receivable from the governmental authorities and are carried at their estimated fair value. The long-term note receivable in relation to the sale of assets is due from a highly rated corporation and the credit risk associated with it is low. For derivatives, the Company assumes no credit risk when the fair value of the instruments is negative. When the fair value of the instruments is positive, this is a reasonable measure of credit risk. The Company does not have any assets pledged as collateral.

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

	March 31, **2011**	December 31, 2010	January 1, 2010
Cash and cash equivalents	$ 460,430	$ 330,498	$ 170,070
Trade receivable and other receivables *(i)*	206,395	212,945	102,126
Income taxes recoverable	14,442	31,467	12,323
Derivative related assets	46,020	44,183	14,277
Investments	141,127	102,958	56,366
Restricted cash	241	243	13,844
Note receivable	-	64,690	25,971
Long-term tax credits	131,413	129,551	107,177
	$1,000,068	$ 916,535	$ 502,154

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

(f) Liquidity Risk

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an off-setting position. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding derivatives except upon the occurrence of customary events of default. The Company mitigates liquidity risk by spreading the maturity dates of derivatives over time, managing its capital expenditures and operating cash flows and by maintaining adequate lines of credit. In addition, the Company addresses the capital management process as described in *Note 22*. Contractual maturities relating to contractual commitments are included in *Note 27* and relating to long-term debt is included in *Note 14*.

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:

Fair value	March 31, **2011**	March 31, 2010
Interest rate swaps – US dollar swaps		
Not later than one year	$ (3,474)	$ (3,853)
Later than one year but not later than two years	$ (524)	$ (950)
Forward exchange contracts		
US$ to Brazilian Reais		
Not later than one year	$ 209,284	$ 187,789
Later than one year but not later than five years	$ 349,675	$ 516,304
US$ to Mexican Peso		
Later than two years but not later than five years	$ 464,500	$ -

24. INCOME TAXES

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

	March 31, **2011**	March 31, 2010
Earnings from continuing operations before income taxes and equity earnings from Minera Alumbrera	$ 194,743	$ 75,651
Canadian statutory tax rate	28.25%	31.00%
Expected income tax expense	55,015	23,452
Impact of lower foreign tax rates	(9,117)	(1,311)
Interest and penalties	170	1,803
Permanent differences	10,225	(2,141)
Change in valuation allowance	502	4,673
Unrealized foreign exchange	(1,493)	(60,233)
Unrealized foreign exchange on intercompany debt	2,251	(3,772)
Other	674	-
Income tax expense	$ 58,227	$ (37,529)
Income tax expense is represented by:		
Current income tax expense	$ 53,845	$ 17,185
Deferred income tax expense	4,382	(54,714)
Net income tax expense	$ 58,227	$ (37,529)

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

25. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Non-cash Investing and Financing Transactions:

	March 31, **2011**	March 31, 2010
Interest capitalized to assets under construction	$ 2,803	$ 525
Issue of common shares on exercise of warrants	$ -	$ 5,010
Issue of common shares on vesting of RSU	$ 107	$ -
Transfer of contributed surplus on exercise of stock options and share purchase appreciation rights	$ 14,186	$ 111
Shares received as consideration of settlement of notes receivable	$ 74,247	$ -

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

	March 31, **2011**	March 31, 2010
Net (increase) decrease in:		
Trade and other receivables	$ (21,406)	$ 24,938
Inventories	(20,687)	227
Other assets	(2,329)	(6,720)
Net (decrease) increase in:		
Trade payable and other payables	(8,826)	(32,406)
Other current liabilities	(160)	(7,765)
	$ (53,408)	$ (21,726)

Changes in non-cash working capital items are net of items related to assets under construction.

26. 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.

March 31, **2011**	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Property, plant and equipment	$ 1,540,525	$ 4,598,582	$ 2,282,186	$ 199,554	$ 3,845	$ 8,624,692
Goodwill and intangibles	$ 55,000	$ 16,109	$ -	$ 938	$ -	$ 72,047
Investment in associate	$ -	$ -	$ 192,951	$ -	$ -	$ 192,951
Non-current assets	$ 1,771,327	$ 4,670,332	$ 2,580,713	$ 199,554	$ 199,847	$ 9,421,773
Total assets	$ 2,264,248	$ 4,671,237	$ 2,630,843	$ 368,831	$ 484,818	$10,419,977
Total liabilities	$ (481,920)	$ (1,236,915)	$ (802,594)	$ (81,099)	$ (603,550)	$ (3,206,078)
Capital expenditures	$ 41,846	$ 33,848	$ 7,962	$ 20,543	$ 376	$ 104,575

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	$ 1,770,337	$ 4,704,119	$ 2,614,481	$ 131,731	$ 170,627	$ 9,391,295
Total assets	$ 2,246,931	$ 4,908,944	$ 2,641,454	$ 200,378	$ 306,166	$10,303,873
Total liabilities	$ (524,704)	$ (1,177,095)	$ (643,124)	$ (75,290)	$ (797,389)	$ (3,217,602)
Capital expenditures	$ 194,078	$ 213,699	$ 48,834	$ 73,152	$ 1,318	$ 531,081

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)
Capital expenditures	$ 205,117	$ 146,384	$ 125,928	$ 18,302	$ 3,026	$ 498,757

(i) Balances exclude discontinued operations.

Segment Operating Earnings

March 31, **2011**	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Revenues	$ 219,087	$ 212,099	$ 44,891	$ -	$ -	$ 476,077
Cost of sales excluding depletion, depreciation and amortization	(79,651)	(58,716)	(18,735)	-	-	(157,102)
Gross margin	139,436	153,383	26,156	-	-	318,975
Depletion, depreciation and amortization	(23,079)	(45,374)	(12,058)	-	-	(80,511)
Mine operating earnings	$ 116,357	$ 108,009	$ 14,098	$ -	$ -	$ 238,464
Equity earnings	$ -	$ -	$ 11,732	$ -	$ -	$ 11,732
Income tax (expense) recovery	$ (33,685)	$ (23,749)	$ (840)	$ (460)	$ 507	$ (58,227)

March 31, 2010	Brazil *(i)*	Chile	Argentina	Mexico and Other *(i)*	Canada	Total
Revenues	$ 174,687	$ 134,422	$ 37,232	$ -	$ -	$ 346,341
Cost of sales excluding depletion, depreciation and amortization	(77,079)	(51,779)	(16,285)	-	-	(145,143)
Gross margin	97,608	82,643	20,947	-	-	201,198
Depletion, depreciation and amortization	(20,866)	(40,473)	(8,710)	-	-	(70,049)
Mine operating earnings	$ 76,742	$ 42,170	$ 12,237	$ -	$ -	$ 131,149
Equity earnings	$ -	$ -	$ 11,652	$ -	$ -	$ 11,652
Income tax recovery (expense)	$ 37,203	$ (6,481)	$ 4,853	$ (44)	$ 1,998	$ 37,529

(i) Excludes operating results of discontinued operations.

27. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	March 31, **2011**	December 31, 2010
Within 1 year	$ 289,156	$ 215,162
Between 1 to 3 years	280,302	233,703
Between 3 to 5 years	103,341	67,397
After 5 years	28,200	5,600
	$ 700,999	$ 521,862

Operating Leases

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

	March 31, **2011**	December 31, 2010
Within 1 year	$ 1,120	$ 3,458
Between 1 to 3 years	2,237	2,381
Between 3 to 5 years	1,955	1,886
After 5 years	242	236
	$ 5,554	$ 7,961

28. 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.

	March 31, **2011**	December 31, 2010
Contingent liabilities (excluding those relating to joint ventures and associates)		
Indemnities and other performance guarantees	$ 177	$ 177
Contingent liabilities relating to joint ventures and associates		
Share of contingent liabilities of joint ventures and associates	-	-
	$ 177	$ 177

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

29. RELATED PARTIES

(a) Parent and Significant Subsidiaries:

The financial statements include the financial statements of Yamana Gold Inc. and the significant subsidiaries listed in the following table. (The percentage interest held in significant associates and joint ventures is disclosed in *Note 9* to the financial statements):

	Country of incorporation	% Equity interest 2011	2010
Yamana Gold Inc. (Parent)	Canada	100%	100%
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%
Suyai del Sur SA	Argentina	100%	100%
Minas Argentinas SA	Argentina	100%	100%
Minera Meridian Minerales SPLCV	Mexico	100%	100%
Jacobina Mineração e Comercio Ltda.	Brazil	100%	100%
Mineração Maracá Industria e Comércio S.A.	Brazil	100%	100%
Mineração Fazenda Brasileiro S.A.	Brazil	100%	100%
Mineração Jacarandá Ltda	Brazil	100%	100%

Yamana Gold Inc. is the ultimate parent entity of the above subsidiaries.

30. TRANSITION TO IFRS

As stated in *Note 2,* these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in *Note 4* have been applied in preparing the consolidated financial statements for the period ended March 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 January 1, 2010 (the Company's 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 (Date of Transition to IFRS)

	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 current assets	154,979	(14,552)	*(m)*	140,427
Assets held for sale	187,694	-		187,694
	716,689	(14,552)		702,137
Non-current assets:				
Property, plant and equipment	$ 8,576,361	$ (214,257)	*(b,n)*	$ 8,362,104
Investment in associates	-	213,789	*(n)*	213,789
Investments	56,366	-		56,366
Other non-current assets	167,390	(938)	*(r)*	166,452
Deferred tax assets	135,454	16,911	*(b,h,i,m)*	152,365
Goodwill and intangibles	55,000	938	*(r)*	55,938
Total assets	$ 9,707,260	$ 1,891		$ 9,709,151
LIABILITIES				
Current liabilities:				
Trade and other payables	$ 239,841	$ -		$ 239,841
Income taxes payable	42,844	-		42,844
Other current liabilities	25,660	3,745	*(g,m)*	29,405
Liabilities held for sale	33,496	-		33,496
	341,841	3,745		345,586
Non-current liabilities:				
Long-term debt	529,450	-		529,450
Environmental rehabilitation	133,163	22,026	*(b)*	155,189
Deferred tax liabilities	1,768,899	198,223	*(b,h,m)*	1,967,122
Other non-current liabilities	138,389	1,881	*(g)*	140,270
Total liabilities	$ 2,911,742	$ 225,875		$ 3,137,617
EQUITY				
Share capital				
Issued and outstanding – 733,411,458 common shares	6,063,410	(504)	*(j)*	6,062,906
Share purchase warrants	44,071	(44,071)	*(g)*	-
Contributed surplus	26,942	(26,942)	*(p)*	-
Accumulated other comprehensive income	26,652	(26,652)	*(q)*	-
Reserves	-	57,321	*(c,p,q)*	57,321
Retained earnings	587,643	(183,136)	*(l)*	404,507
Total shareholders' equity	6,748,718	(223,984)		6,524,734
Non-controlling interest	46,800	-		46,800
Total equity and liabilities	$ 9,707,260	$ 1,891		$ 9,709,151

Reconciliation of Assets, Liabilities, and Equity 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 current assets	268,287	(15,595)	*(m)*	252,692
	928,173	(15,595)		912,578
Non-current assets:				
Property, plant and equipment	$ 8,829,195	$ (217,114)	*(b,n)*	$ 8,612,081
Investment in associates	-	201,585	*(n)*	201,585
Investments	102,958	-		102,958
Other non-current assets	251,770	(17,512)	*(r)*	234,258
Deferred tax assets	132,145	35,756	*(b,h,i,m)*	167,901
Goodwill and intangibles	55,000	17,512	*(r)*	72,512
Total assets	$10,299,241	$ 4,632		$10,303,873
LIABILITIES				
Current liabilities:				
Trade and other payables	$ 301,335	$ -		$ 301,335
Income taxes payable	81,785	-		81,785
Other current liabilities	15,680	(4,303)	*(g,m)*	11,377
	398,800	(4,303)		394,497
Non-current liabilities:				
Debt	486,550	-		486,550
Environmental rehabilitation	153,486	9,037	*(b)*	162,523
Deferred tax liabilities	1,822,185	204,415	*(b,h,m)*	2,026,600
Other non-current liabilities	147,432	-		147,432
Total liabilities	$ 3,008,453	$ 209,149		$ 3,217,602
EQUITY				
Share capital				
Issued and outstanding – 741,362,131 common shares	6,171,047	(19,624)	*(g,j)*	6,151,423
Share purchase warrants	13,111	(13,111)	*(g)*	-
Contributed surplus	33,885	(33,885)	*(p)*	-
Accumulated other comprehensive income	49,727	(49,727)	*(q)*	-
Reserves	-	79,923	*(c,p,q)*	79,923
Retained earnings	976,218	(168,093)	*(l)*	808,125
Total shareholders' equity	7,243,988	(204,517)		7,039,471
Non-controlling interest	46,800	-		46,800
Total shareholders' equity and liabilities	$10,299,241	$ 4,632		$10,303,873

Reconciliation of Equity as at March 31, 2010

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
EQUITY				
Share capital				
Issued and outstanding – 740,558,059 common shares	$ 6,161,276	$ (19,339)	*(g,j)*	$ 6,141,937
Share purchase warrants	13,111	(13,111)	*(g)*	-
Contributed surplus	35,950	(35,950)	*(p)*	-
Accumulated other comprehensive income	20,955	(20,955)	*(q)*	-
Reserves	-	53,879	*(c,p,q)*	53,879
Retained earnings	659,838	(131,138)	*(l)*	528,700
Total shareholders' equity	6,891,130	(166,614)		6,724,516
Non-controlling interest	46,800	-		46,800
Total equity	$ 6,937,930	$ (166,614)		$ 6,771,316

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 March 31, 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 it share-based payment arrangements at January 1, 2010 except for equity-settled share-based payment arrangements granted that have vested after 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 contributed surplus reserve by $3.7 million and decrease equity by $3.7 million on transition to IFRS on January 1, 2010. As at March 31, 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 will continue with respect to its projects that commenced construction before January 1, 2010.

(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 State 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 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 March 31, 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 acquisition of non-monetary assets 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 acquisition of non-monetary assets is calculated in the foreign currency and subsequently translated into the functional currency at the rate in effect at each balance sheet date. 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. The effect of foreign currency translation on the timing differences related to non-monetary assets will likely be more volatile under IFRS. As at March 31, 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 March 31, 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 equity by the same amount on transition to IFRS. As at March 31, 2010 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
Non-monetary items – historical vs. current exchange rate	(h)	(195,699)	(201,214)
Re-classification : current to non-current	(m)	(3,427)	(4,446)
Decrease in deferred tax liability		$ (198,223)	$ (204,415)

The effect on the income statement for the year ended December 31, 2010 was to decrease the previously reported tax charge for the period by $5.6 million and decrease of the tax charge by $59.5 million for the period ended March 31, 2010.

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

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Environmental rehabilitation	(b)	$ 22,367	$ 24,143	$ 24,764
Non-monetary items: historical vs. current exchange rate	(h)	192,223	142,072	179,155
Inter-group transaction tax rates	(i)	340	(136)	454
Backwards tracing	(j)	(504)	(599)	(884)
Share-based payments	(c)	3,728	4,184	3,522
Share purchase warrants	(g)	(35,018)	(38,526)	(38,918)
Total adjustment to equity		$ 183,136	$ 131,138	$ 168,093
Attributable to:				
Equity holders of the parent		$ 183,136	$ 131,138	$ 168,093
		$ 183,136	$ 131,138	$ 168,093

Reclassifications

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

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

(o) As permitted under IFRS, the Company has chosen to reclassified 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) Contributed surplus 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.

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

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
Revenue	$ 1,686,811	$ -		$ 1,686,811
Cost of sales excluding depletion, depreciation and amortization	(631,063)	-		(631,063)
Gross Margin	$ 1,055,748	$ -		$ 1,055,748
Depletion, depreciation and amortization	(300,711)	(1,201)	(b)	(301,912)
Mine operating earnings	$ 755,037	$ (1,201)		$ 753,836
Expenses				
General and administrative	(109,103)	206	(c)	(108,897)
Exploration	(39,184)	-		(39,184)
Equity earnings from Minera Alumbrera		49,264	(n)	49,264
Other operating (expenses) income	(22,569)	4,282	(b,g)	(18,287)
Operating earnings	$ 584,181	$ 52,551		$ 636,732
Finance income	34,063	5,252	(h,o)	39,315
Finance expense	(66,703)	909	(b,o)	(65,794)
Net finance income (expense)	$ (32,640)	$ 6,161		$ (26,479)
Equity earnings from Minera Alumbrera	49,264	(49,264)	(n)	-
Earnings from continuing operations before taxes	$ 600,805	$ 9,448		$ 610,253
Income tax expense	(160,690)	5,595	(b,h,i,j,k,o)	(155,095)
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

Reconciliation of Comprehensive Income for the Period Ended March 31, 2010

	Canadian GAAP	Effect of transition to IFRS	Notes	IFRS
Revenue	$ 346,341	$		$ 346,341
Cost of sales excluding depletion, depreciation and amortization	(145,143)			(145,143)
Gross Margin	$ 201,198	$ -		$ 201,198
Depletion, depreciation and amortization	(69,707)	(342)	(b)	(70,049)
Mine operating earnings	$ 131,491	$ (342)		$ 131,149
Expenses				
General and administrative	(24,867)	(457)	(c)	(25,324)
Exploration	(6,758)	-		(6,758)
Equity earnings from Minera Alumbrera	-	11,652	(n)	11,652
Other operating (expenses) income	(3,295)	4,120	(b,g)	825
Operating earnings	$ 96,571	$ 14,973		$ 111,544
Finance income	4,586	-		4,586
Finance expense	(18,672)	(10,802)	(b,h,o)	(29,474)
Net finance income (expense)	$ (14,086)	$ (10,802)		$ (24,888)
Equity earnings from Minera Alumbrera	11,652	(11,652)	(n)	-
Earnings from continuing operations before taxes	$ 94,137	$ (7,481)		$ 86,656
Income tax expense	(21,950)	59,479	(b,h,i,j,k,o)	37,529
Earnings from continuing operations	$ 72,187	$ 51,998		$ 124,185
Earnings from discontinued operations	7,352	-		7,352
Net earnings	$ 79,539	$ 51,998		$ 131,537
Earnings attributable to:				
Equity shareholders	$ 79,539	$ 51,998		$ 131,537
Net earnings	$ 79,539	$ 51,998		$ 131,537
Earnings per share from continuing operations				
Basic	$ 0.10	$ 0.07		$ 0.17
Diluted	0.10	0.07		0.17
Net earnings per share				
Basic	$ 0.11	$ 0.07		$ 0.18
Diluted	0.11	0.07		0.18
Weighted average number of share outstanding				
Basic	736,764			
Diluted	737,499			
Net earnings	$ 79,539	$ 51,998		$ 131,537
Other comprehensive income, net of taxes	(5,697)	-		(5,697)
Total comprehensive income	$ 73,842	$ 51,998		$ 125,840
Earnings attributable to:				
Equity shareholders	$ 73,842	$ 51,998		$ 125,840
Total comprehensive income	$ 73,842	$ 51,998		$ 125,840

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 quarter ended March 31, 2010 and the year ended December 31, 2010.

Corporate Information

BOARD OF DIRECTORS

Peter Marrone*
Chairman and Chief Executive Officer, Yamana Gold Inc.

Patrick Mars (1)(3)(4)
Lead Director, Yamana Gold Inc. and
President, P.J. Mars Investments Limited

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

Alex Davidson (4)
Company Director

Richard Graff (1)
Company Director

Robert Horn (2)(4)
Company Director

Nigel Lees (1)(2)
President and Chief Executive Officer, SAGE Gold Inc.

Juvenal Mesquita (3)
Company Director

Carl Renzoni (1)(3)
Company Director

Antenor Silva*
President and Chief Executive Officer, MBAC Fertilizer Corp.
(Former President, Yamana Gold Inc.)

Dino Titaro (2)(3)(4)
President and Chief Executive Officer, Carpathian Gold Inc.

** Non-independent Board Member*
(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee
(4) Member of the Sustainability Committee

SENIOR MANAGEMENT

Peter Marrone
Chairman and Chief Executive Officer

Ludovico Costa
President and Chief Operating Officer

Charles Main
Executive Vice President, Finance and Chief Financial Officer

Greg McKnight
Senior Vice President, Business Development

Darcy Marud
Senior Vice President, Exploration

Evandro Cintra
Senior Vice President, Technical Services

Sofia Tsakos
Senior Vice President, General Counsel and
Corporate Secretary

Lisa Doddridge
Vice President, Corporate Communications and
Investor Relations

Jason LeBlanc
Vice President, Finance and Treasurer

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

Nelson Munhoz
Vice President, Operations, Brazil

Ricardo Palma
Vice President, Country Manager, Chile

Patrick Portmann
Vice President, Corporate Development

Arão Portugal
Vice President, Administration and Country Manager, Brazil

Betty Soares
Vice President, Corporate Controller and
Chief Accounting Officer

Mark Bennett
Assistant Corporate Secretary

Shareholder Information

SHARE LISTINGS

Toronto Stock Exchange: YRI
New York Stock Exchange: AUY
London Stock Exchange: YAU

CAPITALIZATION

Common Shares issued as of March 31, 2011: 744,859,369

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENTS

If you would like to receive your shareholder and financial documents electronically, please enroll in Yamana's electronic delivery program through CIBC Mellon Trust at www.cibcmellon.com/electronicdelivery.

TRANSFER AGENT

For information regarding shareholdings, dividends, certificates, change of address, electronic delivery, or exchange of share certificates due to an acquisition, please contact CIBC Mellon Trust Company at:

CIBC Mellon Trust Company
320 Bay Street, Box 1
Toronto, Ontario, Canada M5H 4A6
Phone: 1-800-387-0825 (toll free in North America)
1-416-643-5500 (outside North America)
Email: inquiries@cibcmellon.com

INVESTOR INFORMATION CONTACT

For additional financial information, industry developments, latest news and corporate updates:

Phone: 416-815-0220
Email: investor@yamana.com
Website: www.yamana.com

AUDITORS

Deloitte & Touche LLP

LEGAL COUNSEL

Cassels, Brock & Blackwell LLP
Shearman & Sterling LLP

EXECUTIVE OFFICES

150 York Street, Suite 1102
Toronto, Ontario, Canada
M5H 3S5
Phone: 416-815-0220
Fax: 416-815-0021

Rua Funchal
411- 5 andar - conjunto
43/44
CEP 04551-0660 - São Paulo
SP - Brazil
Phone: +55 11 2163 8300
Fax: +55 11 2163 8324

Printed in Canada