



YAMANAGOLD

# 2011

## Financial Review

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### Cover Photo:

The Chapada open pit gold/copper mine, located northwest of Brasília, commenced commercial production in 2007 and has over 15 years of strategic mine life. Since 2010, two significant discoveries were identified at Chapada – the Suruca deposit, northeast of the main Chapada pit and Corpo Sul southwest of and on strike with the pit.

## 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: AUJ) and The London Stock Exchange (Symbol: YAU).

### 2. HIGHLIGHTS

#### Financial

##### *Three months ended September 30, 2011*

- Revenues of \$555.2 million, an increase of 22% over the third quarter of 2010.
- Net earnings of \$115.8 million or \$0.16 basic and diluted earnings per share; which includes non-cash unrealized foreign exchange losses of \$76.4 million.
- Record Adjusted Earnings (a non-GAAP measure) of \$190.3 million, representing basic and diluted Adjusted Earnings of \$0.26 per share, an increase of 63% over the third quarter of 2010.
- Mine operating earnings of \$272.2 million, a 34% increase over the third quarter of 2010.
- Cash flows generated from operations before changes in non-cash working capital of \$330.5 million, representing an increase of 57%, compared with the third quarter of 2010.
- Record cash flows generated from operations after changes in non-cash working capital of \$342.3 million, representing an increase of 111%, compared with the third quarter of 2010.
- Debt repayments during the quarter of \$30.0 million.
- Subsequent to the quarter, the Board of Directors approved an increase in the Company's annual dividend to \$0.20 per share or \$0.05 per share per quarter, representing a 67% increase over the last 12 months and the second time the dividend has been increased this year. Shareholders of record at the close of business on December 30, 2011 will be entitled to receive payment of this dividend on January 13, 2012.

##### *Nine months ended September 30, 2011*

- Revenues of \$1.6 billion, an increase of 39% over the first nine months of 2010.
- Net earnings of \$458.7 million or \$0.62 basic and diluted earnings per share, representing an increase of 38% on a per share basis over the nine months of 2010.
- Adjusted Earnings (a non-GAAP measure) of \$528.7 million, representing basic and diluted Adjusted Earnings per share of \$0.71, an increase of 91% on a per share basis over the same period of 2010.
- Mine operating earnings of \$803.1 million, a 67% increase over the first nine months of 2010.
- Cash flows generated from operations before changes in non-cash working capital of \$945.9 million, representing an increase of 67%, compared with the nine months of 2010.
- Cash flows generated from operations after changes in non-cash working capital of \$887.0 million, representing an increase of 106%, compared with the nine months of 2010.
- Cash and cash equivalents at September 30, 2011 were \$570.5 million, more than double the cash balance at the end September 30, 2010 and a 73% increase from the beginning of the year.

## Operational

### Three months ended September 30, 2011

- Production of 279,274 gold equivalent ounces ("GEO") was 4% higher than production from continuing operations in the third quarter of 2010. Production of wholly owned mines is summarized as follows:

For the three months ended September 30, (In GEO)	2011	2010
Chapada	36,075	40,405
El Peñón	120,627	105,212
Jacobina	31,567	33,637
Gualcamayo	37,381	31,972
Minera Florida	26,577	27,652
Fazenda Brasileiro	14,335	17,161

- Production of 230,986 gold ounces and 2.4 million silver ounces which, for presentation purposes only, is treated as GEO (a gold equivalent ratio of 50:1).
- Quarter-over-quarter increase in production of wholly owned mines was 4%, highlighted by production increases at the Company's largest gold mines: Gualcamayo and El Peñón of 17% and 15% respectively, compared with the third quarter of 2010.
- By-product cash costs of \$94 per GEO.
- Co-product cash costs of \$468 per GEO.
- Co-product cash costs per pound of copper at Chapada of \$1.45 on production of 41.4 million pounds of copper contained in concentrate.

### Nine months ended September 30, 2011

- Production of 825,379 GEO was 8.5% higher than production from continuing operations in the nine-month period ended September 30, 2010. Production of wholly owned mines is summarized as follows:

For the nine months ended September 30, (In GEO)	2011	2010
Chapada	101,034	98,648
El Peñón	360,543	314,134
Jacobina	89,693	88,443
Gualcamayo	118,171	98,901
Minera Florida	79,588	73,556
Fazenda Brasileiro	39,593	50,232

- Production of 684,613 gold ounces and 7.0 million silver ounces which, for presentation purposes only, is treated as GEO (a gold equivalent ratio of 50:1).
- Year-over-year increase in production of wholly owned mines was 9%, highlighted by production increases at Gualcamayo, El Peñón, Minera Florida, Chapada and Jacobina, of 20%, 15%, 10%, 2% and 1% respectively, compared with the first nine months of 2010.
- By-product cash costs of \$9 per GEO.
- Co-product cash costs of \$456 per GEO.
- Co-product cash costs per pound of copper at Chapada of \$1.33 on production of 120.6 million pounds of copper contained in concentrate.

## Construction, Development and Exploration

- Mercedes, Mexico – Construction continued with the first pour of gold and start-up expected in the fourth quarter, six months earlier than originally planned. Approximately 90% of the costs were committed as of September 30, 2011. The Company continued to advance the development of the Barrancas zone, a high grade area at Mercedes, which was not contemplated as part of the feasibility study. This zone potentially supports an enhanced production profile at Mercedes. The Company is also continuing the development of new discoveries and evaluating plans for additional sustainable production in future years from Mercedes.
- El Peñón, Chile – A new vein, Victoria West, was discovered approximately 200 metres to the west of the main Victoria vein. Drilling will continue to delineate the new vein in the fourth quarter.
- Chapada, Brazil – Drilling has focused on Corpo Sul, the southwestern extension of the Chapada orebody. A total of more than 9,000 metres of drilling was completed in 47 drill holes, and a first resource estimate of this new discovery is expected before year end. Completion of the feasibility study for the Suruca heap leach oxide project northeast of Chapada is expected in January 2012.

- Pilar, Brazil – Construction of the new mine is on schedule. Resource development and work on a feasibility study continued at Caiamar, a high-grade satellite deposit located 38 kilometres west of Pilar. Caiamar and the resource development of other targets could positively impact capacity utilization and production rates at Pilar as early as 2014. The project is being built with 30% additional capacity to that contemplated in the feasibility study in anticipation of significant resource growth.
- C1 Santa Luz, Ernesto & Pau-a-Pique, Brazil – Construction progress of these new mines is on schedule.

## 3. OUTLOOK AND STRATEGY

The Company continues to focus on building sustainable and reliable gold production and achieving the objectives for 2011 as outlined in its 2010 annual report. The Company expects to succeed in attaining those objectives through optimizing existing operations, expanding current, near-term and in-development production plans, developing new operations and advancing its exploration properties.

Consistent with the guidance previously provided, production is expected to be in the range of approximately 1.04 million GEO to 1.14 million GEO in 2011. Production is expected to increase to approximately 1.7 million ounces by 2014 as four development stage projects including C1 Santa Luz, Mercedes, Ernesto/Pau-a-Pique and Pilar, where construction decisions have already been made, and the expansion project of Minera Florida tailings is expected to start contributing to production levels.

These development projects are advancing on schedule and are fully funded from the Company's available cash and cash flows generated 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 projection does not include any additional production from new projects, expansions and optimizations currently under evaluation.

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	Q4 2011
Ernesto/Pau-a-Pique (i)	100,000 gold ounces	Late-2012
Pilar	120,000 gold ounces	Mid-2013

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

Geopolitical risk, economic uncertainty and inflation are factors that support gold prices at the current levels. These factors are expected to persist and support gold price appreciating to higher levels as gold continues to be seen as a natural hedge against financial and geopolitical uncertainties.

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. The copper market remains tighter than markets for most other base metals. Inventories are relatively low, there is little excess mine capacity, and mine utilization rates remain high, supporting strong pricing with expected price volatility in the short to medium-term.

Annual silver production is expected to be approximately 9 million ounces in 2011 and 2012.

The Company's strategy and philosophy is to undertake projects which are easily funded from internal cash flows, with comparatively modest capital requirements and where cost escalation risks are manageable. In the second quarter, the Company provided an update of estimates of expansionary capital expenditures from 2011 to 2013, which remain our current guidance of expansionary capital expenditures. With more than \$1.1 billion of available cash and undrawn credit available at the end of the third quarter of 2011, in addition to expected robust cash flows from operations, the Company is fully funded for its expected growth.

At the beginning of the year, the Company set its objective for 2011 to unlock further value within its existing portfolio. In March 2011, the Company announced its agreement with Xstrata Queensland Limited ("Xstrata") and Goldcorp Inc. ("Goldcorp") that facilitates the integration of Agua Rica into Minera Alumbrera.

On September 1, Xstrata, Goldcorp and the Company announced that they reached a definitive agreement providing Minera Alumbrera the exclusive option to acquire Yamana's 100% interest in the Agua Rica project. Under the terms of the agreement, Minera Alumbrera holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments made by Xstrata and Goldcorp of \$110 million. During the option period, Minera Alumbrera will manage the Agua Rica project and fund a feasibility study and all development costs. Minera Alumbrera can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive \$150 million and a further \$50 million on commencement of commercial production. The Company would also retain the right to a deferred payment related to 65% of the payable gold production from Agua Rica to a maximum of 2.3 million ounces. The respective ownership interests in Minera Alumbrera, i.e. Xstrata (50%), Goldcorp (37.5%) and Yamana (12.5%), would remain unchanged and include 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. The Company has further increased its exploration budget for 2011 to \$111 million from the original budget of \$85 million, an increase of approximately 31%, given the acceleration of the projects. The increased level of exploration spending is expected to carry over into future years, with as much as \$125 million expected to be allocated to exploration in 2012.

#### 4. OVERVIEW OF FINANCIAL RESULTS

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

(in thousands of United States Dollars)	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Revenues</b>	\$ 555,211	\$ 453,965	\$1,604,571	\$1,151,681
Cost of sales excluding depletion, depreciation and amortization	(189,429)	(171,913)	(538,308)	(452,722)
Gross margin	365,782	282,052	1,066,263	698,959
Depletion, depreciation and amortization	(93,619)	(79,485)	(263,148)	(218,255)
<b>Mine operating earnings</b>	272,163	202,567	803,115	480,704
<b>Expenses</b>				
General and administrative	(27,470)	(24,719)	(89,038)	(79,364)
Exploration	(7,741)	(12,249)	(23,318)	(29,699)
Equity earnings from Minera Alumbra	9,425	10,689	37,750	30,140
Other operating expenses	(16,601)	(4,551)	(31,393)	(8,845)
<b>Operating earnings</b>	229,776	171,737	697,116	392,936
Finance income	3,954	22,365	12,566	16,406
Finance expense	(35,579)	(17,290)	(44,660)	(51,077)
<b>Net finance (expense) income</b>	(31,625)	5,075	(32,094)	(34,671)
<b>Earnings from continuing operations before income taxes and non-controlling interest</b>	198,151	176,812	665,022	358,265
Income tax expense	(82,384)	(35,073)	(206,326)	(28,676)
<b>Earnings from continuing operations</b>	115,767	141,739	458,696	329,589
Earnings from discontinued operations (i)	-	(2,496)	-	11,329
<b>Net earnings</b>	\$ 115,767	\$ 139,243	\$ 458,696	\$ 340,918
<b>Earnings adjustments (ii):</b>				
Non-cash unrealized foreign exchange losses (gains)	76,430	(35,640)	56,589	(84,494)
Non-cash unrealized (gains) losses on derivatives	(617)	1,534	(676)	(2,454)
Stock-based and other compensation	6,628	2,600	13,898	9,243
Future income tax (recovery) expense on translation of intercompany debt	(13,180)	6,942	(6,282)	1,929
Other non-recurring loss	9,466	3,050	10,978	12,558
<b>Adjusted earnings before income tax effects</b>	194,494	117,729	533,203	277,700
Income tax effect of adjustments	(4,227)	(475)	(4,549)	(475)
<b>Adjusted earnings (ii)</b>	\$ 190,267	\$ 117,254	\$ 528,654	\$ 277,225
<b>Earnings per share – basic and diluted</b>	\$ 0.16	\$ 0.19	\$ 0.62	\$ 0.45
<b>Adjusted earnings per share – basic and diluted (ii)</b>	\$ 0.26	\$ 0.16	\$ 0.71	\$ 0.38

(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) deferred 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.

#### For the three months ended September 30, 2011

Net earnings for the quarter were \$115.8 million or \$0.16 per share on a basic and diluted basis, compared with net earnings of \$139.2 million or \$0.19 per share for the third quarter of 2010. The decrease in earnings for the quarter was fully attributable to unrealized foreign exchange losses that are excluded from Adjusted Earnings as these are non-cash and unrealized. The total impact on earnings for the quarter due to unrealized foreign exchange losses was \$76.4 million or \$0.10 per share of which \$25.5 million is presented in finance expense and \$50.9 million in income tax expense. Operating earnings were \$229.8 million for the quarter compared with \$171.7 million for the third quarter of 2010, representing an increase of 34%.

Adjusted Earnings were \$190.3 million or \$0.26 per share in the third quarter of 2011 compared with \$117.3 million or \$0.16 per share in the same quarter of 2010 representing an increase of 63% on a per share basis. Higher Adjusted Earnings in the third quarter of 2011 were mainly due to an increase in operating margins as a result of favourable metal prices.

Revenues were \$555.2 million in the third quarter on the sale of 214,980 ounces of gold excluding Alumbra, 2.6 million ounces of silver, and 38.7 million pounds of copper excluding Alumbra, compared with \$454.0 million in the same quarter of 2010 on the sale of 217,094 ounces of gold from continuing operations excluding Alumbra, 2.5 million ounces of silver and 43.5 million pounds of copper from continuing operations excluding Alumbra. Alumbra is accounted for as an equity investment. Higher revenues contributed to higher mine operating earnings of \$272.2 million in the quarter, compared to \$202.6 million in the third quarter of 2010.

Revenues for the quarter were comprised of the following:

For the quarter ended September 30, 2011	Quantity Sold	Realized Price	Revenues (in 000's)
Gold (i)	214,980 oz.	\$ 1,697	\$ 364,752
Silver	2,568,540 oz.	\$ 37.52	96,365
Total precious metals	266,351 GEO		461,117
Copper (i)	38,718,824 lbs.	\$ 3.98	153,996
Gross revenues			\$ 615,113
Add (deduct):			
- Treatment and refining charges of gold and copper concentrate			\$ (10,395)
- Sales taxes and royalties			(10,521)
- Metal price adjustments related to concentrate revenues			(41,679)
- Other adjustments			2,693
<b>Revenues</b>			<b>\$ 555,211</b>

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

The upward momentum of gold and silver prices continued during the quarter. Average realized prices of gold and silver increased by 39% and 105%, respectively, over the third quarter of 2010. Average realized prices of copper increased by 24%, compared with the third quarter of 2010.

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

For the three months ended September 30,	Realized Prices (i)		Market Prices (ii)	
	2011	2010	2011	2010
Gold (per oz.)	\$ 1,697	\$ 1,235	\$ 1,706	\$ 1,228
Silver (per oz.)	\$ 37.52	\$ 19.73	\$ 38.87	\$ 18.98
Copper (per lb.)	\$ 3.98	\$ 3.27	\$ 4.07	\$ 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.

(ii) Source of information: Bloomberg.

Cost of sales excluding depletion, depreciation and amortization for the quarter was \$189.4 million compared with \$171.9 million in the third quarter of 2010. The following table provides a reconciliation of the co-product cash costs to the cost of sales of the quarter:

	Gold Ounces or Pounds of Copper Produced	Co-product Cash Cost per Unit	Total (in 000's)
<i>For the quarter ended September 30, 2011</i>			
Chapada – Gold	36,075 oz.	\$ 329	\$ 11,886
Chapada – Copper	41,396,437 lbs.	1.45	60,197
El Peñón (GEO) (i)	120,627 oz.	407	49,133
Jacobina	31,567 oz.	654	20,634
Gualcamayo	37,381 oz.	442	16,513
Minera Florida (GEO) (i)	26,577 oz.	588	15,630
Fazenda Brasileiro	14,335 oz.	940	13,475
Co-product cash cost of sales (non GAAP measure)			\$ 187,468
Add (deduct):			
- Inventory and other non-cash adjustments			3,810
- Chapada concentrate treatment and refining charges			(10,396)
- Other commercial costs			6,955
- Overseas freight for Chapada concentrate			1,592
<b>Cost of sales excluding depletion, depreciation and amortization</b>			<b>\$ 189,429</b>

(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 \$93.6 million, compared to \$79.5 million in the third quarter of 2010. DDA per quarter is highly impacted by fixed asset acquisitions and by the relative portion of fixed assets depreciated on a time basis versus on a unit of production basis.

General and administrative expenses of \$27.5 million for the quarter versus \$24.7 million for the third quarter of 2010 mainly reflected the impact of the continued strengthening of the Brazilian Real, Chilean Peso, and Canadian Dollar against the United States Dollar and on expenses settled in those currencies in addition to the impact of the Company's growing operations.

For the quarter, net finance expense was \$31.6 million compared with net finance income \$5.1 million in the same quarter of 2010, and was mainly due to unrealized exchange losses of non-tax monetary assets and liabilities resulting from the increase in value of the Brazilian and Chilean currencies versus the United States Dollar. These unrealized foreign exchange gains or losses and those related to income tax assets and liabilities reported as income tax expense, are excluded from the calculation of adjusted earnings.

Other operating expenses were \$16.6 million for the quarter, compared with \$4.6 million in the third quarter of 2010. Higher other operating expenses were primarily due to additional provisions and the mark-to-market effect related to the outstanding deferred share units.

The Company recorded equity earnings from its 12.5% interest in Alumbreira of \$9.4 million for the quarter, compared with \$10.7 million attributable to the Company in the quarter ended September 30, 2010. In the quarter, the Company did not receive any cash dividends from Alumbreira compared to the receipt of \$6.6 million in the third quarter of 2010. Subsequent to the quarter end, the Company received \$23.75 million in dividends from Alumbreira.

Cash flow generated from continuing operations before changes in working capital were \$330.5 million compared with \$210.9 million for the third quarter of 2010. Cash flows from operating activities from continuing operations after changes in non-cash working capital were \$342.3 million for the third quarter compared with \$162.3 million for the quarter ended September 30, 2010. The increase in cash flows from operations was primarily due to an increase in gold, silver and copper prices generating higher sales revenues.

The Company is well positioned to meet its financial obligations. Cash and cash equivalents as at September 30, 2011 were \$570.5 million, representing an increase of \$240.0 million since December 31, 2010, as a result of increased cash flows from operating activities. During the quarter, a total of \$30 million of debt repayments and payment of dividends of \$22.4 million (third quarter 2010: \$11.3 million) were made. The Company received \$20.0 million option payment related to the sale of the Agua Rica project in the quarter.

#### For the nine months ended September 30, 2011

Net earnings for the nine months were \$458.7 million compared with net earnings of \$340.9 million for the nine months of 2010, which included earnings from discontinued operations of \$11.3 million. Earnings per share increased 38% to \$0.62 on a basic and diluted basis for the nine-month period of 2011, compared with basic and diluted earnings per share of \$0.45 for the same period in 2010.

Adjusted Earnings were \$528.7 million or \$0.71 per share in the nine months of 2011 compared with \$277.2 million or \$0.38 per share in the same nine-month period of 2010 representing an increase of 87% on a per share basis. Higher Adjusted Earnings in the nine months of 2011 were mainly due to an increase in adjusted mine operating earnings on cost containment, strong prices for gold, silver and copper compared with the same period of 2010.

Revenues were over \$1.6 billion in the nine months of 2011 consisting of sales of 643,491 ounces of gold, 6.9 million ounces of silver, and 110.0 million pounds of copper excluding Alumbreira, compared with \$1.2 billion in the same quarter of 2010 on the sale of 591,361 ounces of gold, 7.7 million ounces of silver and 104.2 million pounds of copper excluding Alumbreira.

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

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
<i>(in thousands of United States Dollars)</i>				
<b>Financial results</b>				
Revenues (ii)	\$ 555,211	\$ 573,283	\$ 476,077	\$ 535,130
Mine operating earnings	\$ 272,163	\$ 292,488	\$ 238,464	\$ 273,133
Net earnings for the period	\$ 115,767	\$ 194,681	\$ 148,248	\$ 125,569
Adjusted earnings (iii)	\$ 190,267	\$ 186,181	\$ 152,208	\$ 170,979
Cash flows from operating activities of continuing operations	\$ 342,268	\$ 315,766	\$ 228,898	\$ 250,506
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	\$ 330,522	\$ 331,038	\$ 284,379	\$ 292,521
Cash flows to investing activities of continuing operations	\$ (213,409)	\$ (207,716)	\$ (109,445)	\$ (147,192)
Cash flows from (to) financing activities of continuing operations	\$ (57,848)	\$ (53,528)	\$ 7,113	\$ (54,199)
<b>Per share financial results</b>				
<i>Earnings per share</i>				
Basic	\$ 0.16	\$ 0.26	\$ 0.20	\$ 0.17
Diluted	\$ 0.16	\$ 0.26	\$ 0.20	\$ 0.17
<i>Adjusted earnings per share</i>				
Basic	\$ 0.26	\$ 0.25	\$ 0.21	\$ 0.23
Diluted	\$ 0.26	\$ 0.25	\$ 0.21	\$ 0.23
<b>Financial position</b>				
Cash and cash equivalents	\$ 570,489	\$ 520,863	\$ 460,430	\$ 330,498
Total assets	\$10,552,031	\$10,588,801	\$10,419,977	\$10,303,873
Total long-term liabilities	\$ 2,794,993	\$ 2,835,027	\$ 2,854,475	\$ 2,823,105
<b>Production</b>				
Commercial GEO – continuing operations (iv)	279,274	278,737	267,368	286,682
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbreira (iii)(iv)	\$ 94	\$ (80)	\$ 14	\$ (34)
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbreira (iii)(iv)	\$ 468	\$ 451	\$ 449	\$ 465
Chapada concentrate production (tonnes)	74,312	72,350	69,236	69,869
Chapada copper contained in concentrate production (millions of lbs)	41.4	40.8	38.5	39.9
Chapada co-product cash costs per pound of copper	\$ 1.45	\$ 1.32	\$ 1.21	\$ 1.20
Alumbreira (12.5% interest) concentrate production (tonnes)	16,337	16,123	12,690	16,422
Alumbreira (12.5% interest) attributable copper contained in concentrate production (millions of lbs.)	9.5	9.3	7.1	9.3
Alumbreira co-product cash costs per lb. of copper (iii)	\$ 1.58	\$ 1.54	\$ 1.85	\$ 1.37
<b>Gold equivalent ounces breakdown – continuing operations</b>				
Gold ounces produced	230,986	232,138	221,489	243,407
Silver ounces produced (millions of ounces)	2.4	2.3	2.3	2.4
<b>Sales</b>				
Total gold sales (ounces)	226,157	232,743	219,547	234,708
Total gold sales – continuing operations excluding Alumbreira (ounces)	214,980	220,376	208,135	221,757
Chapada concentrate sales (tonnes)	73,417	80,330	57,909	74,009
Chapada payable copper contained in concentrate sales (millions of lbs)	38.7	41.6	29.7	39.6
Silver sales (millions of ounces)	2.6	2.1	2.3	2.4
Average realized gold price per ounce (ii)	\$ 1,697	\$ 1,509	\$ 1,387	\$ 1,374
Average realized copper price per pound (excluding derivative contracts) (ii)	\$ 3.98	\$ 4.22	\$ 4.28	\$ 3.81
Average realized silver price per ounce (ii)	\$ 37.52	\$ 37.76	\$ 33.99	\$ 28.20

<i>(in thousands of United States Dollars)</i>	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009 <i>(v)</i>
<b>Financial results</b>				
Revenues <i>(ii)</i>	\$ 453,965	\$ 351,375	\$ 346,341	\$ 399,825
Mine operating earnings	\$ 202,567	\$ 146,988	\$ 131,149	\$ 184,341
Earnings from continuing operations	\$ 141,739	\$ 63,665	\$ 124,184	\$ 53,458
Net earnings for the period	\$ 139,243	\$ 70,138	\$ 131,536	\$ 36,175
Adjusted earnings <i>(iii)</i>	\$ 117,254	\$ 84,047	\$ 75,924	\$ 100,863
Cash flows from operating activities of continuing operations	\$ 162,280	\$ 127,188	\$ 141,356	\$ 211,206
Cash flows generated from operations of continuing operations before changes in non-cash working capital items <i>(iii)</i>	\$ 210,852	\$ 194,282	\$ 164,471	\$ 155,225
Cash flows to investing activities of continuing operations	\$ (133,181)	\$ (56,933)	\$ (123,334)	\$ (90,532)
Cash flows from (to) financing activities of continuing operations	\$ (19,532)	\$ (27,362)	\$ 32,223	\$ (10,578)
<b>Per share financial results</b>				
<i>Earnings per share from continuing operations</i>				
Basic	\$ 0.19	\$ 0.09	\$ 0.17	\$ 0.07
Diluted	\$ 0.19	\$ 0.09	\$ 0.17	\$ 0.07
<i>Earnings per share</i>				
Basic	\$ 0.19	\$ 0.09	\$ 0.18	\$ 0.05
Diluted	\$ 0.19	\$ 0.09	\$ 0.18	\$ 0.05
<i>Adjusted earnings per share</i>				
Basic	\$ 0.16	\$ 0.12	\$ 0.10	\$ 0.14
Diluted	\$ 0.16	\$ 0.12	\$ 0.10	\$ 0.14
<b>Financial Position</b>				
Cash and cash equivalents	\$ 279,691	\$ 262,223	\$ 221,983	\$ 170,070
Total assets	\$10,083,956	\$ 9,867,620	\$ 9,785,771	\$ 9,707,260
Total long-term liabilities	\$ 2,811,820	\$ 2,743,497	\$ 2,747,153	\$ 2,589,460
<b>Production</b>				
Commercial GEO – continuing operations <i>(iv)</i>	267,409	253,264	239,836	289,456
GEO – discontinued operations <i>(i)</i>	-	10,052	33,236	35,796
Total GEO produced	267,409	263,316	273,074	325,252
By-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbreira <i>(iii)(iv)</i>	\$ 58	\$ 103	\$ 86	\$ 38
Co-product cash costs per GEO produced – continuing operations, including 12.5% equity interest in Alumbreira <i>(iii)(iv)</i>	\$ 439	\$ 434	\$ 423	\$ 366
Chapada concentrate production (tonnes)	76,808	65,859	51,659	63,990
Chapada copper contained in concentrate production (millions of lbs)	42.8	37.0	29.7	37.0
Chapada co-product cash costs per pound of copper	\$ 1.14	\$ 1.13	\$ 1.24	\$ 1.05
Alumbreira (12.5% interest) concentrate production (tonnes)	15,487	16,480	19,961	18,711
Alumbreira (12.5% interest) attributable copper contained in concentrate production (millions of lbs.)	8.3	9.3	11.8	10.8
Alumbreira co-product cash costs per lb. of copper <i>(iii)</i>	\$ 1.53	\$ 1.52	\$ 0.89	\$ 1.23
<b>Gold equivalent ounces breakdown – continuing operations</b>				
Total gold ounces produced	222,299	208,399	190,663	238,438
Silver ounces produced (millions of ounces)	2.5	2.5	2.7	2.8
<b>Sales</b>				
Commercial gold sales – continuing operations (ounces)	227,189	202,559	197,597	232,923
Gold sales – discontinued operations (ounces)	-	11,268	36,664	35,941
Total gold sales (ounces)	227,189	213,827	234,261	268,864
Commercial gold sales – continuing operations excluding Alumbreira (ounces)	217,094	186,921	187,341	222,008
Chapada concentrate sales (tonnes)	81,127	57,895	51,795	63,646
Chapada payable copper contained in concentrate sales (millions of lbs)	43.5	31.6	29.1	34.6
Silver sales (millions of ounces)	2.5	2.6	2.7	2.9
Average realized gold price per ounce <i>(ii)</i>	\$ 1,235	\$ 1,201	\$ 1,114	\$ 1,095
Average realized copper price per pound (excluding derivative contracts) <i>(ii)</i>	\$ 3.27	\$ 3.07	\$ 3.25	\$ 3.18
Average realized silver price per ounce <i>(ii)</i>	\$ 19.73	\$ 18.45	\$ 17.07	\$ 17.47

*(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations with restatement of prior period comparatives. The sale of San Andrés closed in 2009; the sale of São Vicente and São Francisco closed on April 30, 2010.*

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

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

*(v) 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

#### For the three months ended September 30, 2011

In the three months ended September 30, 2011, production of gold equivalent ounces ("GEO") totaled 279,274 GEO compared with 267,409 GEO in 2010, representing a quarter-over-quarter increase of 4%.

In the third quarter, copper production of 41.4 million pounds from the Chapada Mine decreased by 3% over production of 42.8 million pounds in the three months ended September 30, 2010. Also, the tonnage of copper concentrate production at Chapada decreased by 3% compared to the third quarter of 2010. Additionally, 9.5 million pounds of copper produced from Alumbreira were attributable to the Company in the third quarter of 2011, compared to 8.3 million pounds in the quarter ended September 30, 2010.

For the quarter, by-product cash costs were \$94 per GEO compared with \$58 per GEO in the third quarter of 2010.

The Company continues to operate with by-product cash costs below \$250 per GEO, as guided, reflecting the Company's cost containment efforts. By-product cash costs take into account the natural hedge between by-product metal prices and the Company's production cost structure. The Company's by-product credits from copper sales inherently offset unusually high mining inflation during periods of high metal prices. The copper market remains tighter than markets for most other base metals. Inventories are relatively low, there is little excess mine capacity, and mine utilization rates remain high, supporting strong pricing and cost pressures.

Quarter-over-quarter cash costs were also impacted by movements in foreign exchange currencies. The value of the Chilean Peso increased by 12% and the Brazilian Real increased by 8% against the United States Dollar. The Company has hedged approximately 55% of the operating expenses of its mines in Brazil for the remainder of the year with an average contract rate of 2.08 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 \$468 per GEO including Alumbreira, representing a 6.6% increase from \$439 per GEO for the third quarter of 2010. Reliability of operations and cost management improvement allowed the Company to mitigate the adverse impact of a strong Brazilian Real and Chilean Peso.

Co-product cash costs per pound of copper were \$1.45 for the quarter from Chapada, compared with \$1.14, and co-product cash costs including the Company's interest in the Alumbreira Mine were \$1.48 per pound of copper, compared with \$1.20 for the quarter ended September 30, 2010.

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

	2011		2010	
	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO (\$) <i>(i)</i>	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO (\$) <i>(i)</i>
<i>For the three months ended September 30,</i>				
<b>Brazil</b>				
Chapada	36,075	(2,045)	40,405	(1,856)
Jacobina	31,567	654	33,637	463
Fazenda Brasileiro	14,335	940	17,161	620
<b>Chile</b>				
El Peñón <i>(ii)</i>	120,627	407	105,212	461
Minera Florida <i>(iii)</i>	26,577	588	27,652	425
<b>Argentina</b>				
Gualcamayo	37,381	442	31,972	480
<b>Total production, excluding Alumbreira</b>	266,562	156	256,039	105
<b>Alumbreira (12.5% interest)</b>	12,712	(1,216)	11,370	(993)
<b>Total production from continuing operations</b>	279,274	94	267,409	58

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

*(ii) Third quarter 2011 gold production: El Peñón – 76,347 ounces; Minera Florida – 22,569 ounces, and silver production: El Peñón – 2.2 million ounces; Minera 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.*

*For the nine months ended September 30, 2011*

In the nine months ended September 30, 2011, production of gold equivalent ounces ("GEO") totaled 825,379 GEO compared with 760,509 GEO in 2010, representing a period-over-period increase of 8.5%.

In 2011, copper production of 120.6 million pounds from the Chapada Mine increased by 10.1% over production of 109.5 million pounds in the nine months of 2010. The tonnage of copper concentrate production at Chapada increased by 11.1% over the same period of 2010. Additionally, 26.0 million pounds of copper produced from Alumbreira were attributable to the Company in the nine months of 2011, compared to 29.4 million pounds in the same period of 2010.

For the first nine months of 2011, by-product cash costs were \$9 per GEO compared with \$82 per GEO, in the nine months of 2010. By-product cash costs take into account the natural hedge of by-product metal prices for the Company's production cost structure. By-product credits inherently offset unusually high mining inflation during periods of high metal prices. Lower by-product cash costs compared to last year reflect strong cost containment and stronger 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. Compared to the same period of 2010, value of the Chilean Peso increased by 12% and the Brazilian Real went up 10% against the United States Dollar. The Company has hedged approximately 55% of the operating expenses of its mines in Brazil for the remainder of the year with an average contract rate of 2.08 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 first nine months of 2011 were \$456 per GEO compared to \$433 per GEO for same period ended September 30, 2010. Reliability of operations and cost management improvement allowed the Company to mitigate the adverse impact of a strong Brazilian Real and Chilean Peso.

Co-product cash costs per pound of copper were \$1.33 for the first nine months of 2011 from Chapada, compared with \$1.16 for the same period of 2010. Including the Company's interest in the Alumbreira Mine, co-product cash costs were \$1.38 per pound of copper, compared with \$1.19 for nine months ended September 30, 2010.

The following table summarizes GEO production from operations by mine for the nine months ended September 30, 2011 with comparatives:

*For the nine months ended September 30,*

	2011		2010	
	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO (\$) <sup>(i)</sup>	Gold Equivalent Ounce (GEO)	By-product Cash Costs per GEO (\$) <sup>(i)</sup>
<b>Brazil</b>				
Chapada	101,034	(2,705)	98,648	(1,777)
Jacobina	89,693	642	88,443	550
Fazenda Brasileiro	39,593	946	50,232	598
<b>Chile</b>				
El Peñón <sup>(ii)</sup>	360,543	395	314,134	431
Minera Florida <sup>(ii)</sup>	79,588	557	73,556	389
<b>Argentina</b>				
Gualcamayo	118,171	447	98,901	449
<b>Total production, excluding Alumbreira</b>	<b>788,622</b>	<b>78</b>	<b>723,914</b>	<b>154</b>
<b>Alumbreira (12.5% interest)</b>	<b>36,757</b>	<b>(1,468)</b>	<b>36,595</b>	<b>(1,345)</b>
<b>Total production from continuing operations</b>	<b>825,379</b>	<b>9</b>	<b>760,509</b>	<b>82</b>

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

<sup>(ii)</sup> Third quarter 2011 gold production: El Peñón – 230,776 ounces; Minera Florida – 68,589 ounces, and silver production: El Peñón – 6.5 million ounces; Minera Florida – 0.5 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	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Production</b>				
Concentrate (tonnes)	74,312	76,808	215,898	194,326
Gold contained in concentrate production (ounces)	36,075	40,405	101,034	98,648
Copper contained in concentrate (millions of pounds)	41.4	42.8	120.6	109.5
Co-product cash costs per oz of gold produced <sup>(i)</sup>	\$ 329	\$ 301	\$ 319	\$ 329
Co-product cash costs per lb of copper produced <sup>(i)</sup>	\$ 1.45	\$ 1.14	\$ 1.33	\$ 1.16
By-product cash costs per oz of gold produced <sup>(i)</sup>	\$ (2,045)	\$ (1,856)	\$ (2,705)	\$ (1,777)
Ore mined (tonnes)	5,731,928	6,539,658	15,874,494	16,254,468
Ore processed (tonnes)	5,075,556	5,246,202	15,021,607	14,437,899
Gold ore feed grade (g/t)	0.33	0.38	0.32	0.35
Copper ore feed grade (%)	0.42	0.43	0.42	0.40
Concentrate grade – gold (g/t)	15.1	16.4	14.6	15.8
Concentrate grade – copper (%)	25.3	25.3	25.3	25.5
Gold recovery rate (%)	66.0	63.4	65.0	61.5
Copper recovery rate (%)	87.5	86.8	87.7	86.5
<b>Sales<sup>(ii)</sup></b>				
Concentrate (tonnes)	73,417	81,127	211,657	190,816
Payable gold contained in concentrate (ounces)	28,618	35,591	96,273	96,029
Payable copper contained in concentrate (millions of pounds)	38.7	43.5	110.0	104.2
<b>Depletion, depreciation and amortization per gold ounce sold</b>	<b>\$ 71</b>	<b>\$ 67</b>	<b>\$ 61</b>	<b>\$ 64</b>
<b>Depletion, depreciation and amortization per copper pound sold</b>	<b>\$ 0.21</b>	<b>\$ 0.17</b>	<b>\$ 0.21</b>	<b>\$ 0.18</b>

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

<sup>(ii)</sup> Quantities sold include quantity adjustment on provisional and final invoice settlements.

Chapada produced a total of 36,075 ounces of gold contained in concentrate in the third quarter compared with 40,405 ounces of gold in concentrate in the third quarter of 2010. Chapada copper production of 41.4 million pounds in the third quarter was 3% lower than the production of 42.8 million pounds of copper contained in concentrate during the comparable period in 2010. Lower production of both gold and copper in the quarter compared with the third quarter of 2010 was mainly due to lower tonnage of ore mined and processed and lower gold grade partly offset by improved gold and copper recovery rates. Decrease in gold grade is in line with the life of mine plan. Higher depletion, depreciation and amortization ("DDA") per ounce of gold and per copper pound was mainly due to the depreciation expense of assets depreciated on a time basis, which tends to result in a higher DDA on a per unit basis on decrease volume of production.

Copper contained in concentrate has remained within the range of 35-40 million pounds per quarter.

By-product cash costs for the quarter were negative \$2,045 per ounce, compared with negative \$1,856 per ounce for the same quarter of 2010. Higher by-product cash costs credits reflect the strength of copper prices compared to prior year, especially in the first half of the quarter, resulting in lower by-product cash costs.

Co-product cash costs for the quarter were \$329 per gold ounce and \$1.45 per pound of copper compared to \$301 per gold ounce and \$1.14 per pound of copper for the same quarter of 2010. The increase in co-product cash costs per ounce of gold and per pound of copper is primarily due to lower grade and mining inflationary pressures.

Chapada revenues for the quarter net of sales taxes and treatment and refining costs were \$149.1 million. Revenues included market-to-market adjustments and final and provisional pricing settlements in the quarter of negative \$41.6 million.

During the quarter, drilling at Corpo Sul has identified an extension of gold and copper mineralization now traced along a strike length of 3 kilometres, and mineralization remains open along strike to the southwest and down dip. Results were received from 9,208 metres of drilling in 47 drill holes. With the discovery of Corpo Sul this year and Suruca in 2010, gold and copper mineralization has now been identified along a strike length of over 12 kilometres. A first resource estimate of the new Corpo Sul discovery will be completed during the fourth quarter. Completion of the feasibility study for the Suruca heap leach oxide project northeast of Chapada is expected by January 2012.

The Company is evaluating Corpo Sul as a shallow low strip ratio open pit satellite operation that would contribute to copper and gold production at Chapada from 2014 onward, with grades that are believed to be greater than the grades the Company would otherwise be mining from the main Chapada pit. The Company is currently completing an initial resource estimate at Corpo Sul.

A feasibility study for Suruca is currently underway with the focus primarily on an initial average gold contribution of approximately 40,000 to 50,000 ounces per year beginning in 2014 from oxide ore. Completion of the feasibility study is expected by January 2012. Development plans and permitting are in progress for a heap leach operation to supplement production from the main Chapada pit.

Cumulatively, with the contributions to gold production expected from Suruca oxide ore, along with an anticipated Corpo Sul contribution to copper and gold production, overall copper and gold production would exceed currently planned production at Chapada beginning in 2014.

During the remainder of 2011, diamond drilling continues to focus on the expansion and delineation of mineralization at Corpo Sul and the southern extension of Suruca towards the Chapada pit.

## EL PEÑÓN

Operating Statistics	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Production</b>				
Gold equivalent (ounces)	120,627	105,212	360,543	314,134
Gold production (ounces)	76,347	63,417	230,776	181,745
Silver production (ounces)	2,213,974	2,298,731	6,488,305	7,281,400
Cash costs per gold equivalent ounce produced (i)	\$ 407	\$ 461	\$ 395	\$ 431
Ore mined (tonnes)	327,033	329,435	980,436	968,634
Ore processed (tonnes)	367,503	396,209	1,088,294	1,155,942
Gold ore feed grade (g/t)	6.77	5.48	7.10	5.36
Silver ore feed grade (g/t)	215.46	216.76	221.11	228.23
Gold recovery rate (%)	93.6	90.8	93.0	91.1
Silver recovery rate (%)	86.8	83.3	84.0	85.6
<b>Sales</b>				
Gold sales (ounces)	80,255	64,840	228,644	183,087
Silver sales (ounces)	2,267,240	2,385,013	6,439,437	7,379,899
<b>Depletion, depreciation and amortization per gold equivalent ounce sold</b>	<b>\$ 315</b>	<b>\$ 316</b>	<b>\$ 313</b>	<b>\$ 311</b>

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

El Peñón produced 120,627 GEO during the third quarter of 2011. Production for the quarter consisted of 76,347 ounces of gold and 2.2 million ounces of silver, compared with 105,212 GEO, which consisted of 63,417 ounces of gold and 2.3 million ounces of silver produced in the third quarter of 2010. This represents a 15% quarter-over-quarter increase in 2011 versus 2010 production on a GEO basis.

Higher GEO production was mainly due to improved gold grade and better recovery rates for gold and silver compared with the same quarter of 2010. Higher grade areas including Al Este and Bonanza contributed to the increase in GEO production. As well, since conversion to owner-mining, operational dilution has decreased and feed grade has improved. This combined with increased capacity has led to increased production. The decrease in silver production was primarily the result of lower tonnage processed.

Cash costs were \$407 per GEO in the quarter ended September 30, 2011, representing a 12% improvement, compared with \$461 per GEO in the third quarter in 2010, which included the impact of maintenance cost on improvement of fleet availability subsequent to the process of transition from contract mining to owner mining. Reliability of operation and cost management improvement allowed mine management to mitigate the adverse impact of the appreciation of the Chilean Peso versus the United States Dollar. The average currency exchange rate of the Chilean Peso versus the United States Dollar went up by 12% from the third quarter of 2010.

To date, approximately \$8.5 million of the total \$36.5 million in exploration spending at El Peñón is being focused on Pampa Augusta Victoria ("PAV") with the objective of completing an initial mineral reserve and mineral resource estimate. Approximately \$4.0 million has been spent year-to-date. The majority of the drilling is being completed on the Victoria vein, which continues to return significant near surface gold and silver values. The near surface, highly oxidized nature of this mineralization will facilitate rapid low cost development and recoveries which should be in the range of the original near surface mineralization at El Peñón (approximately 95 percent for gold and 90 percent for silver).

During the third quarter, 26 drill holes totaling 12,690 metres were completed at PAV. The drilling continued to extend mineralization at the main Victoria vein down dip and will allow for the estimation of a mineral reserve during the fourth quarter. A new vein, Victoria West, was discovered approximately 200 metres to the west of the main Victoria vein. Drilling will continue to delineate this new vein in the fourth quarter.

Exploration drilling at PAV also continues to further extend mineralization at Victoria both along strike and down dip and is expected to expand and confirm the mineral resource potential of the Victoria Este, Elizabeth and the new Victoria West veins. It is anticipated that development can be accelerated and ore could be mined from PAV as early as 2013.

PAV is expected to provide further sustainability at current production levels in El Peñón's mine life by increasing mine certainty and flexibility.

## GUALCAMAYO

Operating Statistics	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Production</b>				
Gold production (ounces)	37,381	31,972	118,171	98,901
Cash costs per ounce produced (i)	\$ 442	\$ 480	\$ 447	\$ 449
Ore mined (tonnes)	1,849,256	2,485,386	5,697,328	6,562,415
Ore processed (tonnes)	1,844,293	1,982,929	5,623,063	5,710,119
Gold ore feed grade (g/t)	0.94	0.87	0.97	0.80
Gold recovery rate (%)	67.7	57.8	69.5	73.0
<b>Sales</b>				
Gold sales (ounces)	38,354	38,660	119,418	105,085
<b>Depletion, depreciation and amortization per gold ounce sold</b>	<b>\$ 366</b>	<b>\$ 264</b>	<b>\$ 363</b>	<b>\$ 265</b>

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

Gualcamayo produced 37,381 ounces of gold in the third quarter compared with 31,972 ounces produced in the third quarter of 2010, representing a 17% quarter-over-quarter improvement. Production increased as a result of mining higher grade benches and improvements in recovery partly offset by lower tonnage processed. Mining for the quarter was consistent with the block model with modestly higher grades than expected.

Gold recovery rate at Gualcamayo was 67.7% for the third quarter, an improvement from 57.8% for the comparative quarter of 2010. The Company implemented action plans in the leaching area and ADR plant to improve recoveries and minimize carbon fines as it completes the construction of a new heap leach pad later this year. Enhancements of stacking and filtering techniques have also contributed to the improvement in recovery.

Cash costs were \$442 per ounce in the quarter ended September 30, 2011, compared with \$480 per ounce in the third quarter of 2010, representing an 8% improvement.

In 2011, the Company is focusing on a number of operational initiatives, including efforts in sustaining the 1,500 tonne per hour feed through the plant, underground development of QDD Lower West and expansion of heap leach pad at Valle Norte. Development of QDD Lower West continues. Success at this deposit will make an additional positive contribution to mineral reserves and mineral resources for Gualcamayo in 2011. Processing of ore from QDD Lower West will be through the existing heap leach facilities; however, as reserves and resources at QDD Lower West increase the Company will evaluate the possibility of milling the ore to enhance recovery of gold ounces. Gold production for the rest of 2011 is expected to increase based on continuing higher grades, increases in crusher availability and throughput tonnage.

The recent presidential decree announced by the government of Argentina requires repatriation of all export revenues to Argentina and states that there is no restriction on the use or transfer of funds subsequent to the repatriation. The Company has concluded that the decree will have only a modest impact on Yamana's movement of funds in and out of the country mostly relating to a modest increase in transaction fees.

## JACOBINA

Operating Statistics	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Production</b>				
Gold production (ounces)	31,567	33,637	89,693	88,443
Cash costs per ounce produced <i>(i)</i>	\$ 654	\$ 463	\$ 642	\$ 550
Ore mined (tonnes)	541,724	570,800	1,619,020	1,616,041
Ore processed (tonnes)	559,207	570,799	1,620,738	1,616,041
Gold ore feed grade (g/t)	1.89	1.95	1.85	1.83
Gold recovery rate (%)	92.9	93.8	93.3	92.9
<b>Sales</b>				
Gold sales (ounces)	30,528	32,517	90,419	87,875
<b>Depletion, depreciation and amortization</b>				
per gold ounce sold	\$ 404	\$ 319	\$ 389	\$ 335

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

Production at Jacobina was 31,567 ounces of gold in the third quarter, compared with production of 33,637 ounces of gold in the third quarter of 2010. The decrease in production was mainly due to lower tonnage of ore processed and lower feed grade. Production for the quarter was on plan which anticipated lower grades.

Cash costs averaged \$654 per ounce of gold for the third quarter compared with \$463 per ounce of gold in the third quarter of 2010 mainly due to the impact of lower grade, general mining inflation and the appreciation of the Brazilian Real.

The objectives of the 2011 exploration program at Jacobina are to upgrade current mineral resources to mineral reserves at Canavieiras and Morro do Vento, to improve overall mineral reserve grade for the mine, and to add new mineral resources along strike extensions in those zones. The 2011 exploration budget of \$5 million includes 14,000 metres of diamond drilling.

The Company continues to focus on upgrading the current mineral resources to mineral reserves at Canavieiras and Morro do Vento and improving overall mineral reserve grade for the mine. Mining of higher grade areas could increase average annual production at Jacobina to 150,000 gold ounces beginning in 2014. Production increases from higher grade and new gold ounces from new areas will utilize the existing processing capacity.

## MINERA FLORIDA

Operating Statistics	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Production</b>				
Gold equivalent ounces	26,577	27,652	79,588	73,556
Gold production (ounces)	22,569	24,337	68,589	66,798
Silver production (ounces)	200,399	182,332	549,966	371,732
Cash costs per gold equivalent ounce produced <i>(i)</i>	\$ 588	\$ 425	\$ 557	\$ 389
Ore mined (tonnes)	233,611	214,171	657,167	561,280
Ore processed (tonnes)	242,670	207,834	713,241	564,977
Gold ore feed grade (g/t)	3.45	4.30	3.55	4.31
Silver ore feed grade (g/t)	38.01	39.17	34.99	28.90
Gold recovery rate (%)	84.0	84.2	84.2	83.3
Silver recovery rate (%)	67.6	67.0	68.1	66.7
<b>Sales</b>				
Gold sales (ounces)	22,691	26,277	68,260	65,791
Silver sales (ounces)	301,300	76,436	504,285	357,688
<b>Depletion, depreciation and amortization</b>				
per gold equivalent ounce sold	\$ 474	\$ 413	\$ 425	\$ 378

*(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 26,577 GEO in the current quarter, representing a decrease of 4%, compared with 27,652 GEO in the third quarter of 2010.

Gold grade for the quarter averaged 3.45 g/t which was lower than the 4.30 g/t for the third quarter of 2010. The Company continues to focus on getting production from higher grade veins.

In addition, the mine produced 2,389 tonnes of zinc in the three-month period ended September 30, 2011 compared with 1,746 tonnes of zinc produced in the third quarter of 2010. Zinc is accounted for as a by-product credit to cash costs.

Cash costs for the third quarter were \$588 per GEO compared with \$425 per GEO in the same quarter in 2010 due to lower production, appreciation of the Chilean Peso, mining inflation, higher energy costs and lower grades mined. The average value of the Chilean Peso appreciated 12% against the United States Dollar in the third quarter compared with the average exchange rate of the same quarter of 2010.

The Company's expansion project at Minera Florida is designed to increase annual production by approximately 40,000 GEO per year for five years through the re-treatment of tailings. The project continues to advance with start-up planned for January 2012. Total capital for the Minera Florida expansion is estimated to be \$75 million. The increase over feasibility levels is attributed to currency and cost increases but also to a change in the scope of the project which includes a zinc flotation plant which is expected to reduce ongoing operating costs.

Near-mine exploration at Minera Florida focused on the Portezuelo, El Roble and Tribuna sectors to delineate the extension of the orebody. Mine development has advanced as planned in areas such as Tribuna, Maqui Clavo I, with the purpose to maintain and ensure future production levels.

During the quarter the Company began negotiations on the collective bargaining agreements with the unions at Minera Florida. Negotiations are ongoing although there is no assurance that such negotiations will succeed.

## OTHER MINES

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

Operating Statistics	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>FAZENDA BRASILEIRO</b>				
<b>Production</b>				
Gold production (ounces)	14,335	17,161	39,593	50,232
Cash costs per ounce produced (i)	\$ 940	\$ 620	\$ 946	\$ 598
Ore mined (tonnes)	255,169	280,181	718,740	845,508
Ore processed (tonnes)	249,752	279,734	701,692	835,020
Gold ore feed grade (g/t)	1.99	2.14	1.98	2.11
Gold recovery rate (%)	89.9	89.0	88.5	88.3
<b>Sales</b>				
Gold sales (ounces)	14,534	19,208	40,477	53,494
<b>Depletion, depreciation and amortization</b>				
per gold ounce sold	\$ 268	\$ 179	\$ 249	\$ 175
<b>ALUMBRERA (12.5% interest)</b>				
<b>Production</b>				
Concentrate (tonnes)	16,337	15,487	45,149	51,929
Gold production (ounces)	1,088	933	2,882	4,305
Gold production in concentrate (ounces)	11,624	10,437	33,875	32,290
Total gold produced	12,712	11,370	36,757	36,595
Copper contained in concentrate (millions of pounds)	9.5	8.3	26.0	29.4
Co-product cash costs per ounce of gold produced (i)	\$ 259	\$ 309	\$ 248	\$ 263
Co-product cash costs per pound of copper produced (i)	\$ 1.58	\$ 1.53	\$ 1.64	\$ 1.27
By-product cash costs per ounce produced (i)	\$ (1,216)	\$ (993)	\$ (1,468)	\$ (1,345)
Ore mined (tonnes)	773,632	748,037	1,770,514	2,481,137
Ore processed (tonnes)	1,239,638	1,102,574	3,598,981	3,348,732
Gold ore feed grade (g/t)	0.44	0.42	0.46	0.45
Copper ore feed grade (%)	0.44	0.40	0.43	0.46
Gold recovery rate (%)	71.8	72.8	69.8	71.7
Copper recovery rate (%)	79.5	82.2	76.7	82.7
<b>Sales</b>				
Concentrate (tonnes)	14,361	21,654	43,152	36,187
Gold sales (ounces)	9,998	9,073	31,987	31,509
Gold doré sales (ounces)	1,179	1,022	2,969	4,480
Total gold sales (ounces)	11,177	10,095	34,956	35,989
Payable copper contained in concentrate (millions of pounds)	7.9	7.7	23.8	28.0

(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 14,335 ounces of gold in the quarter ended September 30, 2011. This compares to 17,161 ounces of gold in the third quarter of 2010. Cash costs for the third quarter were \$940 per ounce compared with \$620 per ounce for the same period in 2010. Grade for the quarter was 1.99 g/t compared to 2.14 g/t for the comparative quarter last year, representing an expected decline in grade of 7%, which impacted cash costs. Appreciation of the Brazilian Real relative to the United States Dollar also impacted cash costs.

The Fazenda Brasileiro mine was acquired in 2003 with 2.5 years of mine life remaining based on known mineral reserves. The Company has since been mining at Fazenda Brasileiro for seven years. The mine continues to further outline exploration potential and resource additions are expected in 2011.

The two new mineralization zones, CLX<sub>2</sub> 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 mineral reserves at CLX<sub>2</sub>, 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 Alumbreira Mine is accounted for as an equity investment. The Company recorded earnings from its 12.5% interest in Alumbreira Mine of \$9.4 million and \$37.7 million for the three-month and nine-month periods ended September 30, 2011, compared with \$10.7 million and \$30.1 million reported for the respective periods of 2010. The Company did not receive any cash dividends during the three-months and \$26.3 million for the nine-month period ended September 30, 2011, compared with \$6.6 million and \$37.3 million for the comparative periods in 2010. Subsequent to the quarter end, the Company received \$23.75 million in dividends from Alumbreira.

Attributable production from Alumbreira was 12,712 ounces of gold and 9.5 million pounds of copper for the quarter. This compares with attributable production of 11,370 ounces of gold and 8.3 million pounds of copper for the third quarter of 2010.

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

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

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

## 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	
	2011	2010	2011	2010
<i>For the three months ended September 30,</i>				
<b>Cost of sales (i) (iii)</b>	\$ 189,429	\$ 171,913	\$ 711	\$ 671
<b>Adjustments:</b>				
Copper contained in concentrate related cash costs (excluding related TCRC's) (ii)	(51,267)	(41,414)	(193)	(162)
Treatment and refining costs (TCRC) related to Chapada gold	1,466	1,575	5	6
Inventory movements and adjustments	(3,810)	(11,908)	(14)	(47)
Commercial selling costs	(8,547)	(6,231)	(32)	(24)
Total GEO co-product cash costs (excluding Alumbraera)	\$ 127,271	\$ 113,935	\$ 477	\$ 444
Minera Alumbraera (12.5% interest) GEO cash costs	3,293	3,517	259	309
<b>Total GEO co-product cash costs (iii)</b>	<b>\$ 130,564</b>	<b>\$ 117,452</b>	<b>\$ 468</b>	<b>\$ 439</b>
Commercial GEO produced excluding Alumbraera	266,562	256,039		
Commercial GEO produced including Alumbraera	279,274	267,409		

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
	2011	2010	2011	2010
<i>For the nine months ended September 30,</i>				
<b>Cost of sales (i) (iii)</b>	\$ 538,308	\$ 452,722	\$ 683	\$ 625
<b>Adjustments:</b>				
Copper contained in concentrate related cash costs (excluding related TCRC's) (ii)	(141,356)	(109,091)	(179)	(151)
Treatment and refining costs (TCRC) related to Chapada gold	3,423	3,901	4	5
Inventory movements and adjustments	(9,562)	(11,123)	(12)	(15)
Commercial selling costs	(23,782)	(17,040)	(30)	(24)
Total GEO co-product cash costs (excluding Alumbraera)	\$ 367,031	\$ 319,369	\$ 466	\$ 440
Minera Alumbraera (12.5% interest) GEO cash costs	9,105	9,612	248	263
<b>Total GEO co-product cash costs (iii)</b>	<b>\$ 376,136</b>	<b>\$ 328,981</b>	<b>\$ 456</b>	<b>\$ 433</b>
Commercial GEO produced excluding Alumbraera	788,622	723,914		
Commercial GEO produced including Alumbraera	825,379	760,509		

(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 pound of copper	
	2011	2010	2011	2010
<i>For the three months ended September 30,</i>				
<b>Cost of sales (i) (iii)</b>	\$ 189,429	\$ 171,913	\$ 4.58	\$ 4.02
<b>Adjustments:</b>				
GEO related cash costs (excluding related TCRC's) (ii)	(125,805)	(112,360)	(3.04)	2.62
Treatment and refining costs (TCRC) related to Chapada copper	8,930	7,323	0.22	0.17
Inventory movements and adjustments	(3,810)	(11,908)	(0.10)	(0.28)
Commercial selling costs	(8,547)	(6,231)	(0.21)	(0.15)
Total copper co-product cash costs (excluding Alumbraera)	\$ 60,197	\$ 48,737	\$ 1.45	\$ 1.14
Minera Alumbraera (12.5% interest) copper cash costs	15,025	12,722	1.58	1.53
<b>Total copper co-product cash costs (iii)</b>	<b>\$ 75,222</b>	<b>\$ 61,459</b>	<b>\$ 1.48</b>	<b>\$ 1.20</b>
Copper produced excluding Alumbraera (millions of lbs)	41.4	42.8		
Copper produced including Alumbraera (millions of lbs)	50.9	51.1		

Copper	In thousands of United States Dollars		United States Dollars per pound of copper	
	2011	2010	2011	2010
<i>For the nine months ended September 30,</i>				
<b>Cost of sales (i) (iii)</b>	\$ 538,308	\$ 452,722	\$ 4.46	\$ 4.14
<b>Adjustments:</b>				
GEO related cash costs (excluding related TCRC's) (ii)	(363,608)	(315,469)	(3.01)	(2.89)
Treatment and refining costs (TCRC) related to Chapada copper	18,923	18,312	0.16	0.17
Inventory movements and adjustments	(9,562)	(11,123)	(0.08)	(0.10)
Commercial selling costs	(23,782)	(17,040)	(0.20)	(0.16)
Total copper co-product cash costs (excluding Alumbraera)	\$ 160,279	\$ 127,402	\$ 1.33	\$ 1.16
Minera Alumbraera (12.5% interest) copper cash costs	42,550	37,363	1.64	1.27
<b>Total copper co-product cash costs (iii)</b>	<b>\$ 202,829</b>	<b>\$ 164,765</b>	<b>\$ 1.38</b>	<b>\$ 1.19</b>
Copper produced excluding Alumbraera (millions of lbs)	120.6	109.5		
Copper produced including Alumbraera (millions of lbs)	146.6	138.9		

(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	
	2011	2010	2011	2010
<i>For the three months ended September 30,</i>				
<b>Cost of sales (i)</b>	\$ 189,429	\$ 171,913	\$ 710	\$ 671
<b>Adjustments:</b>				
Chapada treatment and refining costs related to gold and copper	10,396	8,898	39	35
Inventory movements and adjustments	(3,810)	(11,908)	(14)	(47)
Commercial selling costs	(8,547)	(6,231)	(32)	(24)
Chapada copper revenue including copper pricing adjustment	(145,853)	(135,876)	(547)	(531)
<b>Total GEO by-product cash costs (excluding Alumbraera)</b>	\$ 41,615	\$ 26,796	\$ 156	\$ 104
Minera Alumbraera (12.5% interest) by-product cash costs	(15,458)	(11,295)	(1,216)	(993)
<b>Total GEO by-product cash costs (i)</b>	\$ 26,157	\$ 15,501	\$ 94	\$ 58
<b>Commercial GEO produced excluding Alumbraera</b>	266,562	256,039		
<b>Commercial GEO produced including Alumbraera</b>	279,274	267,409		

GEO	In thousands of United States Dollars		United States Dollars per gold equivalent ounce	
	2011	2010	2011	2010
<i>For the nine months ended September 30,</i>				
<b>Cost of sales (i)</b>	\$ 538,308	\$ 452,722	\$ 683	\$ 625
<b>Adjustments:</b>				
Chapada treatment and refining costs related to gold and copper	22,346	22,213	28	31
Inventory movements and adjustments	(9,562)	(11,123)	(12)	(15)
Commercial selling costs	(23,782)	(17,039)	(30)	(24)
Chapada copper revenue including copper pricing adjustment	(465,794)	(335,172)	(591)	(463)
<b>Total GEO by-product cash costs (excluding Alumbraera)</b>	\$ 61,516	\$ 111,601	\$ 78	\$ 154
Minera Alumbraera (12.5% interest) by-product cash costs	(53,968)	(49,224)	(1,468)	(1,345)
<b>Total GEO by-product cash costs (i)</b>	\$ 7,548	\$ 62,377	\$ 9	\$ 82
<b>Commercial GEO produced excluding Alumbraera</b>	788,622	723,914		
<b>Commercial GEO produced including Alumbraera</b>	825,379	760,509		

(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) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non-monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) unrealized (gains) losses on commodity derivatives, (e) impairment losses, (f) deferred 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 and increased cash flows from operating activities. 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)	September 30, 2011	December 31, 2010
Cash	\$ 570,489	\$ 330,498
Working capital	\$ 646,206	\$ 518,081

Three months ended (in thousands of United States Dollars)	September 30, 2011	September 30, 2010
<b>Cash flows (for the period ended)</b>		
Cash flows from operating activities of continuing operations	\$ 342,268	\$ 162,279
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	\$ 330,522	\$ 210,852
Cash flows from financing activities of continuing operations	\$ (57,848)	\$ (19,532)
Cash flows to investing activities of continuing operations	\$ (213,409)	\$ (133,181)

Nine months ended (in thousands of United States Dollars)	September 30, 2011	September 30, 2010
<b>Cash flows (for the period ended)</b>		
Cash flows from operating activities of continuing operations	\$ 886,932	\$ 430,824
Cash flows generated from operations of continuing operations before changes in non-cash working capital items	\$ 945,939	\$ 567,997
Cash flows from financing activities of continuing operations	\$ (104,263)	\$ (14,671)
Cash flows to investing activities of continuing operations	\$ (530,570)	\$ (313,448)

Cash and cash equivalents as at September 30, 2011 were \$570.5 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 \$646.2 million as at September 30, 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 volume of sales. Working capital is defined as the excess of current assets over current liabilities.

Receivables at the end of the period were \$160.1 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 in less than a month.

## Operating Cash Flows

Cash inflows from operations after taking into effect changes in working capital items for the three-month period ended September 30, 2011 were \$342.3 million, compared to inflows of \$162.3 million for the same period ended September 30, 2010 from continuing operations.

Cash flows generated before changes in non-cash working capital items for the three-month period ended September 30, 2011 were \$330.5 million compared to \$210.9 million for the same period ended September 30, 2010 from continuing operations. The increase is mainly attributed to increases in revenues.

Changes in non-cash working capital items for the three-month period ended September 30, 2011 period were cash inflows of \$11.7 million compared to outflows of \$48.6 million for the comparative quarter ended September 30, 2010, this was mainly due to the favourable effect of the change of accounts receivable, inventory and accounts payable balances.

## Financing Activities

Cash outflows from financing activities for the three-month period ended September 30, 2011 were \$57.8 million compared to cash outflows of \$19.5 million for the comparative quarter ended September 30, 2010 from continuing operations due to the following:

- increase of dividends paid by \$11.1 million;
- increase of net long-term debt repayment of \$30.0 million;
- net decrease of \$0.2 million received from the exercise of options and warrants; and
- net decrease of \$3.0 million paid for financing and other charges.

## Investing Activities

Cash outflows to investing activities were \$213.4 million (September 30, 2010 – \$133.2 million) for the three-month period ended September 30, 2011 of which approximately \$231.3 million relates to expenditures on property, plant and equipment, compared with \$126.7 million spent in the third quarter of 2010. Higher outflows on acquisition of property, plant and equipment reflected increased expenditures on the construction of new mines and expansion of existing assets.

The following is a summary of capital expenditures by mine:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<i>(in thousands of United States Dollars)</i>				
<b>ARGENTINA</b>				
Gualcamayo	\$ 19,787	\$ 10,485	\$ 35,218	\$ 32,375
Agua Rica	3,100	2,217	8,224	4,872
<b>BRAZIL</b>				
Chapada	23,162	17,257	41,287	43,579
Jacobina	19,394	13,893	44,970	37,485
Fazenda Brasileiro	9,975	4,811	23,507	16,803
Ernesto/Pau-au-Pique (i)	20,037	4,905	44,821	7,419
C1 Santa Luz (i)	20,258	3,462	42,303	5,477
Pilar (i)	14,386	2,661	41,198	23,600
<b>CHILE</b>				
El Peñón (ii)	31,433	28,916	84,643	116,125
Minera Florida	26,060	15,927	60,798	34,489
<b>MEXICO AND OTHER</b>				
Mercedes (i)	36,932	21,051	88,752	39,439
Other	6,734	1,164	25,111	1,025
<b>Total capital expenditures (i)</b>	<b>\$ 231,258</b>	<b>\$ 126,749</b>	<b>\$ 540,832</b>	<b>\$ 362,688</b>

(i) Net of movement in accounts payable.

(ii) Nine-month period balance of 2010 capital expenditures included the purchase cost of Constructora Gardilic Ltda. and Constructora TCG Ltda. of \$48.9 million to convert El Peñón into an owner-mining operation.

## 8. CAPITALIZATION

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.

At September 30, 2011, the Company had 745.7 million common shares and 1.5 million stock options outstanding.

As of October 28, 2011, the total number of common shares outstanding were 745.7 million.

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were \$27.5 million and \$89.0 million for the three and nine-month periods ended September 30, 2011, respectively, compared with \$24.7 million and \$79.4 million for the three and nine-month periods ended September 30, 2010, respectively. 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 Reals (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.

For the three and nine-month periods ended September 30, 2011, the Company recognized foreign exchange losses of \$25.5 million and \$14.8 million, respectively, compared to foreign exchange gains of \$21.3 million and \$11.3 million for the three and nine-month periods ended September 30, 2010, respectively. The foreign exchange losses were mainly attributable to the decrease in value of the United States Dollar versus the Chilean Peso and Brazilian Real.

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:

Three months ended	September 30, 2011	September 30, 2010	Variance		
<b>Average Exchange Rate</b>					
USD-CAD	0.9752	1.0400			-6.2%
USD-BRL	1.6361	1.7595			-7.0%
USD-ARG	4.1495	3.9501			5.0%
USD-CLP	467.7851	521.9876			-10.4%
<hr/>					
Nine months ended	September 30, 2011	September 30, 2010	Variance		
<b>Average Exchange Rate</b>					
USD-CAD	0.9777	1.0366			-5.7%
USD-BRL	1.6325	1.7895			-8.8%
USD-ARG	4.0746	3.9033			4.4%
USD-CLP	473.4016	530.5750			-10.8%
<hr/>					
As at	September 30, 2011	September 30, 2010	Variance	December 31, 2010	Variance
USD-CAD	1.0503	1.0290	2.1%	0.9999	5.0%
USD-BRL	1.8544	1.7032	8.9%	1.6660	11.3%
USD-ARG	4.2048	3.9681	6.0%	3.9713	5.9%
USD-CLP	519.7500	481.8010	7.9%	461.9820	12.5%

## 11. INVESTMENTS AND INVESTMENT INCOME

### INVESTMENTS

As at September 30, 2011, the Company had total investments of \$56.9 million compared with \$103.0 million as at December 31, 2010. The main reason for the decrease is a result of the downward fair value adjustments in available-for-sale financial assets in the quarter (refer to Note 8 to the consolidated interim condensed financial statements for details).

### 12. INCOME TAXES

The Company recorded an income tax expense of \$82.4 million for the quarter (tax expense of \$35.1 million for the third quarter of 2010). The current quarter income tax provision mainly reflects a current income tax expense of \$52.4 million (\$23.8 million for the third quarter of 2010) and a deferred income tax expense of \$29.9 million (\$11.3 million for the third quarter of 2010). The effective tax rate for the quarter was 41.5% (19.8% for the third quarter of 2010). The expense reflects the taxes incurred in the Company's Brazilian, Chilean and Argentinean mines. The increase in the tax provision is due mainly to the devaluation of the Brazilian Real during the quarter and its effect on the deferred taxes on the non-monetary assets.

The effective tax rate excluding equity earnings, foreign exchange on non-monetary assets and revaluations is 26.3% for the quarter (29.7% for the third quarter of 2010). These items are adjusted to normalize the effects of IFRS on the tax provision.

The consolidated balance sheet reflects recoverable tax installments in the amount of \$3.7 million and an income tax liability of \$82.9 million. Additionally, the balance sheet reflects a deferred tax asset of \$167.9 million and a deferred tax liability of \$2.0 billion.

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

The Company has elected, under IFRS, to record foreign exchange and interest and penalties in the income tax expense, therefore, due to foreign exchange differences, the tax rate will fluctuate during the year with the change in the Brazilian Real and Argentinean Peso. See Note 20 to the consolidated interim condensed 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 net losses of \$1.1 million and \$2.3 million for the three and nine-month periods ended September 30, 2011, respectively whereas losses of \$0.2 million and \$5.5 million were recorded in the three and nine-month periods ended September 30, 2010, respectively.

Included in cost of sales are realized gains in the amounts of \$10.4 million and \$26.9 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$6.5 million gain and \$18.6 million gain, respectively) with respect to currency derivative contracts. Included in sales are realized gains in the amounts of \$7.4 million and \$12.1 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$8.8 million losses and \$0.6 million losses, respectively) in respect of commodity contracts. Included in finance expense are realized losses in the amounts of \$1.1 million and \$4.0 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$2.0 million losses and \$6.5 million losses, respectively) in respect to the interest rate swaps.

### CURRENCY HEDGING

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 419.1 million Reais at an average rate of 2.19 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, 69.5 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 13.32 Pesos to the United States Dollar have been designated against forecast Pesos denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to 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 \$45.6 million and \$33.5 million losses for the three and nine-month periods ended September 30, 2011, respectively, debited to other comprehensive income. The ineffective portion of \$nil and \$0.2 million losses for the three and nine-month periods ended September 30, 2011, respectively, were taken to income.

The following table summarizes the details of the currency hedging program as at September 30, 2011:

Year of Settlement	Brazilian Real			Year of Settlement	Mexican Peso		
	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market rate as at September 30, 2011		Mexican Peso Notional Amount	Contract Fixed Rate	Market rate as at September 30, 2011
2011	69,420	2.0795	1.8544	-	-	-	-
2012	273,643	2.2275	1.8544	2012	87,500	13.3200	13.8973
2013	76,032	2.1387	1.8544	2013	156,000	13.3200	13.8973
2014	-	-	-	2014	156,000	13.3200	13.8973
2015	-	-	-	2015	65,000	13.3200	13.8973
	419,095	2.1853	1.8544		464,500	13.3200	13.8973

### INTEREST RATE HEDGING

The Company is exposed to interest rate risk on its variable rate debt. As at September 30, 2011, the Company had a total of \$84.2 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on the Company's long-term debt at 4.36%. The 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 \$7.5 million and \$5.8 million losses for the three and nine-month period ended September 30, 2011, respectively, recorded in other comprehensive income. The ineffective portion of gains of \$8.5 million and \$8.7 million for the three and nine-month periods ended September 30, 2011, respectively, were taken to income.

At September 30, 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 September 30, 2011, the Company is contractually committed to the following:

(in thousands of United States Dollars)	Within 1 year	Between 1 to 3 years	Between 3 to 5 years	After 5 years	Total
Mine operating/construction and service contracts and other	\$ 288,784	\$ 261,645	\$ 52,845	\$ 8,716	\$ 611,990
Long-term debt principal repayments (i)	-	182,631	73,500	181,500	437,631
Environmental rehabilitation (undiscounted)	8,718	27,219	12,535	181,816	230,288
	\$ 297,502	\$ 471,495	\$ 138,880	\$ 372,032	\$1,279,909

(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 Alumbra 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 September 30, 2011, spot gold prices averaged \$1,706 per ounce, or 39% higher, compared with \$1,228 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 supportive of gold prices. Furthermore, central bank purchases 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 September 30, 2011, spot copper prices averaged \$4.07 per pound, representing an increase of 24% compared with \$3.29 per pound from the same period in 2010.

Strong copper prices are primarily being driven by positive supply demand fundamentals as flat supply growth is unbalanced with demand from emerging markets, mainly China. Towards the end of the third quarter, copper prices softened due to global growth uncertainties and concerns over the European debt crisis. Copper prices rebounded at the end of October due to favourable developments in Europe and positive supply/demand fundamentals including declining global copper inventories and supply disruptions from several copper mines. Based on positive fundamentals, the Company expects copper prices to remain above historical levels in the near to mid-term.

## 18. CONSTRUCTION, DEVELOPMENT AND EXPLORATION

### CONSTRUCTION AND DEVELOPMENT

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

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

#### MEXICO

##### Mercedes

Construction continued at Mercedes with the first pour of gold and start-up of operations expected by year end, six months earlier than originally planned and as announced last quarter. Commercial production is expected by mid-2012. As of September 30, 2011, overall physical advancement of the project was 94% complete. The project continued to advance toward completion with the completion of the power line in the third quarter and with the advancement of plant construction, structural, mechanical and piping installation and the continuation of commissioning activities. Approximately 90% of the updated budget costs were committed as of September 30, 2011. The Company also continued to advance the development of the Barrancas zone, a high grade area at Mercedes, which was not contemplated as part of the feasibility study. This zone could potentially support an enhanced production profile at Mercedes which is initially expected to produce approximately 120,000 gold equivalent ounces ("GEO") with the potential to increase to 150,000 GEO per year beginning in 2014. The Company is also continuing the development of new discoveries and evaluating plans for additional sustainable production in the future years.

#### BRAZIL

##### Ernesto & Pau-a-Pique

Construction progress is on schedule with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As of September 30, 2011, physical advancement continued and was approximately 55% complete. Earthworks were completed during the third quarter. Activities continued on mine development, detailed engineering and civil works; electromechanical works began just before the end of the quarter. Approximately 63% of updated budget costs were committed as of September 30, 2011. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years expected to be approximately 120,000 gold ounces.

##### C1 Santa Luz

Construction progress is on schedule with commissioning and start-up of production expected by the end of 2012 and commercial production by mid-2013. As of September 30, 2011, physical advancement of the project was approximately 49% complete which includes the completion of the foundation for the SAG mill. Earthworks were near completion and civil works were approximately 31% complete. Approximately 47% of updated budget costs have been committed. Annual production is expected to be approximately 100,000 gold ounces with average annual production during the first two full years to exceed 130,000 gold ounces.

##### Pilar

Construction progress is on schedule with commissioning and start-up of production expected by mid-2013 with commercial production expected by the end of 2013. As at September 30, 2011, detailed engineering and earthworks were approximately 58% complete and 30% of updated budget costs were committed. Annual production from the mine is estimated to be 120,000 ounces of gold.

Resource development and work on a feasibility study continued at Caiamar, a high-grade satellite deposit located 38 kilometres west of Pilar. The ore from this deposit can be processed at Pilar with the higher grades offsetting the additional transportation costs. Caiamar and the resource development of other targets could positively impact capacity utilization and production rates at Pilar as early as 2014. The project is being built with 30% additional capacity to that contemplated in the feasibility study in anticipation of significant resource growth.

#### ARGENTINA

##### Agua Rica

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

#### CHILE

##### Jeronimo

Following the delivery of the first mineral reserve estimate at Jeronimo in early 2011, a feasibility study of Jeronimo is currently underway and it is expected to be delivered in the first quarter of 2012. This reflects the Company's intention of continuing to refine the economics of this project by evaluating various processing methods, accounting for potential by-product credits and other optimizations that could positively impact the project.

#### EXPLORATION

The Company continues to actively explore its exploration targets around existing mines along with its efforts to look for opportunities 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:

(in millions of United States Dollars)	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Exploration capitalized	\$ 29.7	\$ 17.7	\$ 65.6	\$ 43.2
Exploration expensed	7.7	12.2	23.3	29.7
<b>Total exploration</b>	<b>\$ 37.4</b>	<b>\$ 29.9</b>	<b>\$ 88.9</b>	<b>\$ 72.9</b>

The Company has increased its exploration budget for 2011 by approximately 31% to \$111 million. The increase partially resulted from the significant cash flow being generated by the Company, the success of the 2010 program, as well as the success already achieved in 2011.

The following summary highlights key updates from the exploration program at the Company since the end of the second quarter 2011.

## BRAZIL

### *Pilar*

During 2011, approximately 45,000 metres of diamond drilling will be completed as part of a \$9.8 million exploration budget. The drilling is focused on the expansion of the Jordino mineral resource both down dip, which has been shown to be open for more than two kilometres of dip length, and along strike to the north towards Tres Buracos, where a small near surface, inferred mineral resource exists. Year-to-date, 126 drill holes have been completed totaling 40,846 metres and drill results confirm that Jordino and Tres Buracos deposits are connected along a strike length of over 3 kilometres. Growth in mineral reserves and mineral resources is expected to continue in 2011.

### *Arco Sul*

Arco Sul is a new discovery that was made in late 2010. The discovery was made one kilometre from the Company's decommissioned Fazenda Nova mine in western Goiás State, Brazil and 380 kilometres from the Company's Chapada Mine. The discovery is characterized by a zone of stockwork and breccias that appear to be the strike and dip extension of previously mined oxide ores at Fazenda Nova. Mineralization has been traced along strike for one kilometre and across a width of 300 metres as shown by current drilling and geologic interpretation. Diamond drilling began in September 2010 and 25 holes totaling 10,770 metres have been drilled to date. Additional drilling will be completed in 2011 to better understand the geometry of mineralization.

## MEXICO

### *Mercedes*

The 2011 exploration budget of \$8.5 million includes approximately 45,000 metres of diamond drilling focused on the expansion of mineral reserves and mineral resources, particularly at the Lagunas Norte and Diluvio zones within the Barrancas and Lupita vein zones. The grades encountered at Lagunas Norte continue to be significantly higher than the average mineral resource grades within the Mercedes project area.

Two core rigs are currently on site and a total of 38,238 metres have been drilled in 104 holes year-to-date. The continued exploration success and growing mineral resources at Mercedes are being evaluated to potentially increase mining and production rates as well as the extension of 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 Reals, 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 19(b)* 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 13, 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 prices of gold, silver and copper. A decline in the prices of gold, copper or silver could negatively impact the Company's operations. Refer to *Note 19(c)* 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 13, Derivatives* for details).

### Interest Rate Risks

The Company is exposed to interest rate risk on its variable rate debt. As at September 30, 2011, the Company has a total of \$84.2 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on part of the Company's revolving credit line at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in 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. At September 30, 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 Colombia 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 prepared its financial statements for the third 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 condensed financial statements of the third quarter of 2011 for the comparative periods.

The consolidated interim condensed financial statements of the third 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 condensed financial statements for the three-month period ended March 31, 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 December 31, 2010 or later periods. Some are not applicable or do not have a significant impact to the Company and have been excluded from the list below.

(A) The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. Early application is permitted if all five Standards are adopted at the same time.

#### (i) Consolidated Financial Statements

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

#### (ii) Joint Arrangements

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

#### (iii) Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") will replace the disclosure requirements currently found in IAS 28 *Investment in Associates*, and is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities, including information about the significant judgments and assumptions that it has made in determining whether it has control, joint control or significant influence in another entity. IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The Company is currently assessing the impact of adopting IFRS 12 on its consolidated financial statements.

#### (iv) Separate Financial Statements

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

#### (v) Investments in Associates and Joint Ventures

The new IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 *Investments in Associates* does not include joint ventures. The Company is currently assessing the impact of adopting the amendments to IAS 28 on its consolidated financial statements.

(B) IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The Company is currently assessing the impact of adopting IFRS 13 on its consolidated financial statements.

(C) IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The amendments to IAS 1 requires companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The Company is currently assessing the impact of adopting the amendments to IAS 1 on its consolidated financial statements.

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

(E) The IASB is expected to publish new IFRSs on the following topics during the first half of 2012. The Company will assess the impact of these new standards on the Company's operations as they are published:

- 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 September 30, 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 September 30, 2011 and December 31, 2010 and results of operations for the periods ended September 30, 2011 and September 30, 2010.*

*This Management's Discussion and Analysis has been prepared as of November 2, 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](http://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](http://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 Condensed Statements of Operations

For the Periods Ended	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
(In thousands of United States Dollars except for shares and per share amounts; unaudited)		(Note 25)		(Note 25)
Revenue	\$ 555,211	\$ 453,965	\$1,604,571	\$1,151,681
Cost of sales excluding depletion, depreciation and amortization	(189,429)	(171,913)	(538,308)	(452,722)
Gross margin	365,782	282,052	1,066,263	698,959
Depletion, depreciation and amortization	(93,619)	(79,485)	(263,148)	(218,255)
Mine operating earnings	272,163	202,567	803,115	480,704
Expenses				
General and administrative	(27,470)	(24,719)	(89,038)	(79,364)
Exploration	(7,741)	(12,249)	(23,318)	(29,699)
Equity earnings from Minera Alumbra (Note 7)	9,425	10,689	37,750	30,140
Other operating expenses	(16,601)	(4,551)	(31,393)	(8,845)
Operating earnings	229,776	171,737	697,116	392,936
Finance income (Note 17)	3,954	22,365	12,566	16,406
Finance expense (Note 17)	(35,579)	(17,290)	(44,660)	(51,077)
Net finance (expense) income	(31,625)	5,075	(32,094)	(34,671)
Earnings from continuing operations before taxes	198,151	176,812	665,022	358,265
Income tax expense (Note 20)	(82,384)	(35,073)	(206,326)	(28,676)
Earnings from continuing operations	115,767	141,739	458,696	329,589
(Loss) earnings from discontinued operations	-	(2,496)	-	11,329
Net earnings	\$ 115,767	\$ 139,243	\$ 458,696	\$ 340,918
Earnings attributable to:				
Equity shareholders	\$ 115,767	\$ 139,243	\$ 458,696	\$ 340,918
Net earnings	\$ 115,767	\$ 139,243	\$ 458,696	\$ 340,918
Earnings per share from continuing operations				
Basic	\$ 0.16	\$ 0.19	\$ 0.62	\$ 0.45
Diluted	\$ 0.16	\$ 0.19	\$ 0.62	\$ 0.45
Earnings per share from discontinued operations				
Basic	\$ -	\$ -	\$ -	\$ 0.01
Diluted	\$ -	\$ -	\$ -	\$ 0.01
Net earnings per share				
Basic	\$ 0.16	\$ 0.19	\$ 0.62	\$ 0.46
Diluted	\$ 0.16	\$ 0.19	\$ 0.62	\$ 0.46
Weighted average number of shares outstanding (Note 13(b))				
Basic	745,593	741,028	744,240	739,510
Diluted	746,166	741,795	744,969	740,335

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

## Consolidated Interim Condensed Statements of Comprehensive Income

For the Periods Ended	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
(In thousands of United States Dollars, unaudited)		(Note 25)		(Note 25)
Net earnings	\$ 115,767	\$ 139,243	\$ 458,696	\$ 340,918
Other comprehensive (loss) income, net of taxes (Note 14(a))	(93,991)	21,795	(154,692)	14,227
Total comprehensive income	21,776	161,038	304,004	355,145
Attributable to:				
Equity shareholders	21,776	161,038	304,004	355,145
Total comprehensive income	\$ 21,776	\$ 161,038	\$ 304,004	\$ 355,145

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

## Consolidated Interim Condensed Statements of Cash Flows

For the Periods Ended	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
(In thousands of United States Dollars, unaudited)		(Note 25)		(Note 25)
Operating activities				
Earnings from continuing operations before taxes	\$ 198,151	\$ 176,812	\$ 665,022	\$ 358,265
Adjustments to reconcile earnings before taxation to net operating cash flows:				
Depletion, depreciation and amortization	93,619	79,485	263,148	218,255
Share-based payments (Note 15)	6,628	2,600	13,899	9,233
Environmental rehabilitation provision paid	(1,476)	(1,052)	(3,345)	(2,820)
Equity earnings from Alumbra (Note 7)	(9,425)	(10,689)	(37,750)	(30,140)
Cash distributions from Alumbra Ltd (Note 7)	375	6,624	27,361	37,344
Finance income (Note 17)	(3,954)	(22,365)	(12,566)	(16,406)
Finance expense (Note 17)	35,579	17,290	44,660	51,077
Mark-to-market on sales of concentrate	44,028	(20,987)	74,459	(5,910)
Income taxes paid	(36,750)	(22,123)	(108,324)	(53,262)
Write off of assets	437	-	3,168	-
Other	3,310	5,257	16,207	2,361
Cash flows generated from operations before non-cash working capital	330,522	210,852	945,939	567,997
Net change in non-cash working capital (Note 21(b))	11,746	(48,572)	(59,007)	(137,173)
Cash flows from operating activities of continuing operations	\$ 342,268	\$ 162,280	\$ 886,932	\$ 430,824
Cash flows from operating activities of discontinued operations	\$ -	\$ -	\$ -	\$ 1,616
Investing activities				
Acquisition of property, plant and equipment (Note 6)	(231,258)	(126,749)	(540,832)	(313,579)
Proceeds from option on mineral property	20,000	-	30,000	-
Proceeds on disposition of mineral interests	-	1,682	6,434	65,092
Realized derivative proceeds (payments)	6,006	-	1,626	(5,230)
Business acquisitions and related transactions costs	-	-	-	(49,109)
Other assets and investments	(8,157)	(8,114)	(27,798)	(10,622)
Cash flows to investing activities of continuing operations	\$ (213,409)	\$ (133,181)	\$ (530,570)	\$ (313,448)
Cash flows to investing activities of discontinued operations	\$ -	\$ -	\$ -	\$ (1,616)
Financing activities				
Issue of common shares upon exercise of options and warrants	\$ 499	\$ 735	\$ 34,914	\$ 74,784
Dividends paid	(22,400)	(11,306)	(66,600)	(29,788)
Finance expenses paid	(5,947)	(8,961)	(17,577)	(34,667)
Repayment of notes payable and long-term liabilities	(30,000)	-	(55,000)	(25,000)
Cash flows from financing activities of continuing operations	\$ (57,848)	\$ (19,532)	\$ (104,263)	\$ (14,671)
Effect of foreign exchange on non-United States dollar denominated cash and cash equivalents	(21,385)	7,901	(12,108)	6,916
Increase in cash and cash equivalents	\$ 49,626	\$ 17,468	\$ 239,991	\$ 109,621
Cash and cash equivalents, beginning of period – continuing operations	520,863	262,223	330,498	170,070
Cash and cash equivalents, end of period	\$ 570,489	\$ 279,691	\$ 570,489	\$ 279,691
Cash and cash equivalents are comprised of the following:				
Cash at bank	\$ 570,489	\$ 279,691	\$ 570,489	\$ 279,691

Supplementary cash flow information (Note 21).

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

## Consolidated Interim Condensed Balance Sheets

As at (In thousands of United States Dollars, unaudited)	September 30, 2011	December 31, 2010 (Note 25)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 570,489	\$ 330,498
Trade and other receivables	160,084	212,945
Inventories (Note 4)	157,949	116,443
Other current assets (Note 5)	160,875	252,692
	1,049,397	912,578
<b>Non-current assets:</b>		
Property, plant and equipment (Note 6)	8,838,142	8,612,081
Investment in associates (Note 7)	211,974	201,585
Investments (Note 8)	56,898	102,958
Other non-current assets (Note 9)	156,597	234,258
Deferred tax assets	167,890	167,901
Goodwill and intangibles	71,133	72,512
<b>Total assets</b>	<b>\$10,552,031</b>	<b>\$10,303,873</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Trade and other payables	\$ 311,831	\$ 301,335
Income taxes payable	82,868	81,785
Other current liabilities (Note 10)	8,492	11,377
	403,191	394,497
<b>Non-current liabilities:</b>		
Long-term debt (Note 11)	430,907	486,550
Environmental rehabilitation	154,529	162,523
Deferred tax liabilities	2,049,221	2,026,600
Other non-current liabilities (Note 12)	160,336	147,432
<b>Total liabilities</b>	<b>\$ 3,198,184</b>	<b>\$ 3,217,602</b>
<b>EQUITY</b>		
<b>Share capital</b>		
Issued and outstanding 745,655,828 common shares (December 31, 2010 – 741,362,131 shares)	6,208,028	6,151,423
Reserves (Note 14(b))	(89,463)	79,923
Retained earnings	1,188,482	808,125
Equity attributable to Yamana shareholders	\$ 7,307,047	\$ 7,039,471
Non-controlling interest (Note 16)	46,800	46,800
<b>Total equity</b>	<b>7,353,847</b>	<b>7,086,271</b>
<b>Total equity and liabilities</b>	<b>\$10,552,031</b>	<b>\$10,303,873</b>

Contractual commitments and contingencies (Notes 23 and 24).

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 Condensed Statements of Changes in Equity

For the Nine months Ended September 30, 2011 and 2010 (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
<b>Balance at January 1, 2011</b>	<b>\$6,151,423</b>	<b>\$ 30,196</b>	<b>\$ 34,080</b>	<b>\$ 15,647</b>	<b>\$ 79,923</b>	<b>\$ 808,126</b>	<b>\$7,039,472</b>	<b>\$ 46,800</b>	<b>\$7,086,272</b>
Net earnings for period	-	-	-	-	-	458,696	458,696	-	458,696
Exercise of stock options	50,207	(15,293)	-	-	(15,293)	-	34,914	-	34,914
Transfer on vesting of restricted share units (Note 15)	6,398	(6,398)	-	-	(6,398)	-	-	-	-
Change in fair value	-	-	(28,839)	(125,853)	(154,692)	-	(154,692)	-	(154,692)
Share options and appreciation rights	-	6,997	-	-	6,997	-	6,997	-	6,997
Dividends	-	-	-	-	-	(78,340)	(78,340)	-	(78,340)
<b>Balance at September 30, 2011</b>	<b>\$6,208,028</b>	<b>\$ 15,502</b>	<b>\$ 5,241</b>	<b>\$ (110,206)</b>	<b>\$ (89,463)</b>	<b>\$1,188,482</b>	<b>\$7,307,047</b>	<b>\$ 46,800</b>	<b>\$7,353,847</b>
<b>Balance at January 1, 2010</b>	<b>\$6,062,906</b>	<b>\$ 30,669</b>	<b>\$ 8,647</b>	<b>\$ 18,005</b>	<b>\$ 57,321</b>	<b>\$ 404,508</b>	<b>\$6,524,735</b>	<b>\$ 46,800</b>	<b>\$6,571,535</b>
Net earnings for period	-	-	-	-	-	340,918	340,918	-	340,918
Exercise of stock options	1,440	(501)	-	-	(501)	-	939	-	939
Exercise of share purchase warrants	78,854	-	-	-	-	-	78,854	-	78,854
Issued on vesting of restricted share units (Note 15)	5,306	(5,239)	-	-	(5,239)	-	67	-	67
Change in fair value	-	-	19,379	(5,420)	13,959	-	13,959	-	13,959
Reclassification of gain to earnings	-	-	-	268	268	-	268	-	268
Share options and appreciation rights	-	6,135	-	-	6,135	-	6,135	-	6,135
Dividends	-	-	-	-	-	(33,527)	(33,527)	-	(33,527)
Reduction of deferred tax on share issue costs	(285)	-	-	-	-	-	(285)	-	(285)
<b>Balance at September 30, 2010</b>	<b>\$6,148,221</b>	<b>\$ 31,064</b>	<b>\$ 28,026</b>	<b>\$ 12,853</b>	<b>\$ 71,943</b>	<b>\$ 711,899</b>	<b>\$6,932,063</b>	<b>\$ 46,800</b>	<b>\$6,978,863</b>

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

## Notes to the Consolidated Interim Condensed Financial Statements

For the Three and Nine- Month Periods Ended September 30, 2011 (With comparatives as at December 31, 2010 and for the Three- and Nine-month Periods Ended September 30, 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 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: AUJ) and The London Stock Exchange (Symbol: YAU).

The consolidated interim condensed financial statements of the Company as at and for the three and nine-month periods ended September 30, 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 condensed 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 condensed financial statements are 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 condensed financial statements should be read in conjunction with the Company's 2010 Canadian GAAP annual financial statements, the consolidated interim condensed financial statements as at and for three months ended March 31, 2011 and June 30, 2011 and in consideration of the IFRS transition disclosures included in *Note 25* 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 November 2, 2011.

#### (ii) Basis of Preparation and Presentation

The consolidated interim condensed financial statements have been prepared on the historical cost basis except for the following material items in the consolidated condensed 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 interim condensed 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* of the interim report for the three-month period ended March 31, 2011, have been applied in preparing the consolidated interim condensed 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 16*). 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. Minera Alumbrera Ltda. has an earn-in option over the Company's Agua Rica Project. Upon exercise of this option, Agua Rica will be owned by Minera Alumbrera.

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

#### (iv) 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
- Capitalization 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

### 3. 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 December 31, 2011. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below.

(a) The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. Early application is permitted if all five Standards are adopted at the same time.

(i) *Consolidated Financial Statements*

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

(ii) *Joint Arrangements*

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

(iii) *Disclosure of Interests in Other Entities*

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

(iv) *Separate Financial Statements*

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

(v) *Investments in Associates and Joint Ventures*

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

(b) IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

(c) IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The amendments to IAS 1 requires companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

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

(e) The IASB is expected to publish new IFRSs on the following topics during 2012. The Company will assess the impact of these new standards on the Company's operations as they are published:

- Leases
- Revenue recognition

### 4. INVENTORIES

	September 30, 2011	December 31, 2010
Product inventories	\$ 32,162	\$ 19,969
Metal in circuit and gold in process	30,566	19,282
Ore stockpiles	31,261	21,290
Material and supplies	63,960	55,902
	<u>\$ 157,949</u>	<u>\$ 116,443</u>

The amount of inventories recognized as an expense during the three and nine-month periods ended September 30, 2011, was \$189.4 million and \$538.3 million respectively (September 30, 2010 – \$171.9 million and \$452.7 million, respectively) and is included in cost of sales.

### 5. OTHER CURRENT ASSETS

	September 30, 2011	December 31, 2010
<b>Financial assets</b>		
Current portion of derivative related assets (Note 19(a))	\$ 9,916	\$ 25,540
Current portion of note receivable (Note 9(i))	-	24,325
<b>Non-financial assets</b>		
Advances and deposits	137,680	158,144
Income taxes recoverable	3,712	31,467
Other	9,567	13,216
	<u>\$ 160,875</u>	<u>\$ 252,692</u>

## 6. 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	153,214	94,059	207,909	85,650	540,832
Transfers and other movements, including reclassification	(5,045)	1,331	16,899	(16,509)	(3,324)
Change in decommissioning liabilities	(8,800)	-	-	(63)	(8,863)
Disposals	(89)	(8,274)	(16)	(21,634)	(30,013)
<b>Cost, September 30, 2011</b>	<b>\$3,104,928</b>	<b>\$1,268,952</b>	<b>\$ 319,297</b>	<b>\$5,344,763</b>	<b>\$10,037,940</b>
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	187,476	88,246	-	-	275,722
Disposals	-	(3,151)	-	-	(3,151)
<b>Accumulated depreciation, September 30, 2011</b>	<b>\$ 834,040</b>	<b>\$ 365,758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,199,798</b>
Carrying value, December 31, 2010	\$2,319,084	\$ 901,173	\$ 94,505	\$5,297,319	\$8,612,081
<b>Carrying value, September 30, 2011</b>	<b>\$2,270,888</b>	<b>\$ 903,194</b>	<b>\$ 319,297</b>	<b>\$5,344,763</b>	<b>\$8,838,142</b>

(i) Included in land, building, plant and equipment is \$40.6 million of land properties which are not subject to depreciation (December 31, 2010 – \$40.5 million).

(ii) During the three and nine-month periods ended September 30, 2011, the Company capitalized \$5.9 million and \$12.0 million, respectively, of interest costs for assets under construction (September 30, 2010 – \$1.1 million and \$2.3 million, respectively). A weighted average capitalization rate of 6.7% (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:

	Nine months ended	Year ended
	September 30, 2011	December 31, 2010
Balance, beginning of the period	\$ 51,607	\$ 13,995
Additions	35,445	38,615
Amortization	(1,751)	(1,003)
Balance, end of period	\$ 85,301	\$ 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 Alumbra. 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 Alumbra. Subject to Xstrata and Goldcorp exercising their option to have Alumbra acquire Agua Rica, which is 100% Yamana owned, the terms of the agreement provides for the Company to receive from Xstrata and Goldcorp a combination of initial payments of \$110 million during the 36 months following execution of formal transaction documents, \$150 million upon approval to proceed with construction and \$50 million upon achieving commercial production. In addition, the Company would receive a deferred consideration revenue stream, which would allow Yamana to retain positive exposure to the majority of the significant gold resources at the Agua Rica project. The Company received a \$30 million payment in the period ended September 30, 2011 which has been recorded against the value of the mineral property.

## 7. INVESTMENT IN ASSOCIATE

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

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

Summarized financial information is as follows:

	September 30, 2011	December 31, 2010
Total assets	\$1,252,532	\$1,223,238
Total liabilities	502,584	623,607
Net assets	749,948	599,631
Company's share of net assets of associate (12.5%)	93,744	74,954

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Company's share of total revenues (12.5%)	\$ 42,068	\$ 45,857	\$ 144,523	\$ 136,555
Company's share of profit and loss (12.5%)	\$ 9,425	\$ 10,689	\$ 37,750	\$ 30,140

	Nine months ended		Year ended	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Balance, beginning of the period	\$ 201,585	\$ 213,789		
Equity in earnings	37,750	49,264		
Cash distributions	(27,361)	(61,468)		
Balance, end of period	\$ 211,974	\$ 201,585		

## 8. INVESTMENTS

### Available-for-sale Securities

As at	September 30, 2011				December 31, 2010			
	% of Ownership (i)	Cost	Fair Value	Cumulative losses in OCI	% of Ownership (i)	Cost	Fair Value	Cumulative gains in OCI
Aura Minerals Inc.	19.2%	\$ 149,482	\$ 48,764	\$(100,718)	11.3%	\$ 78,625	\$ 91,225	\$ 12,600
Other		10,346	8,134	(2,212)		8,465	11,733	3,268
<b>Total Available-for-sale Securities</b>		<b>\$ 159,828</b>	<b>\$ 56,898</b>	<b>\$(102,930)</b>		<b>\$ 87,090</b>	<b>\$ 102,958</b>	<b>15,868</b>

(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. Based on these factors, the Company does not believe that its investment in Aura Minerals Inc. is other than temporarily impaired.

## 9. OTHER NON-CURRENT ASSETS

	September 30, 2011	December 31, 2010
<b>Financial assets</b>		
Derivative related assets (Note 19(a))	\$ 3,345	\$ 18,643
Long-term note receivable (i)	-	40,365
Long-term tax credits and income taxes receivable (ii)	115,883	137,231
Deferred consideration receivable (iii)	10,000	25,000
Other	4,622	3,912
<b>Non-financial assets</b>		
Other	22,747	9,107
	<u>\$ 156,597</u>	<u>\$ 234,258</u>

(i) Long-term note receivable was a secured promissory note received on the sale of San Andrés, São Francisco and São Vicente.

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

(iii) 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 recorded this net smelter return royalty at its estimated fair value of \$10.0 million.

## 10. OTHER CURRENT LIABILITIES

	September 30, 2011	December 31, 2010
<b>Financial liabilities</b>		
Current portion of derivative related liabilities (Note 19(a))	\$ 2,194	\$ 3,853
Current portion of share purchase warrants	-	143
<b>Non-financial liabilities</b>		
Environmental rehabilitation	2,805	4,767
Other	3,493	2,614
Other current liabilities	<u>\$ 8,492</u>	<u>\$ 11,377</u>

## 11. LONG-TERM DEBT

	September 30, 2011	December 31, 2010
\$750 million revolving facility (a)	\$ 162,267	\$ 218,307
\$270 million senior debt notes (b)	268,640	268,243
Long-term portion (i)	<u>\$ 430,907</u>	<u>\$ 486,550</u>

(i) Balances are net of transaction costs of \$6.7 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 September 30, 2011:

- The credit facility is unsecured and has a maturity date of June 16, 2014.
- Amounts drawn bear interest at a rate of LIBOR plus 2.0% to 3.25% per annum, depending upon the Company's leverage ratio defined as the net total debt to rolling 12 months earnings before interest, taxes, depreciation and amortization. The effective interest rate at September 30, 2011 was 5.89%.
- Undrawn amounts are subject to a commitment fee of 0.50% to 0.81% per annum depending upon the Company's leverage ratio.

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

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

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

	Revolving Facility	Senior Debt Notes
2012	\$ -	\$ -
2013	-	-
2014	167,631	15,000
2015	-	-
Thereafter	-	255,000
	<u>\$ 167,631</u>	<u>\$ 270,000</u>

## 12. OTHER NON-CURRENT LIABILITIES

	September 30, 2011	December 31, 2010
<b>Financial liabilities</b>		
Derivative related liabilities (Note 19(a))	\$ 3,193	\$ 950
Long-term withholding taxes (i)	91,918	91,827
Royalty payable (ii)	14,232	14,978
Other	29,306	23,228
<b>Non-financial liabilities</b>		
Provision for Silicosis (iii)	14,186	8,949
Other	7,501	7,500
	<u>\$ 160,336</u>	<u>\$ 147,432</u>

(i) The Company is subject to additional taxes in Chile on the repatriation of profits to its foreign shareholders. Total taxes in the amount of \$91.9 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\$15.5 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\$15.5 million is paid.

(iii) Provision for Silicosis consists of amounts accrued to settle claims by former employees of Jacobina Mineração e Comércio Ltda ("JMC"), relating to silicosis. This balance represents management's best estimate for all known and anticipated future obligations related to health claims against JMC prior to acquisition by the Company in April 2006. The Company estimates this contingency to be about \$14.2 million as at September 30, 2011 (December 31, 2010 – \$8.9 million). The increase of \$5.2 million in the quarter relates to the ongoing re-evaluation of the liability.

## 13. 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.

	September 30, 2011		September 30, 2010	
	Number of Common Shares (000's)	Amount	Number of Common Shares (000's)	Amount
Issued and fully paid – 745,655,828 common shares (December 31, 2010 – 741,362,131 shares):				
Balance, beginning of period	741,362	\$6,151,423	733,411	\$6,062,906
Exercise of options (i)	3,725	50,207	117	1,440
Exercise of warrants	-	-	7,124	78,854
Issued on vesting of restricted share units (Note 15)	569	6,398	458	5,306
Reduction of deferred tax on share issue costs	-	-	-	(285)
<b>Balance, end of period</b>	<b>745,656</b>	<b>\$6,208,028</b>	<b>741,110</b>	<b>\$6,148,221</b>

(i) During the period ended September 30, 2011, the Company issued 3.7 million shares (September 30, 2010 – 0.1 million shares) to optionees on the exercise of their share options for cash proceeds of \$34.9 million (September 30, 2010 – \$0.9 million). Previously recognized stock-based compensation in the amount of \$15.3 million (September 30, 2010 – \$0.5 million) on the options exercised was added to share capital with a corresponding decrease to contributed surplus reserve.

**(b) Earnings per Share**

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Weighted average number of common shares	745,593	741,028	744,240	739,510
Weighted average number of dilutive warrants	-	-	-	5
Weighted average number of dilutive stock options	573	767	729	820
Dilutive weighted average number of common shares	746,166	741,795	744,969	740,335

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 three and nine-month periods ended September 30, 2011 were nil (September 30, 2010 – 5.0 million) and nil (September 30, 2010 – 5.0 million), respectively. As at September 30, 2011, all the share purchase warrants had expired.

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Dividends paid during the year	\$ 22,400	\$ 11,306	\$ 66,600	\$ 29,788
Dividend declared in respect of the year	\$ 33,660	\$ 15,044	\$ 78,340	\$ 33,527
Dividend paid during the year (per share)	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.04
Dividend declared in respect of the year (per share)	\$ 0.05	\$ 0.02	\$ 0.11	\$ 0.05

**14. OTHER COMPREHENSIVE INCOME AND RESERVES****(a) Other Comprehensive Income**

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Net change in unrealized losses on available-for-sale securities:</b>				
Change in fair value	\$ (46,463)	\$ 3,128	(126,427)	(5,001)
Tax impact	(8,468)	(363)	574	(419)
Reclassification of gain recorded in earnings	-	-	-	323
Tax impact	-	-	-	(55)
<b>Net change in fair value of hedging instruments (Note 19(a))</b>				
Change in fair value	(53,058)	25,848	(39,321)	29,806
Tax impact	13,998	(6,818)	10,482	(10,427)
Other comprehensive (loss) income	\$ (93,991)	\$ 21,795	(154,692)	14,227

**(b) Reserves**

	Nine months ended		Year ended	
	September 30, 2011	September 30, 2010	December 31, 2011	December 31, 2010
<b>Contributed surplus reserve</b>				
Balance, beginning of period	\$ 30,196	\$ 30,669	\$ 30,196	\$ 30,669
Exercise of stock options and share appreciation	(15,293)	(2,245)	(15,293)	(2,245)
Transfer on vesting of restricted share units	6,997	(6,091)	6,997	(6,091)
Share options and appreciation rights	(6,398)	7,863	(6,398)	7,863
<b>Balance, end of period</b>	\$ 15,502	\$ 30,196	\$ 15,502	\$ 30,196
<b>Hedging reserve</b>				
Balance, beginning of period	\$ 34,080	\$ 8,647	\$ 34,080	\$ 8,647
Net change in fair value of hedging instruments (iii)	(28,839)	25,433	(28,839)	25,433
<b>Balance, end of period</b>	\$ 5,241	\$ 34,080	\$ 5,241	\$ 34,080
<b>Available for sale reserve</b>				
Balance, beginning of period	\$ 15,647	\$ 18,005	\$ 15,647	\$ 18,005
Change in fair value of available-for-sale securities (i)	(125,853)	(2,626)	(125,853)	(2,626)
Reclassification of losses on available-for-sale securities to earnings (ii)	-	268	-	268
Balance, end of period	\$ (110,206)	\$ 15,647	\$ (110,206)	\$ 15,647
Total reserve balance, end of period	\$ (89,463)	\$ 79,923	\$ (89,463)	\$ 79,923

(i) Net of tax recovery of \$0.6 million (2010 – tax expense of \$1.0 million).

(ii) Net of tax expense of \$nil (2010 – \$0.05 million).

(iii) Net of tax recovery of \$10.5 million (2010 – tax expense of \$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.

**15. SHARE-BASED PAYMENTS**

The total compensation cost relating to share-based payments the three and nine-month periods ended September 30, 2011 were \$6.6 million and \$13.9 million, respectively (three and nine-month periods ended September 30, 2010 – \$1.9 million and \$9.1 million, respectively) and are made up as follows:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Equity-settled plans	\$ 2,329	\$ 1,767	\$ 6,997	\$ 6,201
Cash-settled plans	4,299	833	6,902	3,032
Total expense recognized as compensation expense	\$ 6,628	\$ 2,600	\$ 13,899	\$ 9,233
Total carrying amount of liabilities for cash-settled arrangements (i)	\$ 17,494	\$ 10,235	\$ 17,494	\$ 10,235
Total fair value of liability for vested benefits	\$ 15,502	\$ 31,064	\$ 15,502	\$ 31,064

(i) Included in other non-current liabilities, Note 12.

**(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 granted in the period ended September 30, 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:

<i>Nine months ended</i>	September 30, 2011		September 30, 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	(3,781)	9.24	(122)	8.44
Expired	(160)	9.47	(5)	9.65
Outstanding, end of period	1,549	\$ 9.83	5,749	\$ 9.33
Exercisable, end of period	1,546	\$ 9.83	5,245	\$ 9.27

Stock options outstanding and exercisable as at September 30, 2011 are as follows:

Exercise Price (Cdn\$)	Outstanding		Exercisable	
	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)
\$3.00-\$4.99	15	3.62	15	3.62
\$9.00-\$9.99	1,426	2.61	1,426	2.61
\$10.00-\$15.00	72	2.72	69	2.71
Total	1,513	2.63	1,510	2.63

Exercise Price (US\$)	Outstanding		Exercisable	
	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)
\$0.01-\$3.99	17	2.62	17	2.62
\$4.00-\$5.99	19	3.62	19	3.62
Total	36	3.15	36	3.15
Grand total	1,549		1,546	

**(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.

<i>Nine months ended</i>	September 30, 2011 Number of DSU (000's)	September 30, 2010 Number of DSU (000's)
Outstanding, beginning of period	901	605
Granted	359	283
Outstanding and exercisable, end of period	1,260	888

The value of the DSU as at September 30, 2011 was \$17.5 million (2010 – \$10.2 million). In the period ended September 30, 2011 the Company recorded a mark-to-market gain of \$4.0 million which is included in other operating expenses and an expense of \$0.3 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.

<i>Nine months ended</i>	September 30, 2011 Number of RSU (000's)	September 30, 2010 Number of RSU (000's)
Outstanding, beginning of period	1,192	1,349
Granted	988	415
Vested and converted to common shares	(569)	(458)
Forfeited	(47)	(16)
Outstanding, end of period	1,564	1,290

In period ended September 30, 2011, the Company credited \$6.4 million (September 30, 2010 – \$5.3 million) to share capital in respect of RSU that have vested during the period and granted 568,687 RSU (September 30, 2010 – 547,836 RSU) with a weighted average grant date fair value of Cdn\$11.93 (September 30, 2010 – Cdn\$12.42). The expenses for the three and nine-month periods ended September 30, 2011 of \$2.3 million and \$6.8 million, respectively (three month and nine-month periods ended September 30, 2010 – \$1.7 million and \$5.1 million, respectively) are included in general and administrative expenses. The fair value of RSU as at September 30, 2011 was \$9.4 million (December 31, 2010 – \$8.9 million).

#### (d) Share Purchase Warrants

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

	September 30, 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	(4,886)	19.08	-	(2,487)	10.95	(2,162)
Mark-to-market adjustments	-	-	(143)	-	-	(1,738)
<b>Outstanding and exercisable, end of period (i)</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,886</b>	<b>\$ 19.08</b>	<b>\$ 143</b>

(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.

#### 16. 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.

#### 17. FINANCE INCOME AND EXPENSE

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

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net foreign exchange gain	\$ -	\$ 21,305	\$ -	\$ 11,285
Unrealized gain on derivatives	-	-	-	2,454
Realized gain on derivatives	-	-	1,626	-
Other finance income	3,954	1,060	10,940	2,667
Finance income	\$ 3,954	\$ 22,365	\$ 12,566	\$ 16,406
Unwinding of discounts on provisions	\$ (2,066)	\$ (2,241)	\$ (6,279)	\$ (6,921)
Net foreign exchange loss	(25,473)	-	(14,776)	-
Realized loss on derivatives	(1,120)	(246)	(3,953)	(5,476)
Interest expense on long-term debt	(6,698)	(7,799)	(19,271)	(24,566)
Other	(222)	(7,004)	(381)	(14,114)
Finance expense	\$ (35,579)	\$ (17,290)	\$ (44,660)	\$ (51,077)
Net finance expense recognized in earnings	\$ (31,625)	\$ 5,075	\$ (32,094)	\$ (34,671)

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:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Total interest income on financial assets	\$ 3,954	\$ 22,365	\$ 10,940	\$ 13,952
Total interest expense on financial liabilities	\$ (34,459)	\$ (17,044)	\$ (40,707)	\$ (45,601)

#### 18. 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 11) are as follows:

- Tangible net worth of at least \$2.3 billion.
- Maximum net total debt (debt less cash) to tangible net worth of 0.75.
- 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 September 30, 2011, the Company has met all of the externally imposed capital requirements.

#### 19. FINANCIAL INSTRUMENTS

##### (a) Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, trade receivables, advances and deposits, marketable securities, long-term note receivables, 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 payables 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 \$430.9 million (December 31, 2010 - \$486.5 million) and fair values of \$197.0 million and \$298.7 million, for the revolving facility and senior debt notes, respectively (December 31, 2010 - \$246.9 million and \$300.8 million, respectively). 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 September 30, 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 derivative instruments are therefore classified within Level 1 of the fair value hierarchy. 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:

	September 30, 2011	December 31, 2010
<b>Currency contracts</b>		
Forward contracts	\$ 13,261	\$ 44,183
Less: current portion (Note 5)	(9,916)	(25,540)
Non-current portion (Note 9)	\$ 3,345	\$ 18,643

The following table summarizes the components of derivative related liabilities:

	September 30, 2011	December 31, 2010
<b>Currency contracts</b>		
Forward contracts	\$ (3,432)	\$ -
<b>Interest Rate Contracts</b>		
Interest rate swaps	(1,956)	(4,803)
	(5,388)	(4,803)
Less: Current portion (Note 10)	2,194	3,853
Non-current portion (Note 12)	\$ (3,194)	\$ (950)

The following table summarizes unrealized derivative gains (losses):

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Non-hedge derivatives</b>				
Share purchase warrants	\$ -	\$ -	\$ 143	\$ -
Commodity contracts	-	-	-	5,230
<b>Hedge ineffectiveness</b>				
Currency contracts	-	(1,693)	(220)	(3,339)
Interest rate contracts	8,533	159	8,669	563
	\$ 8,533	\$ (1,534)	\$ 8,592	\$ 2,454

The following table summarizes realized derivative gains (losses):

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Currency contracts	\$ -	\$ -	\$ 1,626	\$ (5,230)
Commodity contracts	-	(246)	-	(246)
	\$ -	\$ (246)	\$ 1,626	\$ (5,476)

Additionally, included in cost of sales are realized gains in the amounts of \$10.4 million and \$26.9 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$6.5 million gain and \$18.6 million gain, respectively) with respect to currency derivative contracts. Included in sales are realized gains in the amounts of \$7.4 million and \$12.1 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$8.8 million gain and \$0.6 million gain, respectively) in respect of commodity contracts. Included in finance expense are realized losses in the amounts of \$1.1 million and \$4.0 million for the three and nine-month periods ended September 30, 2011, respectively (September 30, 2010 – \$2.0 million and \$6.5 million, respectively) in respect to the interest rate swaps.

The Company estimates that approximately \$12.3 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 (losses) gains in OCI (Note 14):

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Effective portion of change in fair value of hedging instruments:				
Currency contracts	\$ (45,554)	\$ 25,203	\$ (33,499)	\$ 26,700
Interest rate contracts	(7,504)	645	(5,822)	3,106
Future income tax	13,998	(6,818)	10,482	(10,427)
	\$ (39,060)	\$ 19,030	\$ (28,839)	\$ 19,379

### (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 419.1 million Reais at an average rate of 2.19 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, 69.5 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 13.32 Pesos to the United States Dollar have been designated against forecast Pesos denominated expenditures as a hedge against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for 2011 through to 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 September 30, 2011, the Company has a total of \$84.2 million in interest rate swap agreements to convert floating rate financing to fixed rate financing effective until 2012. These contracts fix the rate of interest on part of the Company's revolving credit line at 4.36%. The effective portion of changes in the fair value of the interest rate swaps has been recorded in OCI until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

At September 30, 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:

	September 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 570,489	\$ 330,498
Trade receivable and other receivables (i)	160,084	212,945
Income taxes recoverable	3,712	31,467
Derivative related assets	13,261	44,183
Investments	56,898	102,958
Restricted cash	220	243
Note receivable	-	64,690
Long-term tax credits	115,883	129,551
	<u>\$ 920,547</u>	<u>\$ 916,535</u>

(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 18. Contractual maturities relating to contractual commitments are included in Note 23 and relating to long-term debt is included in Note 11.

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	September 30, 2011	September 30, 2010
Interest rate swaps – US dollar swaps		
Not later than one year	\$ (1,956)	\$ (4,609)
Later than one year but not later than two years	\$ -	\$ (1,839)
<b>Forward exchange contracts</b>		
<b>US\$ to Brazilian Reals</b>		
Not later than one year	\$ 9,916	\$ 21,468
Later than one year but not later than five years	\$ 3,345	\$ 15,500
<b>US\$ to Mexican Peso</b>		
Not later than one year	\$ (238)	\$ -
Later than two years but not later than five years	\$ (3,194)	\$ -

## 20. INCOME TAXES

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

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Earnings from continuing operations before income taxes	\$ 198,151	\$ 176,812	\$ 665,022	\$ 358,265
Canadian statutory tax rate	28.25%	31.00%	28.25%	31.00%
Expected income tax expense	55,978	54,794	187,868	111,026
Change in tax rates	-	3,394	-	3,394
Impact of lower foreign tax rates	(30,123)	(15,940)	(41,918)	(27,526)
Interest and penalties	(232)	474	-	3,518
Permanent differences	7,826	1,836	14,874	3,742
Change in valuation allowance	10,345	(2,760)	10,733	4,902
Foreign exchange	50,957	(14,336)	41,813	(72,528)
Unrealized foreign exchange on intercompany debt	(13,180)	7,308	(6,282)	2,262
Other	813	303	(762)	(114)
<b>Income tax expense</b>	<u>\$ 82,384</u>	<u>\$ 35,073</u>	<u>\$ 206,326</u>	<u>\$ 28,676</u>
<b>Income tax expense is represented by:</b>				
Current income tax expense	\$ 52,442	\$ 23,772	\$ 180,750	\$ 93,481
Deferred income tax expense	29,942	11,301	25,576	(64,805)
<b>Net income tax expense</b>	<u>\$ 82,384</u>	<u>\$ 35,073</u>	<u>\$ 206,326</u>	<u>\$ 28,676</u>

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

## 21. SUPPLEMENTARY CASH FLOW INFORMATION

### (a) Non-cash Investing and Financing Transactions:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest capitalized to assets under construction	\$ 5,948	\$ 1,081	\$ 11,958	\$ 2,326
Issue of common shares on vesting of RSU	\$ 36	\$ 67	\$ 6,398	\$ 5,306
Transfer of contributed surplus on exercise of stock options and share purchase appreciation rights	\$ 481	\$ 292	\$ 15,293	\$ 501
Value of expired warrants transferred to contributed surplus	\$ -	\$ -	\$ -	\$ 7,210
Shares received as consideration of settlement of notes receivable	\$ -	\$ -	\$ 74,247	\$ 53,760

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

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Net decrease (increase) in:</b>				
Trade and other receivables	\$ (6,172)	\$ (28,111)	\$ (21,598)	\$ (33,209)
Inventories	(5,011)	(8,396)	(34,022)	(27,967)
Other assets	14,449	(16,968)	(4,625)	(34,208)
<b>Net (decrease) increase in:</b>				
Trade payable and other payables	5,598	(7,102)	(8,084)	(67,937)
Other current liabilities	(391)	950	880	9,924
Removal of movement in above related to foreign exchange	3,273	11,055	8,442	16,224
	\$ 11,746	\$ (48,572)	\$ (59,007)	\$ (137,173)

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

## 22. 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.

September 30, 2011	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Property, plant and equipment	\$ 1,677,462	\$ 4,668,779	\$ 2,268,991	\$ 206,872	\$ 16,038	\$ 8,838,142
Goodwill and intangibles	\$ 55,000	\$ 15,195	\$ -	\$ 938	\$ -	\$ 71,133
Investment in associate	\$ -	\$ -	\$ 211,974	\$ -	\$ -	\$ 211,974
Non-current assets	\$ 1,868,172	\$ 4,719,414	\$ 2,578,047	\$ 210,449	\$ 126,552	\$ 9,502,634
Total assets	\$ 2,280,736	\$ 4,790,532	\$ 2,639,142	\$ 433,738	\$ 407,883	\$10,552,031
Total liabilities	\$ 495,329	\$ 1,235,599	\$ 820,704	\$ 78,900	\$ 567,652	\$ 3,198,184

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

### Segment Operating Earnings

Three months ended September 30, 2011	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Revenues	\$ 223,842	\$ 271,041	\$ 60,328	\$ -	\$ -	\$ 555,211
Cost of sales excluding depletion, depreciation and amortization	(98,921)	(74,019)	(16,489)	-	-	(189,429)
Gross margin	124,921	197,022	43,839	-	-	365,782
Depletion, depreciation and amortization	(26,425)	(53,171)	(14,023)	-	-	(93,619)
Mine operating earnings	\$ 98,496	\$ 143,851	\$ 29,816	\$ -	\$ -	\$ 272,163
Equity earnings	\$ -	\$ -	\$ 9,425	\$ -	\$ -	\$ 9,425
Income tax (expense) recovery	\$ (38,026)	\$ (36,303)	\$ (16,124)	\$ (1,069)	\$ 9,138	\$ (82,384)
Capital expenditures	\$ 107,520	\$ 61,163	\$ 24,724	\$ 36,932	\$ 919	\$ 231,258

Nine months ended September 30, 2011	Brazil	Chile	Argentina	Mexico and Other	Canada	Total
Revenues	\$ 723,496	\$ 710,805	\$ 170,270	\$ -	\$ -	\$ 1,604,571
Cost of sales excluding depletion, depreciation and amortization	(287,761)	(195,713)	(54,834)	-	-	(538,308)
Gross margin	435,735	515,092	115,436	-	-	1,066,263
Depletion, depreciation and amortization	(74,682)	(145,122)	(43,344)	-	-	(263,148)
Mine operating earnings	\$ 361,053	\$ 369,970	\$ 72,092	\$ -	\$ -	\$ 803,115
Equity earnings	\$ -	\$ -	\$ 37,750	\$ -	\$ -	\$ 37,750
Income tax (expense) recovery	\$ (106,494)	\$ (77,544)	\$ (25,668)	\$ 210	\$ 3,170	\$ (206,326)
Capital expenditures	\$ 239,322	\$ 153,368	\$ 56,736	88,752	\$ 2,654	\$ 540,832

Three months ended September 30, 2010	Brazil (i)	Chile	Argentina	Mexico and Other (i)	Canada	Total
Revenues	\$ 247,447	\$ 161,879	\$ 44,639	\$ -	\$ -	\$ 453,965
Cost of sales excluding depletion, depreciation and amortization	(88,961)	(65,473)	(17,479)	-	-	(171,913)
Gross margin	158,486	96,406	27,160	-	-	282,052
Depletion, depreciation and amortization	(23,468)	(45,798)	(10,219)	-	-	(79,485)
Mine operating earnings	\$ 135,018	\$ 50,608	\$ 16,941	\$ -	\$ -	\$ 202,567
Equity earnings	\$ -	\$ -	\$ 10,689	\$ -	\$ -	\$ 10,689
Income tax (expense) recovery	\$ (32,304)	\$ (33,816)	\$ 23,613	\$ (708)	\$ 8,142	\$ (35,073)
Capital expenditures	\$ 46,989	\$ 44,843	\$ 12,702	\$ 21,871	\$ 344	\$ 126,749

Nine months ended September 30, 2010	Brazil (i)	Chile	Argentina	Mexico and Other (i)	Canada	Total
Revenues	\$ 596,491	\$ 439,198	\$ 115,992	\$ -	\$ -	\$ 1,151,681
Cost of sales excluding depletion, depreciation and amortization	(233,965)	(172,250)	(46,507)	-	-	(452,722)
Gross margin	362,526	266,948	69,485	-	-	698,959
Depletion, depreciation and amortization	(63,648)	(126,723)	(27,884)	-	-	(218,255)
Mine operating earnings	\$ 298,878	\$ 140,225	\$ 41,601	\$ -	\$ -	\$ 480,704
Equity earnings	\$ -	\$ -	\$ 30,140	\$ -	\$ -	\$ 30,140
Income tax (expense) recovery	\$ (12,703)	\$ (43,984)	\$ 19,944	\$ (612)	\$ 8,679	\$ (28,676)
Capital expenditures	\$ 134,363	\$ 150,614	\$ 37,247	\$ 39,864	\$ 600	\$ 362,688

(i) Excludes operating results of discontinued operations.

### 23. CONTRACTUAL COMMITMENTS

#### Construction and Service Contracts

	September 30, 2011	December 31, 2010
Within 1 year	\$ 286,422	\$ 215,162
Between 1 to 3 years	256,775	233,703
Between 3 to 5 years	50,008	67,397
After 5 years	6,551	5,600
	<u>\$ 599,756</u>	<u>\$ 521,862</u>

#### Operating Leases

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

	September 30, 2011	December 31, 2010
Within 1 year	\$ 2,362	\$ 3,458
Between 1 to 3 years	4,870	2,381
Between 3 to 5 years	2,837	1,886
After 5 years	2,165	236
	<u>\$ 12,234</u>	<u>\$ 7,961</u>

### 24. 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 millions)	September 30, 2011	December 31, 2010
<b>Contingent liabilities (excluding those relating to joint ventures and associates)</b>		
Indemnities and other performance guarantees	\$ 177	\$ 177
<b>Contingent liabilities relating to joint ventures and associates</b>		
Share of contingent liabilities of joint ventures and associates	-	-
	<u>\$ 177</u>	<u>\$ 177</u>

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of \$177.0 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitled him to a pre-emption right to participate in acquisitions by Northern Orion in Argentina and claimed damages in connection with the acquisition by Northern Orion of its 12.5% equity interest in the 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.

## 25. TRANSITION TO IFRS

The accounting policies set out in *Note 4* of the consolidated interim condensed financial statements as at and for three months ended March 31, 2011, have been applied in preparing the consolidated interim condensed financial statements for the three- and nine-month periods ended September 30, 2011. In *Note 30* of the March 31, 2011 consolidated interim financial statements, the Company reported the impact of the transition of IFRS at January 1, 2010 and December 31, 2010. There were no changes to the reconciliations as previously reported.

In preparing its IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. There has been no significant change to the opening balance sheet presented in the first quarter. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's equity and financial performance is set out in the following tables and the accompanying notes.

### Reconciliation of Equity as at September 30, 2010

	Canadian GAAP	Effect of Transition to IFRS	Notes	IFRS
<b>EQUITY</b>				
<b>Share capital</b>				
Issued and outstanding – 741,110,154 common shares	\$ 6,167,750	\$ (19,529)	(c, f)	\$ 6,148,221
Share purchase warrants	13,111	(13,111)	(c)	-
Contributed surplus	34,320	(34,320)	(k)	-
Accumulated other comprehensive income	40,879	(40,879)	(l)	-
Reserves	-	71,943	(b, c, k, l)	71,943
Retained earnings	845,127	(133,228)	(h)	711,899
<b>Total shareholders' equity</b>	<b>7,101,187</b>	<b>(169,124)</b>		<b>6,932,063</b>
Non-controlling interest	46,800	-		46,800
<b>Total equity</b>	<b>\$ 7,147,987</b>	<b>\$ (169,124)</b>		<b>\$ 6,978,863</b>

### Notes to the Reconciliation of Equity

- (a) 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 \$23.2 million, increase decommissioning and restoration asset (under property, plant and equipment) by \$0.4 million for a total adjustment that decreases equity by \$22.9 million as at September 30, 2010. The effect is to also decrease deferred income tax assets by \$1.2 million and to decrease deferred income tax liabilities by \$1.1 million as at September 30, 2010. See below for related adjustments described in the comprehensive income reconciliations for three- and nine-month periods ended September 30, 2010.
- (b) The Company applied IFRS 2, Share-based Payment ("IFRS 2") to its share-based payment arrangements at January 1, 2010 except for equity-settled share-based payment arrangements granted that have vested 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 \$4.0 million and decrease equity by \$4.0 million as at September 30, 2010. See below for related adjustments described in the comprehensive income reconciliations for three- and nine- month periods ended September 30, 2010.
- (c) 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 \$13.1 million were reclassified from equity to liabilities for Q3 2010. As of September 30, 2010, the Company recorded a share-purchase warrants liability of \$0.4 million, a decrease in share capital of \$18.7 million, a decrease in contributed surplus (which is now part of the reserves account) of \$7.2 million, and an increase in opening equity of \$38.7 million. See below for related adjustments described in the comprehensive income reconciliations for three- and nine-month periods ended September 30, 2010.

(d) 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 \$183.2 million, increase deferred tax asset by \$38.1 million and decrease equity by \$145.1 million on September 30, 2010. See below for related adjustments described in the comprehensive income reconciliations for three- and nine- month periods ended September 30, 2010.

(e) 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 \$0.7 million and decrease equity by the same amount as at September 30, 2010. See below for related adjustments described in the comprehensive income reconciliations for three- and nine- month periods ended September 30, 2010.

(f) 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 \$0.8 million and increase equity by the same amount as at September 30, 2010. See below for related adjustments described in the comprehensive income reconciliations for three- and nine- month periods ended September 30, 2010.

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

	Note	September 30, 2010
Property, plant and equipment	(a)	\$ 1,105
Translation of non-monetary items	(d)	(183,213)
Reclassification : current to non-current	(i)	(4,865)
<b>Decrease in deferred tax liability</b>		<b>\$ (186,973)</b>

The effect on the income statement for the three- and nine-month periods ended September 30, 2010 was to decrease the previously reported tax charge for the period by \$12.4 million and \$68.7 million respectively.

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

	Note	September 30, 2010
Environmental rehabilitation	(a)	\$ (22,899)
Translation of non-monetary items	(d)	(145,131)
Inter-group transaction tax rates	(e)	(723)
Backwards tracing	(f)	789
Share-based payments	(b)	(3,954)
Share purchase warrants	(c)	38,690
<b>Total adjustment to equity</b>		<b>\$ (133,228)</b>
Attributable to:		
Equity holders of the parent		\$ (133,228)
		<b>\$ (133,228)</b>

## Reclassifications

- (i) 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.
- (j) As permitted under IFRS, the Company has chosen to reclassify income tax related interest expense, income-tax related penalties and income tax related foreign exchange gain/loss to income tax expense/recovery in the statement of operations.
- (k) Contributed surplus has been reclassified to reserves in the balance sheet and statement of changes in equity.
- (l) Accumulated other comprehensive income has been reclassified to reserves in the balance sheet and statement of changes in equity.

## Reconciliation of Comprehensive Income for the Three-month Period Ended September 30, 2010

	Canadian GAAP	Effect of Transition to IFRS	Notes	IFRS
<b>Revenue</b>	\$ 453,965	\$ -		\$ 453,965
<b>Cost of sales excluding depletion, depreciation and amortization</b>	(171,913)			(171,913)
<b>Gross margin</b>	\$ 282,052	\$ -		\$ 282,052
<b>Depletion, depreciation and amortization</b>	(79,219)	(266)	(a)	(79,485)
<b>Mine operating earnings</b>	\$ 202,833	\$ (266)		\$ 202,567
<b>Expenses</b>				
General and administrative	(25,109)	390	(b)	(24,719)
Exploration	(12,249)	-		(12,249)
Equity earnings from Minera Alumbra	-	10,689		10,689
Other operating expenses	(4,226)	(325)	(a,c)	(4,551)
<b>Operating earnings</b>	\$ 161,249	\$ 10,488		\$ 171,737
Finance income	15,894	6,471		22,365
Finance expense	(17,141)	(149)	(a,d,j)	(17,290)
<b>Net finance (expense) income</b>	\$ (1,247)	\$ 6,322		\$ 5,075
Equity earnings from Minera Alumbra	10,689	(10,689)		-
<b>Earnings from continuing operations before taxes</b>	\$ 170,691	\$ 6,121		\$ 176,812
Income tax expense	(47,510)	12,437	(a,d,e,f,g,j)	(35,073)
<b>Earnings from continuing operations</b>	\$ 123,181	\$ 18,558		\$ 141,739
Earnings from discontinued operations	(2,496)	-		(2,496)
<b>Net earnings</b>	\$ 120,685	\$ 18,558		\$ 139,243
<b>Earnings attributable to:</b>				
Equity shareholders	\$ 120,685	\$ 18,558		\$ 139,243
<b>Net earnings</b>	\$ 120,685	\$ 18,558		\$ 139,243
<b>Earnings per share from continuing operations</b>				
Basic	\$ 0.17	\$ 0.03		\$ 0.19
Diluted	0.17	0.03		0.19
<b>Net earnings per share</b>				
Basic	\$ 0.17	\$ 0.03		\$ 0.19
Diluted	0.17	0.03		0.19
<b>Weighted average number of share outstanding</b>				
Basic	741,028			
Diluted	741,795			
<b>Net earnings</b>	\$ 120,685	\$ 18,558		\$ 139,243
Other comprehensive loss, net of taxes	21,795	-		21,795
<b>Total comprehensive income</b>	\$ 142,480	\$ 18,558		\$ 161,038
<b>Earnings attributable to:</b>				
Equity shareholders	\$ 142,480	\$ 18,558		\$ 161,038
<b>Total comprehensive income</b>	\$ 142,480	\$ 18,558		\$ 161,038

## Reconciliation of Comprehensive Income for the Nine-month Period Ended September 30, 2010

	Canadian GAAP	Effect of Transition to IFRS	Notes	IFRS
<b>Revenue</b>	\$ 1,151,681	\$ -		\$ 1,151,681
<b>Cost of sales excluding depletion, depreciation and amortization</b>	(452,722)	-		(452,722)
<b>Gross margin</b>	\$ 698,959	\$ -		\$ 698,959
<b>Depletion, depreciation and amortization</b>	(217,420)	(835)	(a)	(218,255)
<b>Mine operating earnings</b>	\$ 481,539	\$ (835)		\$ 480,704
<b>Expenses</b>				
General and administrative	(79,137)	(227)	(b)	(79,364)
Exploration	(29,699)	-		(29,699)
Equity earnings from Minera Alumbra	-	30,140		30,140
Other operating expenses	(11,685)	2,840	(a,c)	(8,845)
<b>Operating earnings</b>	\$ 361,018	\$ 31,918		\$ 392,936
Finance income	38,543	(22,137)		16,406
Finance expense	(52,631)	1,554	(a,d,j)	(51,077)
<b>Net finance expense</b>	\$ (14,088)	\$ (20,583)		\$ (34,671)
Equity earnings from Minera Alumbra	30,140	(30,140)		-
<b>Earnings from continuing operations before taxes</b>	\$ 377,070	\$ (18,805)		\$ 358,265
Income tax expense	(97,388)	68,712	(a,d,e,f,g,j)	(28,676)
<b>Earnings from continuing operations</b>	\$ 279,682	\$ 49,907		\$ 329,589
Earnings from discontinued operations	11,329	-		11,329
<b>Net earnings</b>	\$ 291,011	\$ 49,907		\$ 340,918
<b>Earnings attributable to:</b>				
Equity shareholders	\$ 291,011	\$ 49,907		\$ 340,918
<b>Net earnings</b>	\$ 291,011	\$ 49,907		\$ 340,918
<b>Earnings per share from continuing operations</b>				
Basic	\$ 0.38	\$ 0.07		\$ 0.45
Diluted	0.38	0.07		0.45
<b>Net earnings per share</b>				
Basic	\$ 0.39	\$ 0.07		\$ 0.46
Diluted	0.39	0.07		0.46
<b>Weighted average number of share outstanding</b>				
Basic	739,510			
Diluted	740,335			
<b>Net earnings</b>	\$ 291,011	\$ 49,907		\$ 340,918
Other comprehensive loss, net of taxes	14,227	-		14,227
<b>Total comprehensive income</b>	\$ 305,238	\$ 49,907		\$ 355,145
<b>Earnings attributable to:</b>				
Equity shareholders	\$ 305,238	\$ 49,907		\$ 355,145
<b>Total comprehensive income</b>	\$ 305,238	\$ 49,907		\$ 355,145

## 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 September 30, 2010.

## Corporate Information

### BOARD OF DIRECTORS

**Peter Marrone\***

Chairman and Chief Executive Officer, Yamana Gold Inc.

**Patrick Mars** <sup>(1)(3)(4)</sup>

Lead Director, Yamana Gold Inc. and  
President, P.J. Mars Investments Limited

**John Begeman** <sup>(4)</sup>

President and Chief Executive Officer, Avion Resources Corp.

**Alex Davidson** <sup>(4)</sup>

Company Director

**Richard Graff** <sup>(1)</sup>

Company Director

**Robert Horn** <sup>(2)(4)</sup>

Company Director

**Nigel Lees** <sup>(1)(2)</sup>

President and Chief Executive Officer, SAGE Gold Inc.

**Juvenal Mesquita** <sup>(3)</sup>

Company Director

**Carl Renzoni** <sup>(1)(3)</sup>

Company Director

**Antenor Silva\***

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

**Dino Titaro** <sup>(2)(3)(4)</sup>

President and Chief Executive Officer, Carpathian Gold Inc.

*\* Non-independent Board Member*

*(1) Member of the Audit Committee*

*(2) Member of the Compensation Committee*

*(3) Member of the Corporate Governance and Nominating Committee*

*(4) Member of the Sustainability Committee*

### SENIOR MANAGEMENT

**Peter Marrone**

Chairman and Chief Executive Officer

**Ludovico Costa**

President and Chief Operating Officer

**Charles Main**

Executive Vice President, Finance and Chief Financial Officer

**Greg McKnight**

Senior Vice President, Business Development

**Darcy Marud**

Senior Vice President, Exploration

**Evandro Cintra**

Senior Vice President, Technical Services

**Sofia Tsakos**

Senior Vice President, General Counsel and  
Corporate Secretary

**Richard Campbell**

Senior Vice President, Human Resources

**Lisa Doddridge**

Vice President, Corporate Communications and  
Investor Relations

**Jason LeBlanc**

Vice President, Finance and Treasurer

**Ana Lucia Martins**

Vice President, Safety, Health, Environment and Community

**Nelson Munhoz**

Vice President, Operations, Brazil

**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

**Hernan Vera**

Vice President, Country Manager, Argentina

**Mark Bennett**

Assistant Corporate Secretary

## Shareholder Information

### SHARE LISTINGS

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

### CAPITALIZATION

Common Shares issued as of September 30, 2011:  
745,655,828

### 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](http://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@canstockta.com](mailto:inquiries@canstockta.com)

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Email: [investor@yamana.com](mailto:investor@yamana.com)  
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Printed in Canada