ANNUAL REPORT 2009

YAMANA GOLD

2009

predictable
reliable
operations
and outlook

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

A cautionary note regarding forward-looking statements and non-GAAP measures follows the Management's Discussion and Analysis of Operations and Financial Condition.
All figures are in United States Dollars unless otherwise indicated.

Yamana at a Glance

Producing Mines

7

Development Projects

7

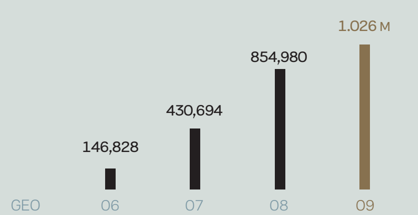
Employees

9,300

Yamana is committed to predictable and reliable operations and outlook as we prepare for our next wave of growth.

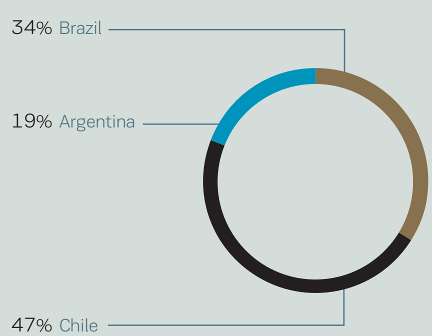
Production
From continuing operations

2009	Change 2008/2009
1.026M GEO	↑ 20%



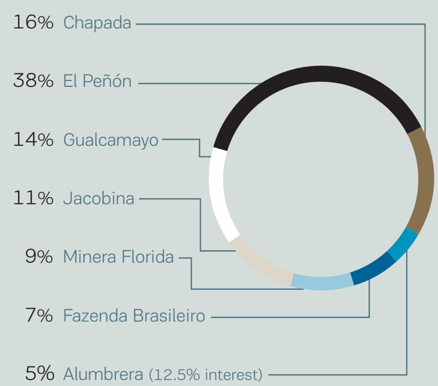
Production by Country

2009



Production by Mine

2009



Proven & Probable*
2009 Mineral Reserves

Au 17.6M oz

Ag	Cu
161.8M oz	11.2B lbs

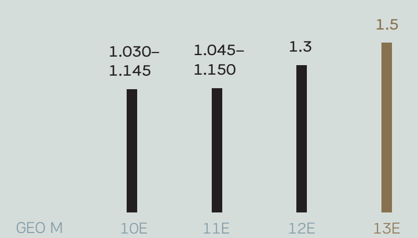
Measured & Indicated*
2009 Mineral Resources

Au 13.0M oz

Ag	Cu
59.7M oz	3.7B lbs

Production Targets

2013 Estimate	Estimated Change 2009/2013
1.5M GEO	↑ 46%



*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.
Note: All figures are from continuing operations.

Financial Highlights

Yamana continues to focus on our core assets, preserving capital, maximizing cash flow and cash balances and maintaining flexibility across various interests, including development stage and near development stage projects. We remain committed to sustainable production, cost containment and margin growth, which is reflected in our strong financial performance allowing us to deliver continued growth in revenues, adjusted earnings, mine operating earnings and cash flow.

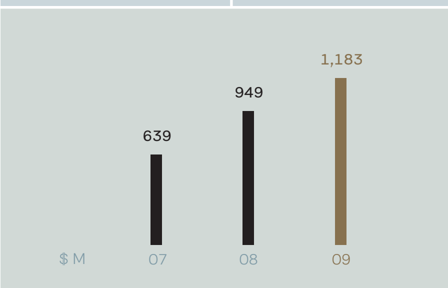
Revenue

2009

$1.2B

Change 2008/2009

↑ 25%



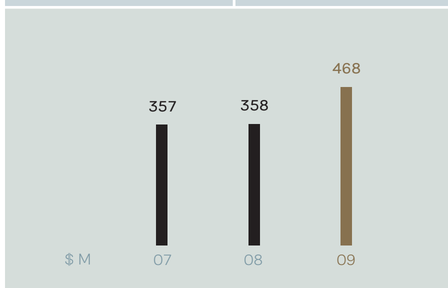
Mine Operating Earnings

2009

$467.5M

Change 2008/2009

↑ 31%



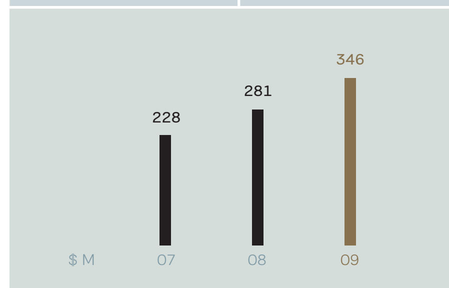
Adjusted Earnings*

2009

$346.1M

Change 2008/2009

↑ 23%



Operating Cash Flow*

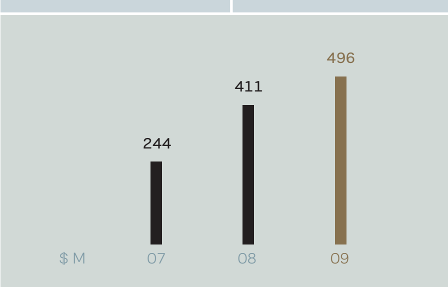
(before changes in non-cash working capital items)

2009

$495.6M

Change 2008/2009

↑ 21%



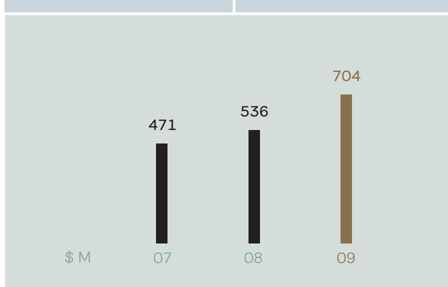
Gross Margins*

2009

$703.5M

Change 2008/2009

↑ 31%



Cash Costs*

(excluding Alumbrera)

2009 By-Product

Au

$170
per GEO

2009 Co-Product

Au

$357
per GEO

Cu

$0.99
per lb

*Adjusted earnings, cash flows from operations before changes in non-cash working capital, gross margins and cash costs per GEO are non-GAAP measures. Reconciliations of non-GAAP measures are located in section 6 of the MD&A.
Note: All figures are from continuing operations.

Producing Mines at a Glance

Chapada

Shallow open-pit mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 2.2M oz	Au 745,000 oz
Cu 2.2B lbs	Cu 797M lbs

2009 Production

Au 156,251 oz

Cu 144M lbs

Contribution to total production

16%

2009 Co-Product Cash Costs

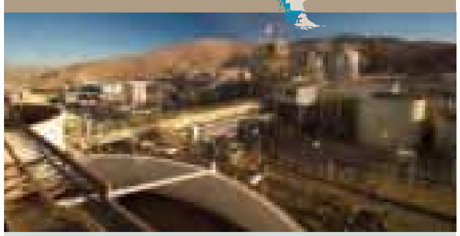
Au $258/oz

Cu $0.99/lb

Strategic Mine Life

13+ years

El Peñón



Underground mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 1.9M oz	Au 1.0M oz
Ag 57.6M oz	Ag 26.1M oz

2009 Production

GEO 394,400

Contribution to total production

38%

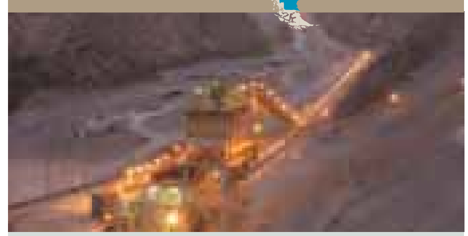
2009 Cash Costs

$353/GEO

Strategic Mine Life

10+ years

Gualcamayo



Open-pit mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 2.3M oz	Au 802,000 oz

2009 Production

Au 143,471 oz

Contribution to total production

14%

2009 Cash Costs

$301/oz

Strategic Mine Life

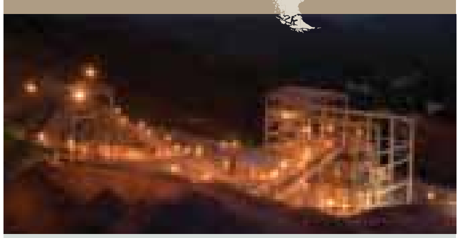
10+ years

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

Yamana has a sustainable production platform of approximately 1.1 million gold equivalent ounces (GEO) from our robust, long life operational assets with industry low cash costs located in stable jurisdictions.

Jacobina

Bahia, Brazil



Underground mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 1.5M oz	Au 1.4M oz

2009 Production

Au 110,515 oz

Contribution to total production

11%

2009 Cash Costs

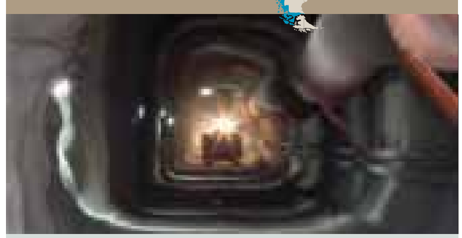
$476/oz

Strategic Mine Life

15+ years

Minera Florida

Alhué, Chile



Underground mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 619,000 oz Ag 4.6M oz	Au 367,000 oz Ag 1.6M oz

2009 Production

GEO 91,877

Contribution to total production

9%

2009 Cash Costs

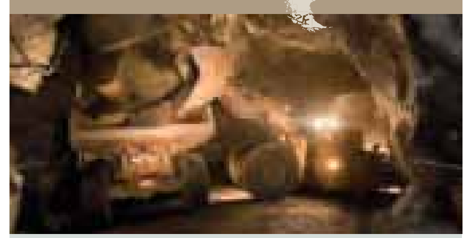
$373/GEO

Strategic Mine Life

10+ years

Fazenda Brasileiro

Bahia, Brazil



Underground mine

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*
Au 185,000 oz	Au 159,000 oz

2009 Production

Au 76,413 oz

Contribution to total production

7%

2009 Cash Costs

$453/oz

Strategic Mine Life

2–4 years

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

To Our Shareholders,

Our objective in 2009 was to create consistency and reliability in our operations with sustainable precious metals production at low cash costs. We undertook a prudent and disciplined approach to exploration, resource and reserve estimation, mine plan development and in the identification and development of new mines. We set forth to establish an initial sustainable production level of approximately 1.1 million gold equivalent ounces as we also undertook the construction of new mines and advanced additional projects that are expected to ultimately increase that sustainable production level over the next few years.

Though we have only been in existence for six full years, we have achieved a lot in a short time. In the past four years, we have built four mines, including our flagship mine, Chapada, which we completed on budget and ahead of schedule, and it has performed consistently according to, and often exceeding, our expectations. Our newest mine, Gualcamayo, was built in 20 months and commissioned in six months. Gualcamayo began commercial production mid-year as planned and is performing according to design, exceeding commercial production expectations last year. In six years, we have increased total production from our core mines by over 13 times. We have taken the time to develop our operational expertise and to create a strong track record.

In addition to the start-up of Gualcamayo in 2009, we completed four expansions at Chapada, El Peñón, Jacobina and Minera Florida and made construction decisions on four of our development stage projects, C1 Santa Luz, Mercedes, Minera Florida tailings project and, most recently, Ernesto/Pau-a-Pique.

This past year was not without challenges, although with those challenges came opportunities. We experienced a grade reconciliation issue at our flagship precious metals mine, El Peñón, but we were able to determine the cause and overcame it within the year. By the end of 2009, we decided to manage El Peñón on an owner-mining basis with the expectation of increased production, more control over our mine plan and, ultimately, greater control of our operations along with better cost control and cost improvements.

We set the stage for significant resources and reserves growth which we expect to see in 2010 and the years to follow.

We also undertook an optimization plan at Agua Rica. We recognized Agua Rica, since acquiring it in 2007, as a world-class copper-gold project and after evaluation of its potential, we undertook our optimization plan. This is not without parallel in our Company. We undertook a similar strategy with Chapada in 2003 of optimizing a previous feasibility study. Finally, we undertook a robust exploration plan in 2009 and remained steadfast in our resolve to grow organically. We set the stage for significant resource and reserve growth which we expect to see in 2010 and the years to follow. We will also continue to focus on cash flow growth in the years ahead as we did in 2009.

We continue to adhere to our four key commitments which underlie, in our view, our success. Our commitment to sustainable production, stability of jurisdictions, disciplined growth and industry low cash costs.

Our first commitment is to sustainable production. Yamana is committed to a sustainable production level of at least 1.1 million gold equivalent ounces from our six producing mines: Chapada, Jacobina and Fazenda Brasileiro located in Brazil, El Peñón and Minera Florida in Chile, and Gualcamayo in Argentina. Cumulatively, these mines provide us with robust, long life production at this level, thereby creating our baseline for production while providing a solid foundation for future growth.

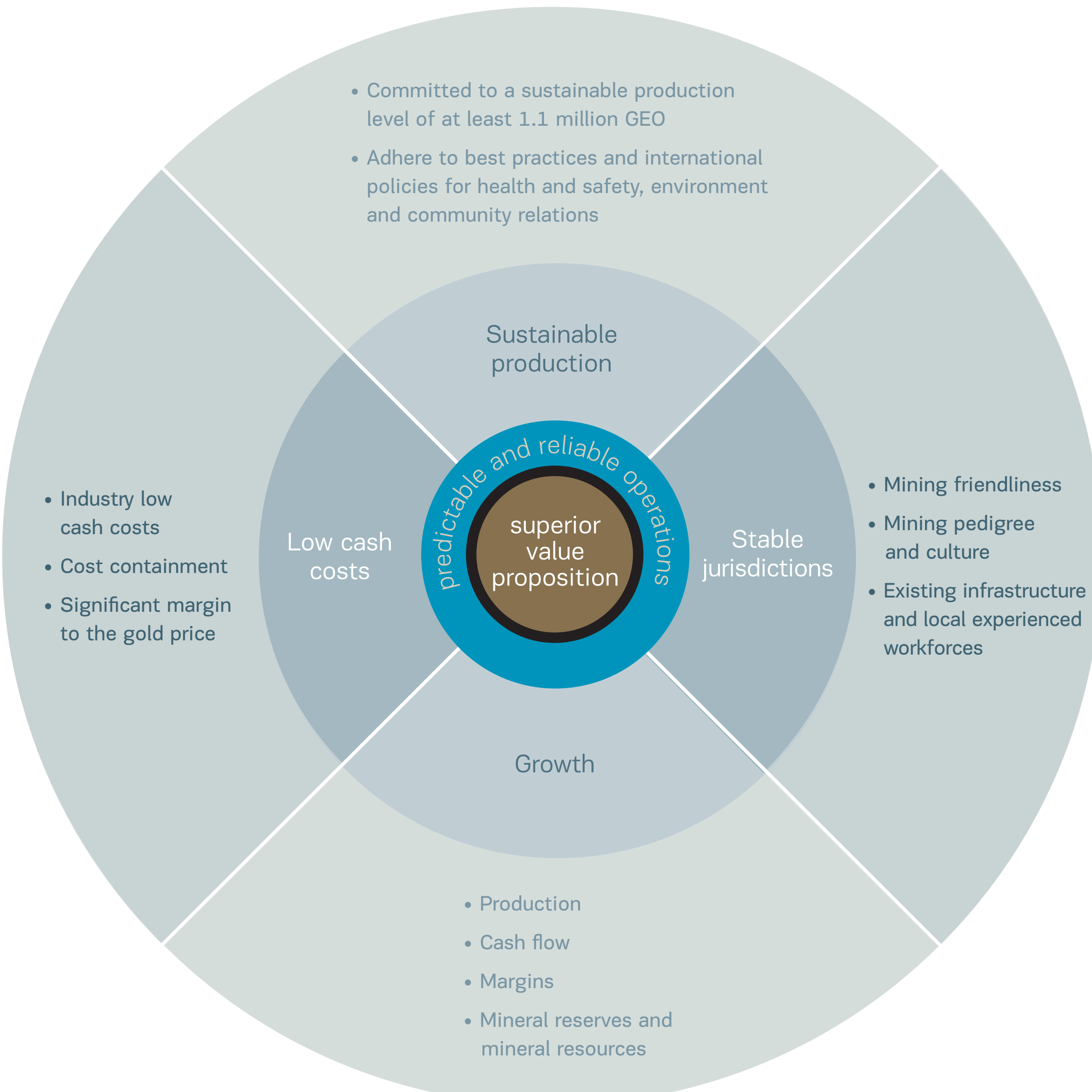
Our approach to sustainability is far broader than consistent production levels. We adhere to best practices and international policies for health and safety, environment and community relations. We recognize that sustainable production requires earning one's social license, committing to environmental responsibility and creating strong community relationships and support systems. We recognize that the creation of local livelihood both during mining and afterwards is an important business principle. The manner in which we define and deal with sustainability, as an industry, is increasingly broadening. Energy management, water quality and availability, in addition to quality of life, are increasingly important issues when considering sustainability. We plan for these issues as part of our mine development and operations and incorporate them as embedded components. We support the communities in which we operate by placing priority on safety, health, environment, community relations and local livelihood and we integrate these initiatives into our operations on a daily basis.

Our second commitment is to concentrate on jurisdictions which are stable for mining, preferably where there is an established mining culture or pedigree. We remain focused in the Americas, with our production coming from operating mines in Brazil, Chile and Argentina, but with a reach soon into Mexico with our Mercedes project which is now under construction. These are countries in which we have operating experience and can rely on local infrastructure and local experienced workforces.

Our third commitment is to growth, although we recognize that growth must be disciplined, sustainable and over the longer term. We have meaningful organic production growth from well-defined development stage projects, C1 Santa Luz, Mercedes and Ernesto/Pau-a-Pique and our tailings reprocessing project at Minera Florida, which are expected to begin production sequentially in 2012. These four projects are expected to contribute an additional approximately 400,000 gold equivalent ounces annually at cash costs consistent with our current cost and operating structure. Production in 2012 is expected to be approximately 1.3 million gold equivalent ounces as these projects commence operations, with production by the end of 2012 expected to be at an annual run rate of approximately 1.5 million gold equivalent ounces, which represents an approximate 46 percent increase in production from 2009.

Further growth is expected from other pending projects, which include QDD Lower West, an underground mineralized zone at our Gualcamayo mine, along with Pilar and Caiamar, both of which are in Brazil close to the Chapada mine, with various updates

We continue to adhere to our four key commitments which underlie, in our view, our success: sustainable production, stability of jurisdictions, disciplined growth and industry low cash costs.



Looking ahead, we will continue to adhere to these four commitments and will maintain our focus of providing predictable and reliable operations and outlook as we prepare for our next wave of growth.

on these projects expected throughout 2010. These projects are expected to increase our production level to approximately 1.7 million gold equivalent ounces annually, which does not include optimizations at current mines, exploration successes and large-scale, robust projects such as Agua Rica that will meaningfully further supplement our growth longer term.

We have a track record of meaningful exploration successes and we continued to demonstrate this in 2009. We have taken projects such as C1 Santa Luz, Mercedes and Ernesto/Pau-a-Pique from grassroots to exploration to development. Although less advanced than these projects, we have also taken a similar approach at Pilar and Caiamar. Based on positive exploration results in 2009, we increased our exploration budget mid-year by $10 million to $66 million, and we have budgeted over $75 million for 2010. Exploration remains a focus for Yamana as we target to grow sustainably through replacing and increasing our reserves and resources.

Our fourth commitment is low cash costs. We are committed to, and focused on, cost containment and to remaining one of the lowest cost producers in the industry. Our cash costs in 2009 were at an industry low of $170 per gold equivalent ounce, allowing us a continued significant margin to the gold price. In 2009, we were able to consistently grow our margins quarter-over-quarter and year-over-year as in prior years. Our success in containing our cash costs and growing our margins is reflected in our strong financial performance providing us continued cash flow growth.

We encourage our shareholders to note the robust cash flow generated by Yamana. This is an important tenet of our Company, that cash flow, along with cash flow growth, drives the success of a mining company. We fully fund our growth with available cash and cash flow.

These four key commitments underpin what defines Yamana. What defines Yamana is our robust production with low cash costs in stable jurisdictions. Our well-defined development stage projects provide substantial immediate and intermediate production growth which is consistent with our commitment to low cash costs and stable jurisdictions. Our world-class value-enhancing assets, principally Agua Rica, provide additional significant immediate and unrecognized value and contribute to longer term production growth. All of which supports our proven production track record, stable cash flow and cash flow per share growth and substantial value proposition.

Looking ahead, we will continue to adhere to these four commitments and will maintain our focus of providing predictable and reliable operations and outlook as we prepare for our next wave of growth.

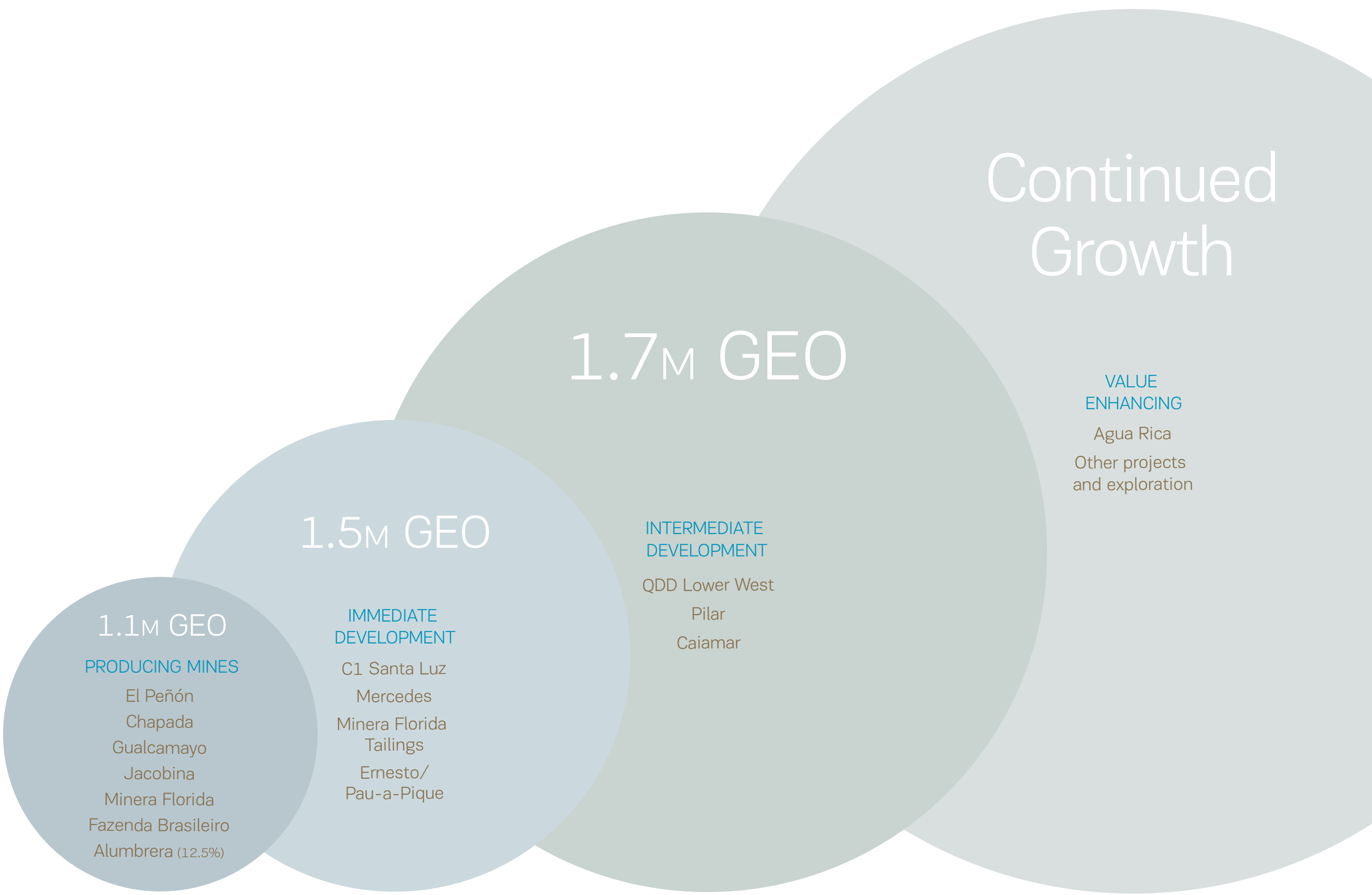
While it is normal to look at our efforts in any given year, and 2009 is not an exception, it is equally as important to look ahead, to assess what efforts in a particular year will allow us to undertake and achieve in future years. Operational consistency, reliability and efficiency along with commercial production at a new mine, completion of multiple expansions and construction decisions at four projects easily distinguished us in 2009, although there are less obvious successes that are equally important. Exploration successes in 2009 led us to the discovery of new mineralized zones at existing mines and entirely new discoveries. We should expect this to provide a springboard into 2010 and the years to follow. In 2010, we plan to add meaningfully to resources at new discoveries, in addition to resource and reserve increases at existing mines, while maintaining our steadfast resolve toward the commitments that have defined us to date.

Peter Marrone
Chairman and Chief Executive Officer

STRATEGY

and assets
for sustainable
growth

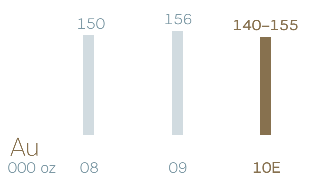
Our objective is to create consistency and reliability in our operations with a sustainable production platform of approximately 1.1 million gold equivalent ounces. Building on this baseline from our producing mines, we have substantial, well-defined development stage projects which are expected to bring production to approximately 1.7 million gold equivalent ounces. In addition, we have world-scale value-enhancing assets which will further drive our production growth going forward.



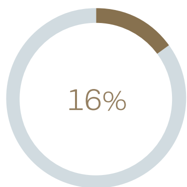
Located in Brazil's northern Goiãs State, northwest of the national capital of Brasília, Chapada is a predictable and consistent world-class mine. The mine and processing facilities, which produce a concentrate containing gold and copper, were constructed by Yamana in less than two years and were commissioned in 2007.

Chapada

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*

Au 2.2M oz
Cu 2.2B lbs

Measured & Indicated Mineral Resources*

Au 745,000 oz
Cu 797M lbs

Strategic Mine Life

13+ years

		2009 Actual	2010 Estimate	2011 Estimate
Production	Au (oz)	156,251	140–155,000	135–145,000
	Cu (lbs)	144M	150–160M	135–145M
Co-Product Cash Costs	Au/oz	$258	$280–$300	$320–$350
	Cu/lb	$0.99	$1.00–$1.10	$1.10–$1.20

2009 Key Achievements

Increased original production guidance mid-year • Met revised production guidance as planned • Completed a 25 percent expansion to 20 million tonnes per year throughput • Discovered new mineralized zone, Suruca, demonstrating the potential to add ounces from the areas surrounding the mine, further extending Chapada's already long mine life

Future Objectives

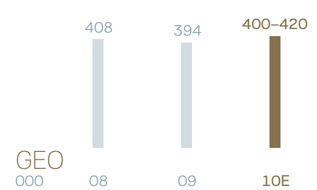
Plant optimizations are scheduled to increase throughput to up to 22 million tonnes per year before 2012 • Define a mineral resource for the Suruca target by 2011 • Increase mineral resources through focused regional exploration

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

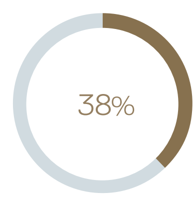
El Peñón is a high-grade underground gold and silver mine with a long track record of consistent low cost production and a history of replacing reserves each year. The mine is located approximately 160 kilometres southeast from Antofagasta—a port city in northern Chile.

El Peñón

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*	Strategic Mine Life
Au 1.9M oz Ag 57.6M oz	Au 1.0M oz Ag 26.1M oz	10+ years

	2009 Actual	2010 Estimate	2011 Estimate
Production (GEO)	394,400	400–420,000	410–430,000
Cash Costs /GEO	$353	$350–390	$340–360

2009 Key Achievements

Mined at a progressively higher rate and grade • Completed plant expansion increasing capacity to 4,300 tonnes per day • Accelerated development work on new veins and continued exploration in the recently discovered North Block • Achieved positive exploration success resulting in a mid-year budget increase • Replaced proven and probable gold mineral reserves for the eleventh consecutive year

Future Objectives

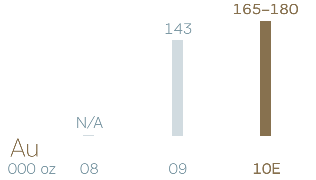
Access higher grade areas throughout 2010 and into 2011 as the Bonanza vein moves into production • Advance the newly discovered very high-grade gold and silver vein system, Pampa Augusta Victoria (PAV) • Evaluate optimization strategy with the objective of achieving sustainable production of 450-500,000 GEO beginning in 2012 • Extend the known deposits, upgrade mineral resources, continue efforts at PAV and advance a broader regional exploration program with $18.4 million budgeted in 2010

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

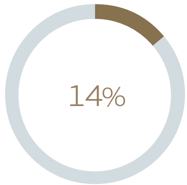
One of Yamana's most prolific mines, Gualcamayo, is located in the northern San Juan province of Argentina and has three substantial zones of gold mineralization: the main Quebrada del Diablo deposit (QDD), Amelia Inés and Magdalena satellite deposits (AIM) and the QDD Lower West underground zone. Construction of the Gualcamayo mine was completed in less than 20 months with commercial production declared in mid-2009.

Gualcamayo

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*

Au 2.3M oz

Measured & Indicated Mineral Resources*

Au 802,000 oz

Strategic Mine Life

10+ years

	2009 Actual	2010 Estimate	2011 Estimate
Production Au (oz)	143,471	165–180,000	165–180,000
Cash Costs Au/oz	$301	$340–380	$350–390

2009 Key Achievements

Poured the first gold bullion in early 2009 and declared commercial production mid-year • Exceeded production guidance by approximately 20 percent • Produced and processed ore from the main QDD deposit according to design and expectations • Completed the secondary ore pass in late 2009, facilitating more consistent throughput • Accelerated development activities at QDD Lower West • Discovered a new area of mineralization, Salamanca, located 10 kilometres north of Gualcamayo

Future Objectives

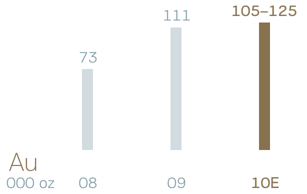
Advance plans to increase throughput to 1,500 tonnes per hour and process ore from the AIM and QDD Lower West deposits • Aggressively explore QDD Lower West with the objective of extending the deposit and delivering a feasibility study in late 2010 • Deliver a mineral resource estimate for Salamanca in the first half of 2010—positive drill results suggest that Salamanca may represent an important source of further gold ounces

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

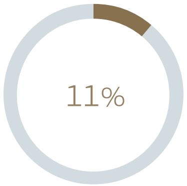
Jacobina

The Jacobina complex of underground mines is located in the state of Bahia, in north eastern Brazil near the Serra do Jacobina mountains. With an expected mine life well in excess of 15 years, Jacobina is one of Yamana's longest life mines.

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*

Au 1.5M oz

Measured & Indicated Mineral Resources*

Au 1.4M oz

Strategic Mine Life

15+ years

	2009 Actual	2010 Estimate	2011 Estimate
Production Au (oz)	110,515	105–125,000	110–130,000
Cash Costs Au/oz	$476	$500–525	$500–550

2009 Key Achievements

Increased production by 51 percent compared to 2008 • Completed a plant upgrade and achieved throughput levels of 6,000 tonnes per day • Increased mine development for higher grade areas • Discovered new mineralized zone, Lagartixa, which exhibits substantially higher grade than the current mineral reserve grade • Increased year-end proven and probable gold mineral reserves by 272,000 ounces

Future Objectives

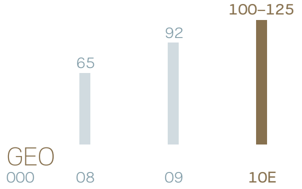
Process ore at 6,000 tonnes per day in 2010, increasing to 6,200 tonnes per day by early 2011 • Improve dilution and recovery levels and discover and develop higher grade areas including Canavieiras

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

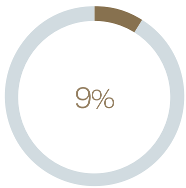
Minera Florida

Minera Florida is a gold, silver and zinc underground mine located 73 kilometres south of Santiago in central Chile. Exploration efforts have uncovered significant area deposits and prospective targets that will be the focus in the years to come.

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*

Au 619,000 oz
Ag 4.6M oz

Measured & Indicated Mineral Resources*

Au 367,000 oz
Ag 1.6M oz

Strategic Mine Life

10+ years

	2009 Actual	2010 Estimate	2011 Estimate
Production (GEO)	91,877	100–125,000	110–130,000
Cash Costs /GEO	$373	$350–390	$340–370

2009 Key Achievements

Completed a plant expansion increasing throughput to 2,000 tonnes per day • Increased production by 42 percent compared to 2008 • Advanced new discoveries to indicated mineral resources • Increased exploration budget mid-year based on positive results • Made a construction decision for the re-treatment of historical tailings expected to add an additional 40,000 gold equivalent ounces per year to current expected production beginning in early 2012

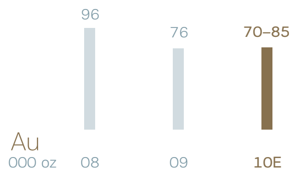
Future Objectives

Focus exploration efforts on the delineation of the higher grade, newly discovered Centenario and Polvorin deposits • Continue to progress development work at the tailings project • Identify new vein zones

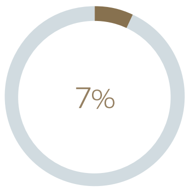
Fazenda Brasileiro

Fazenda Brasileiro is an underground gold mine located in north-east Brazil, 180 kilometres north northwest of the state capital of Salvador. The mine has more than 15 years of operating experience and a consistent history of replacing mineral reserves.

Production



Contribution to Total 2009 Production



Proven & Probable Mineral Reserves*

Au 185,000 oz

Measured & Indicated Mineral Resources*

Au 159,000 oz

Strategic Mine Life

2–4 years

	2009 Actual	2010 Estimate	2011 Estimate
Production Au (oz)	76,413	70–85,000	70–85,000
Cash Costs Au/oz	$453	$500–550	$500–550

2009 Key Achievements

Completed tailings dam expansion • Discovered two new mineralized zones, Lagoa do Gato and CLX_2, giving Yamana increased confidence that significant potential remains at Fazenda Brasileiro

Future Objectives

Continue to focus on cost reduction and improving recovery • Redefine Fazenda Brasileiro with exploration focused on recent discoveries and more aggressive regional exploration • Increase mineral reserves and mineral resources in existing and new areas

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

C1 Santa Luz

Production growth is expected to ramp up substantially in 2012 as four development stage projects—C1 Santa Luz, Mercedes, Ernesto/Pau-a-Pique and the Minera Florida tailings project—where construction decisions have already been made are expected to begin production. Production in 2012 is expected to be approximately 1.3 million GEO as these projects commence operations, with production by the end of 2012 expected to be at an annual run rate of approximately 1.5 million GEO.

Development Stage	Planned Mining Method
Immediate	Open-pit

The C1 Santa Luz project is located within Yamana's 180,000 hectares of mineral claims on the Rio Itapicuru Greenstone Belt in Bahia, Brazil. It is approximately 60 kilometres north of Yamana's Fazenda Brasileiro mine and 160 kilometres east of its Jacobina mine.

Estimated Annual Production: 104,000 oz	Estimated Cash Costs: $465/oz	Estimated Production Start: Mid 2012
CAPEX (approximate): $143M		
Proven & Probable Mineral Reserves*: Au 1.2M oz	Measured & Indicated Mineral Resources*: Au 1.1M oz	Initial Mine Life: 10 years

Key Milestones & Highlights

A construction decision was made in mid-2009 based on an economic update to a previously completed feasibility study which showed improved economics and a longer mine life • The mine life for the project was increased from the initial feasibility study estimate of approximately seven years to 10 years • In the first two full years, average annual production is expected to exceed 130,000 ounces • At year-end, proven and probable gold mineral reserves increased by 264,000 ounces • Metallurgical testwork continues to be advanced • Expect to complete basic engineering and start detailed engineering in 2010 • Permitting is currently in progress and construction is on track to begin in mid-2010 • Production is expected to commence in mid-2012

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

Mercedes

Development Stage	Planned Mining Method
Immediate	Underground

The Mercedes project is located in northern Sonora, Mexico, approximately 200 kilometres south of Tuscon, Arizona. The deposit consists of a complex gold-silver hydrothermal low-sulphidation vein/stockwork system.

Estimated Annual Production	Estimated Cash Costs	Estimated Production Start
120,000 GEO	$264/GEO	Late 2012
CAPEX (approximate) $152M		

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*	Initial Mine Life
Au 624,000 oz Ag 6.9M oz	Au 128,000 oz Ag 1.7M oz	6+ years

Key Milestones & Highlights

Advanced Mercedes from a grassroots exploration prospect to an advanced development stage project • A construction decision was made in mid-2009 based on an update to the pre-feasibility study which demonstrated improved economics and positive exploration results • The 2009 exploration budget was increased mid-year based on exploration success which added further certainty to the extension of the mine life to nine years and confirmed Mercedes' high geological potential • Basic engineering and advanced mine development was completed in 2009 • Work on a development ramp is progressing to confirm grade continuity and the potential to convert mineral resources to mineral reserves • Permitting is underway and targeted to be completed by mid-2010, facilitating the start-up of construction • Production is expected to commence in late 2012

Ernesto/Pau-a-Pique

Development Stage	Planned Mining Method
Immediate	Open-pit and underground

The Ernesto/Pau-a-Pique project is located in the southern end of the prolific Guapore Gold Belt property which covers approximately 450,000 hectares. The existing infrastructure near the mines, including paved roadways, supports the development of Ernesto/Pau-a-Pique as two mines with a common plant.

Estimated Annual Production	Estimated Cash Costs	Estimated Production Start
100,000 oz	$427/oz	Late 2012
CAPEX (approximate) $116M		

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*	Initial Mine Life
Au 710,000 oz	Au 124,000 oz	7 years

Key Milestones & Highlights

Advanced Ernesto/Pau-a-Pique from a grassroots exploration prospect to a development stage project • A 2009 scoping study increased mineral resources and confirmed high grade • A construction decision was made in early 2010 based on positive feasibility study results • Production in the first two full years is expected to average approximately 120,000 ounces, further improving project economics • At year-end, proven and probable gold mineral reserves increased by 710,000 ounces • There is potential to extend the mine life as efforts continue to upgrade and expand mineral resources • Permitting is underway and construction is expected to begin in mid-2010 with production expected to commence in late 2012

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

Intermediate development stage projects—QDD Lower West, Pilar and Caiamar—are expected to add approximately 200,000 GEO annually, taking production to approximately 1.7 million GEO.

QDD Lower West

Development Stage	Status
Intermediate	Feasibility study by the end of 2010

One of the three zones of gold mineralization at the Gualcamayo mine in Argentina • Development work in 2009 included underground drilling, metallurgical testwork, an exploration tunnel and feasibility study review • Continued drilling on the deposit is expected to increase mineral reserves, particularly in the western extension • Construction of an incline ramp is underway • A pre-feasibility study supports additional production of 80–90,000 ounces per year at Gualcamayo

Pilar

Development Stage	Status
Intermediate	Basic Engineering mid-2010

Located 80 kilometres south of Chapada • Expected to commence production as an underground mine • A highly prospective near development stage project with significant exploration potential • Commenced construction of an exploration ramp to confirm grade continuity and to accelerate development work • Exploration in 2009 focused on extending the main Jordino mineralization down dip • Estimated annual production of approximately 100,000 ounces

Caiamar

Development Stage	Status
Intermediate	Mineral resource estimate mid-2010

Located 38 kilometres from Pilar, east of the Crixas Greenstone Belt • Advanced exploration concession with similar geology and prospectivity as Pilar • The combination of Caiamar and Pilar could meaningfully increase the potential for increased mineral resources and rapid advancement of project development • Since purchasing the project in 2009, 14,000 metres of exploration drilling has been completed • The 2010 exploration program will focus on assessing the potential of the deposit in addition to defining the ore bodies

Agua Rica

Stage

Value Enhancing

Status

Construction decision by end of 2011

Agua Rica is a large-scale copper, gold, silver and molybdenum deposit located in the province of Catamarca, approximately 35 kilometres southeast of the producing Alumbrera copper gold mine. Yamana maintains a 12.5 percent equity interest in the Alumbrera mine.

Estimated Annual Production (first 10 years)	Estimated Cash Costs[1] (first 10 years)
GEO 154,000	GEO $370
Cu 365M lbs	Cu[2] $0.50/lb

CAPEX (approximate) $2.1B

Proven & Probable Mineral Reserves*	Measured & Indicated Mineral Resources*	Initial Mine Life
Au 5.8M oz	Au 1.7M oz	26.5 years
Cu 8.7B lbs	Cu 2.9B lbs	

Key Milestones & Highlights

In 2009, the first of several studies evaluating certain optimization initiatives which are expected to have a positive impact on the project were completed • The project received its environmental license in early 2009 and the permitting process is advancing • Components of the 2006 feasibility study are currently being updated and are expected to show added value and operational efficiencies, making this viable project even more robust • Yamana expects to advance the development of Agua Rica with one or more strategic partners • Drilling and metallurgical testwork has been initiated to confirm the potential for the economic recovery of rhenium, which is contained in Agua Rica's molybdenum concentrate and could generate a significant by-product credit

(1) Excluding royalties
(2) Net of molybdenum credits

World-scale assets such as Agua Rica and other value enhancing projects add significant unrecognized value and provide further longer term production growth.

*Refer to table on pages 127–129 for complete information relating to Mineral Reserves and Mineral Resources indicating tonnage and grade for the various mines and projects.

Note: All estimates are based on a January 2010 optimization study.

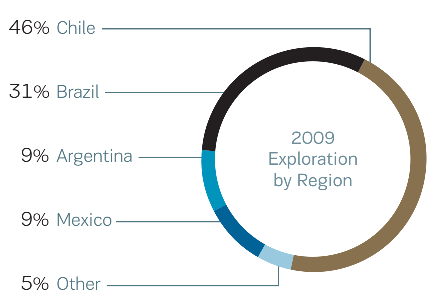
Yamana continues with its near-mine exploration program with the goal of replacing and increasing mineral reserves and mineral resources. The Company is focused on developing its future based on its exploration successes and organic growth.

2009 Exploration Highlights

2009 Spend

$66M

El Peñón	Replaced proven and probable gold mineral reserves for the eleventh consecutive year and regional exploration led to new discovery, Pampa Agusta Victoria, in early 2010
Chapada	Discovered new mineralized zone, Suruca, demonstrating the potential to add ounces from the areas surrounding the Chapada mine
Mercedes	Discovered two-high grade vein deposits, Las Barrancas and Lupita
Jacobina	Discovered new mineralized zone, Lagartixa, which exhibits substantially higher grade than the current mineral reserve grade
Gualcamayo	Discovered new area of mineralization, Salamanca, which represents an important source of further gold ounces for Gualcamayo
Minera Florida	Discovered two high-grade vein deposits, Centenario and Polvorin
Fazenda Brasileiro	Discovered new mineralized zones, Lagoa do Gato and CLX_2, which exhibit substantially higher grade than the current mineral reserve grade
Pilar	Positive drill results confirmed and extended the Jordino deposit
Caiamar	Purchased exploration concession, Caiamar, located approximately 38 kilometers from Pilar in Brazil
Other	Purchased exploration concession, Solferino, in Colombia



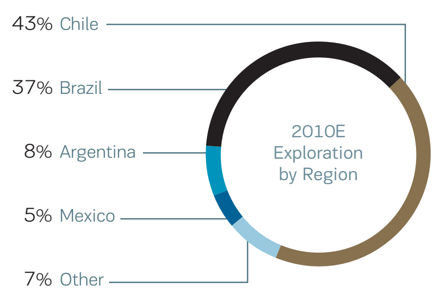
In 2010, a substantial increase in mineral resources is expected as we complete new estimates for Salamanca, Caiamar and Suruca. Further growth is expected from mineral resource estimates for the new discoveries made in 2009 which will ultimately lead to growth in gold mineral reserves.

2010 Exploration Objectives

El Peñón	Extend known deposits, upgrade and identify new mineral resources, continue efforts at new discoveries and advance broader regional exploration program
Chapada	Define size potential of new mineralized zone, Suruca, and deliver a mineral resource estimate before the end of 2010
Mercedes	Focus on vein extensions and discovery of new veins to add additional gold equivalent ounces
Jacobina	Focus exploration towards the discovery and extension of higher grade areas, including Canavieiras and new mineralized zone Lagartixa, and upgrade mineral resources
Gualcamayo	Expand the mineral resource at QDD Lower West and continue exploration efforts at Salamanca, with a mineral resource estimate expected in the first half of 2010
Minera Florida	Expand footprint with successful exploration at Chancon-Membrillo, upgrade mineral resources and identify new vein zones
Fazenda Brasileiro	Continue to extend the new mineralized zone, Lagoa do Gato and CLX_2, replace mineral reserves and mineral resources and define new near mine targets
Pilar	Extend the mineral resource and complete basic engineering by mid-2010
Caiamar	Complete mineral resource estimate by mid-2010 with further update by the end of 2010
Other	Continue efforts at Solferino, newest exploration concession in Colombia, and other exploration opportunities

2010 Budget

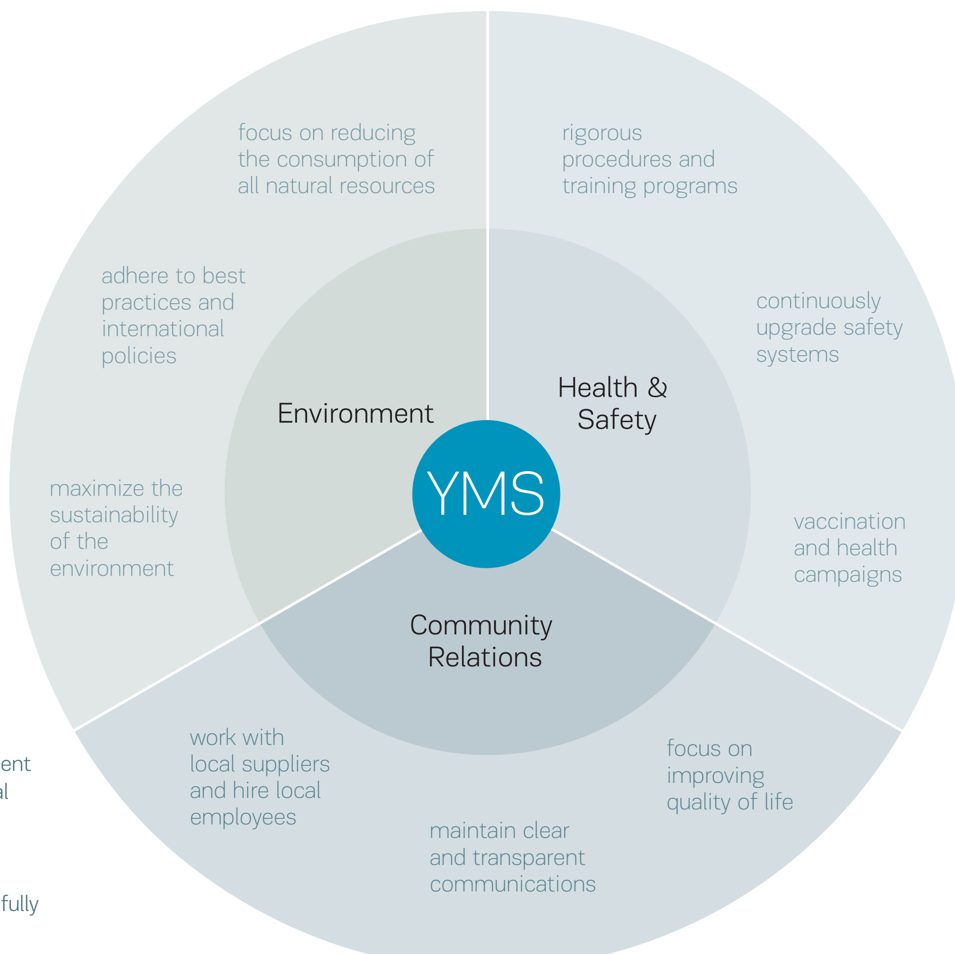
$75–80M



CSR

corporate
social
responsibility

Yamana has an integrated management system for safety, health, environment, community relations and social responsibility which involves risk assessment, identification of all legal and contractual requirements, definition of company objectives and targets. The system also includes procedures to ensure that Yamana operates in compliance with its policies and management programs.



The Yamana Management System (YMS)

This system was developed based on best practices and international standards: ISO 14001:2004 Environmental Management System, OHSAS 18001:1999 Occupational Health and Safety Management System, SA 8000 Social Accountability and the International Cyanide Management Code. Each operation is working towards successfully implementing 100 percent of the Yamana Management System.

Community Relations

Our core focus is sustainability and longevity. This includes economic development, community relations, health and safety, and environmental compliance and awareness. In early 2009, Yamana was added to the Jantzi Social Index ("JSI"). Companies included in the JSI must pass a set of broadly based environmental, social and governance criteria. Inclusion in this index is a testament to the Company's social, environmental, health and safety management programs which are considered by JSI to be above average.

Overview

Yamana takes an active interest in the well-being of the communities surrounding our operations. We share the same air and soil, work with local suppliers, hire local employees and build relationships in the regions in which we operate. Yamana provides various sustainable economic development programs, and as a result, has strong community relations.

Open Doors Program

This program aims to establish, in a clear and transparent manner, better communications between Yamana and local communities. Employees and their families, students, mining association members and community representatives visit our mines to learn more about the Company's vision, values, safety procedures and environmental management policies. In 2009, Yamana hosted 99 visits, introducing more than 2,000 people to mining and our operations.

Integration Program

The Integration Program has four modules with specific actions in health, environment, community and family. Within the program is the Integration Day, a day when Yamana volunteers make a variety of services available to local community members in partnership with the government and private sector. The services offered include medical exams, environmental education, and completion of legal documentation, which are all focused on improving quality of life. In its second year, the Integration Day program provided more than 118,000 services to local communities, an increase of 100 percent from 2008.

Partnership Seminars Program

Partnership Seminars are conducted within the communities surrounding our operations. As part of this program, Yamana accepts proposals to support local education, environmental, cultural, economic, and health projects and provides 70 percent of project financing. In 2009, the third year of the program's existence, Yamana hosted 13 Partnership Seminars and selected 66 community projects focused on employment and income generation benefiting 71,000 people in Brazil, Argentina and Chile.

Environment

Overview

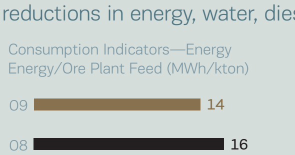
Yamana seeks to design environmental programs that minimize our impact while maximizing the sustainability of our environment for future generations. Exploring new programs to reduce our carbon footprint is always a priority. Yamana upholds best practices to manage environmental matters in compliance with local and international legislation.

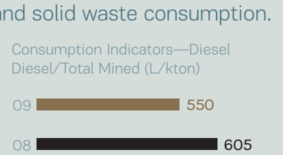
Key Milestones Achieved in 2009

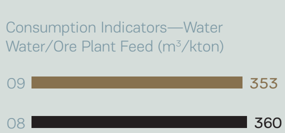
- Chapada and Jacobina received ISO 14001 certification for Environmental Management
- The Water and Tailings Dam Management System was implemented at all operations to enforce the monitoring and monthly assessment of dam stability
- The Jacobina Environmental Complex was constructed and consists of a solid waste segregation facility, seedling nursery, organic compost preparation station and sewage treatment plant
- Various water treatment and quality control initiatives were implemented at El Peñón
- The Solid Waste Management Plan at Minera Florida was successfully improved

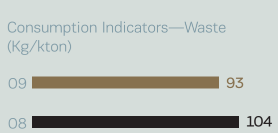
Metrics

It is Yamana's goal to continually reduce the consumption of all natural resources. Our consumption reduction efforts over the past year were successful resulting in impressive year-over-year reductions in energy, water, diesel and solid waste consumption.









Health & Safety

Overview

Creating a safe work environment is the most important aspect of the commitment and pledge we make to each and every employee. Yamana has rigorous procedures in place to manage health and safety protocols and is continually investing time and resources to enhance health and safety at all operations. We strive to go beyond compliance and ensure the prevention of accidents at our sites through the implementation of best practices.

Safety Interactions (Safety Behavior Audits)

This program encourages management to approach employees to reinforce safety measures. The objective is to gain each employee's commitment to conduct all operating activities safely.

Daily Safety Dialogue

Prior to the start of a day's work, safety dialogues are conducted at all operations and cover specific topics related to health, safety and environmental guidelines.

Registration of Safety Occurrence

This program requires employees at all operations to register potentially dangerous situations with management. Each report is reviewed and solutions are implemented to avoid any future safety issues.

P.E.A.C.E.

Which stands for Think, Study, Analyze, Correct and Execute in Portuguese, is a safety program that ensures each employee analyzes a task in order to execute it safely. This program reinforces the five key actions employees should take when assessing a potential risky situation.

Metrics

Health & Safety Indicators	2008	**2009**
Lost Time Injury Severity Rate*	201	**121**
Lost Time Injury Frequency Rate**	0.66	**0.54**
Safety Interactions per Month (average)	5,828	**7,730**

* Severity rate—number of lost days/time calculated for accidents with lost time per 200,000 hours worked.
** Frequency rate—number of accidents with time lost per 200,000 hours worked.

For additional information about corporate social responsibility at Yamana please visit www.yamana.com/CorporateResponsibility/CorporateResponsibilityOverview

Chapada

Community

Open Doors Program:
hosted 15 community mine visits

Integration Day services rendered:
20,062

Partnership Seminars Program:
10 community projects supported

- A Christmas play was performed in the communities surrounding the Chapada mine, attracting an audience of approximately 2,700 people and bringing the community together for a special holiday celebration

Environment

- Received ISO 14001 certification for Environmental Management
- A new waste management and recycling program was introduced improving the mine's environmental performance

Health & Safety

Safety Interactions performed:
13,152

- Implemented an internal IT program to record safety interactions

El Peñón

Community

Open Doors Program:
hosted 7 community mine visits

- In partnership with the province of Antofagasta, El Peñón hosted various activities as part of the province's "Taltal" anniversary—festivities included a piano concert and an opera that was attended by an audience of approximately 15,000 people

Environment

- Focused on reducing energy and water consumption
- Improved and upgraded equipment, adopted new technologies and increased employee awareness through a waste management campaign
- Implemented a variety of water treatment and quality control systems

Health & Safety

Safety Interactions performed:
23,731

- Made progress towards obtaining certification of full compliance with the International Cyanide Management Code
- Implemented an emergency air rescue system and evacuation process
- Installed a speed monitoring system to enforce speed limits and safe driving

Gualcamayo

Community

Open Doors Program:
hosted 20 community mine visits

Partnership Seminars Program:
8 community projects supported

- Supported the Guandacol Indigenous Community Project as part of the first Partnership Seminar in Argentina—this project focused on employment and income generation by providing the recipients with a textile machine and the raw materials needed to produce various handmade items including clothing

Environment

- Installed an innovative sprinkler system to minimize dust at and around the mine
- Implemented the solid waste management system—reducing waste by 20 percent

Health & Safety

Safety Interactions performed:
7,324

- Installed a speed monitoring system on the mines roads to enforce speed limits and safe driving
- Opened a health club to improve the physical and mental well-being of employees

Jacobina

Community

Open Doors Program: hosted 12 community mine visits

Integration Day services rendered: 24,781

Partnership Seminars Program: 12 community projects supported

- Purchased equipment for a local hospital

Environment

- Received ISO 14001 certification for Environmental Management
- Received new tailings dam operating license from the Bahia State Environmental Agency
- Inaugurated the Jacobina Environmental Centre which houses a solid waste segregation facility, seedling nursery, organic compost preparation station and sewage treatment plant

Health & Safety

Safety Interactions performed: 16,358

- Made progress towards obtaining certification of full compliance with the International Cyanide Management Code
- Constructed safe rooms in the underground mines

Minera Florida

Community

Open Doors Program: hosted 6 community mine visits

Partnership Seminars Program: 4 community projects supported, benefiting approximately 840 members of the community in the areas of education, culture and sports

Environment

- Improved the Solid Waste Management Plan
- Focused on the reforestation of the Chilean Wine Palm—300,000 seedlings produced and planted

Health & Safety

Safety Interactions performed: 6,545

- Made progress towards obtaining certification of full compliance with the International Cyanide Management Code

Fazenda Brasileiro

Community

Open Doors Program: hosted 19 community mine visits

Integration Day Services Rendered: 42,500

Partnership Seminars Program: 11 community projects supported

Environment

- Reduced waste generation by 50 tonnes
- Produced over 50,000 native tree seedlings used for land reclamation around the mine site

Health & Safety

Safety Interactions performed: 7,834

- Received OHSAS 18001 certification for Occupational Health and Safety Management
- Made progress towards obtaining certification of full compliance with the International Cyanide Management Code

MD&A

and financial statements

Table of Contents

Management's Discussion and Analysis of Operations and Financial Condition

(in United States Dollars unless otherwise specified, in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"))

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 existing production base through existing operating mine expansions and throughput increases, development of new mines, the advancement of its exploration properties and by targeting other gold consolidation opportunities in the Americas.

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

2. HIGHLIGHTS

Financial

Twelve months ended December 31, 2009

- Net earnings of $192.6 million or $0.26 basic and diluted earnings per share.
- Adjusted Earnings of $346.1 million or $0.47 basic and diluted earnings per share.

For the year ended December 31, *(In millions of United States Dollars, except per share information)*	2009	2008	2007
Net earnings	$ 192.6	$ 434.8	$ 157.3
Mark-to-market on period sales and final price and quantity settlements	–	116.6	–
Non-cash unrealized foreign exchange (gains)/losses	(36.7)	(133.4)	40.4
Non-cash unrealized losses/(gains) on derivatives	112.5	(175.4)	29.1
Non-recurring future income tax adjustments	35.8	–	(2.0)
Proceeds on sale of commodity derivatives	–	(47.0)	–
Write-off of mineral interests and other assets	8.3	114.9	17.1
Stock-based and other compensation	23.3	2.6	0.7
Non-controlling interest	–	–	2.0
Future income tax expense/(recovery) on translation of inter-company debt	51.6	(37.2)	14.5
Adjusted Earnings before income tax effects	$ 387.4	$ 275.9	$ 259.1
Income tax effect on adjustments	(41.3)	5.3	(31.5)
Adjusted Earnings *(i)*	$ 346.1	$ 281.2	$ 227.6
Adjusted Earnings per share *(i)*	$ 0.47	$ 0.41	$ 0.55

(i) Non-GAAP measure—see Section 6.

- Revenues of $1.2 billion, an increase of 25% over 2008.
- Mine operating earnings of $467.5 million, a 31% increase from 2008.
- Cash flows from continuing operations after changes in non-cash working capital of $528.0 million and cash flows from continuing operations before changes in non-cash working capital (non-GAAP measure—see Section 6) of $495.6 million, representing increases of 122% and 21%, respectively, compared with 2008.
- Cash and cash equivalents at December 31, 2009 were $170.1 million.

Three months ended December 31, 2009

- Net earnings of $36.2 million or $0.05 per share basic.
- Adjusted Earnings of $100.9 million or $0.14 per share:

For the three months ended December 31, *(In millions of United States Dollars, except per share information)*		2009		2008
Net earnings	$	36.2	$	179.4
Mark-to-market on period sales and final price and quantity settlements		–		78.3
Non-cash unrealized foreign exchange losses/(gains)		20.3		(130.6)
Non-cash unrealized losses/(gains) on derivatives		9.7		(139.0)
Non-recurring future income tax adjustment		15.2		–
Proceeds on sale of commodity derivatives		–		(47.0)
Write-off of mineral interests and other assets		8.3		81.1
Stock-based and other compensation		15.4		–
Future income tax expense/(recovery) on translation of inter-company debt		1.6		(24.3)
Adjusted Earnings before income tax effects		106.7		(2.1)
Income tax effect of adjustments		(5.8)		14.5
Adjusted Earnings *(i)*	$	100.9	$	12.4
Adjusted Earnings per share *(i)*	$	0.14	$	0.02

(i) Non-GAAP measure—see Section 6.

- Revenues of $399.8 million, more than 300% higher than the same quarter of 2008.
- Cash flows from continuing operations after changes in non-cash working capital of $211.2 million and cash flows from continuing operations before changes in non-cash working capital of $155.2 million, representing increases of 165% and 346%, respectively, from the fourth quarter of 2008.
- Mine operating earnings of $184.3 million, compared to losses of $59.1 million in the fourth quarter of 2008.
- Increase of revolving credit facility capacity to $680.0 million from $500.0 million and issuance of senior debt securities of $270.0 million with total proceeds of $537.6 million offset by repayment of term loans totaling $533.6 million in December.

Operational

Twelve months ended December 31, 2009

- Production from continuing operations of 1,025,677 Gold Equivalent Ounces ("GEO") including production of 44,830 GEO from commissioning mines.
- Production from continuing operations was 19.4% higher than production from continuing operations of 2008. Commercial production from continuing operations of wholly owned mines are as follows:

For the year ended December 31, *(In GEO)*	2009	2008
Chapada	156,251	150,037
El Peñón	394,400	407,944
Jacobina	110,515	73,240
Gualcamayo	98,641	–
Minera Florida	91,877	64,617
Fazenda Brasileiro	76,413	96,092

- Commercial gold production from continuing operations of 790,435 ounces and silver production of 10.5 million ounces. Silver is treated as a gold equivalent for which the Company applies an average long-term historical gold to silver ratio of 55:1 in the calculation of GEO and uses this solely for period-over-period comparative purposes.
- Year-over-year increase in commercial production from continuing operations of wholly owned mines was 17%, highlighted by increases at Chapada, Jacobina and Minera Florida of 4%, 51% and 42%, respectively, compared with 2008.
- Production of 98,641 ounces of gold at Gualcamayo during the first six months of commercial production since completion of commissioning on July 1, 2009, exceeded the 2009 commercial production target of 75,000 ounces of gold by more than 30%; including commissioning production, total production at Gualcamayo was 143,471 ounces of gold in 2009.
- Co-product cash costs from continuing operations of $357, compared with $352 in 2008, with co-product costs from wholly owned mine as follows:

For the year ended December 31, *(In United States Dollars per GEO)*		2009		2008
Chapada	$	258	$	337
El Peñón	$	353	$	308
Jacobina	$	476	$	411
Gualcamayo	$	301		n/a
Minera Florida	$	373	$	398
Fazenda Brasileiro	$	453	$	423

- Compared with 2008, co-product cash costs declined at Chapada by $79 per GEO and Minera Florida by $25 per GEO, or decreases of 23% and 6%, respectively, offset by increases at El Peñón by $45 per GEO, Jacobina by $65 per GEO and Fazenda Brasileiro by $30 per GEO, or 15%, 16% and 7% respectively.
- Co-product cash costs per pound of copper at Chapada of $0.99 per pound on production of 144.0 million pounds of copper contained in concentrate.
- By-product cash costs of $123 per GEO from continuing operations.

Three months ended December 31, 2009

- Production from continuing operations of 289,456 GEO, a 32.7% increase from the same quarter of 2008; production from discontinued operations of 35,796 GEO.
- Commercial gold production from continuing operations of 238,438 ounces and silver production of 2.8 million ounces.
- Production contributions from continuing operations of wholly owned mines are as follows:

For the three months ended December 31, *(In GEO)*	2009	2008
Chapada	42,216	35,263
El Peñón	109,979	97,944
Jacobina	24,866	23,439
Gualcamayo	59,118	–
Minera Florida	24,198	16,366
Fazenda Brasileiro	17,535	24,143

- Quarterly production increases at Chapada, El Peñón, Minera Florida and Jacobina of 20%, 12%, 48% and 6% respectively, compared with the fourth quarter of 2008.
- Continued improvement and grade reconciliation at El Peñón with production increasing to 109,979 GEO, the fourth consecutive quarterly increase since the first quarter of 2009.
- Production from the new Gualcamayo Mine of 59,118 ounces of gold.
- Co-product cash costs from continuing operations, excluding Alumbrera, of $369 per GEO, compared with $368 in the fourth quarter of 2008, with co-product costs from each mine as follows:

For the three months ended December 31, *(In United States Dollars per GEO)*		2009		2008
Chapada	$	230	$	293
El Peñón	$	382	$	332
Jacobina	$	597	$	573
Gualcamayo	$	290		n/a
Minera Florida	$	365	$	463
Fazenda Brasileiro	$	577	$	360

- Compared with the same quarter of 2008, co-product cash costs declined at Chapada by $63 per GEO and Minera Florida by $98 per GEO, or decreases of 22% and 21%, respectively.
- Co-product cash costs per pound of copper at Chapada of $1.05 on production of 37.0 million pounds of copper contained in concentrate.
- By-product cash cost of $38 per GEO from continuing operations.
- El Peñón began the transition to owner-mining in the quarter.

Development and Exploration

- Construction decision was formalized for the development of the Ernesto/Pau-a-Pique project, which is expected to contribute an average annual production of approximately 100,000 ounces of gold during an initial mine life of seven years.
- Continued advancement of the Agua Rica project, with completion of the first of several studies evaluating certain optimization initiatives, indicates potential for substantial upside to the project. A formal construction decision is expected before the end of 2011.
- New gold mineralized zones with favourable results discovered in near-mine exploration:
  - Lagoa do Gato at Fazenda Brasileiro traces along strike for 1,200 metres and open in all directions with three separate gold mineralized zones exhibiting substantially higher grade than the current mineral reserve grade at Fazenda Brasileiro.
  - Lagartixa at Jacobina, which is the displaced northern continuation of the Canavieiras deposit, exhibits substantially higher grade than the current mineral reserve grade at Jacobina.
  - Salamanca at Gualcamayo—drilling has delineated mineralization along a strike length of at least 250 metres which is still open along strike.
  - Suruca at Chapada traces along strike by at least 500 metres and average thickness of 70 metres.
  - Two new vein deposits, Centenario and Polvorin, discovered at Minera Florida are located near current mine infrastructure.
- Continued drilling at QDD Lower West at Gualcamayo is expected to increase mineral reserves; a feasibility study is expected in the second half of 2010 to evaluate the possibility of accelerating production.
- Positive drill results confirmed and extended the Jordino deposit at Pilar and continue to show positive drill intercepts between 100 and 300 metres down dip from the mineral resource; update provided in April 2009. Efforts continue toward an updated mineral resource estimate and basic engineering, followed by a feasibility study.

3. OUTLOOK AND STRATEGY

The Company remains committed to sustainability, growth, low cash costs and stability of jurisdictions. Its objective has been to create predictability and reliability in its operations with a sustainable production platform of approximately 1.1 million gold equivalent ounces ("GEO").

The Company's outlook continues to focus on its core assets, preserving capital, maximizing cash balances and maintaining maximum flexibility across its various interests, including its development stage and near development stage projects. The Company continues to be committed to prudent and disciplined growth and will continue to improve the value and returns of its various projects. It will also continue to focus on containing costs and ensuring effective management of capital expenditures.

The Company's well-defined development stage and exploration projects, in addition to further value-enhancing opportunities, provide Yamana with a superior organic growth profile and value proposition.

Production from continuing operations is expected to be in the range of 1,030,000 to 1,145,000 GEO in 2010 and 1,045,000 to 1,150,000 GEO in 2011, representing an overall increase of up to 12% in production from continuing operations in 2009. Growth is expected to ramp up substantially in 2012 to approximately 1.3 million GEO as four development stage projects, including C1 Santa Luz, Mercedes, the Minera Florida tailing project and Ernesto/Pau-a-Pique, where construction decisions have already been made, are expected to begin production. By 2013, production is expected to reach the level of 1.5 million GEO, which represents a 46% increase in production from the 2009 level, not including any contribution to production from projects now under evaluation. Copper production is expected to be in the range of 150 million to 160 million pounds in 2010 and 135 million to 145 million pounds in 2011.

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

The Company continues to increase the value of Agua Rica and has completed the first of several studies evaluating certain optimization initiatives over and above the evaluation of the project based on the 2006 feasibility study, all of which are expected to have a material positive impact on the project. A full update to the 2006 feasibility study, which would include the recently completed optimization initiatives, the additional initiatives under review and definitive mineral reserve and production estimates, will be provided as the Company continues to work toward a formal construction decision expected before the end of 2011.

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

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

	Status	Expected Initial Annual Contribution	Expected Start Date
C1 Santa Luz (*i*)	Construction decision made	130,000 gold ounces	Mid-2012
Mercedes	Construction decision made	120,000 GEO	Late-2012
Ernesto/Pau-a-Pique (*i*)	Construction decision made	120,000 gold ounces	Late-2012
Minera Florida	Construction decision made	40,000 GEO	Early-2012
Pilar/Caiamar	Pilar feasibility study underway	Over 100,000 gold ounces	Pending
Gualcamayo—QDD Lower West	Updated feasibility study expected in second half of 2010	90,000 gold ounces	Pending
Agua Rica (*ii*)	Update to the 2006 feasibility underway	154,000 GEO 365.0 million pounds of copper	Pending

(i) In the first two full years of production at C1 Santa Luz, average annual production is expected to exceed 130,000 ounces and at Ernesto/Pau-a-Pique average annual production is expected to be approximately 120,000 ounces which would accelerate pay-back. Annual production over the life of mine for C1 Santa Luz is expected to be 104,000 ounces of gold, and 100,000 ounces of gold at Ernesto/Pau-a-Pique.

(ii) In the first 10 full years of production at Agua Rica, average annual production is expected to be approximately 154,000 GEO and 365.0 million pounds of copper. Production over the life of the mine is expected to be 136,000 GEO and 282.0 million pounds of copper.

Gold production is expected to increase while change in copper and zinc production is expected to be modest and as such the impact of the by-product credit is reduced on a per ounce basis with increasing gold production.

Cash costs are reported annually and are expected to vary from quarter to quarter. Cash costs are also impacted by inflation year-over-year. For 2010 and 2011, the range of co-product and by-product cash costs expected is as follows:

Co-Product Cash Cost Estimates *(per GEO) (i)*	2010E	2011E
Chapada	\$280–\$300	\$320–\$350
El Peñón	\$350–\$390	\$340–\$360
Gualcamayo	\$340–\$380	\$350–\$390
Jacobina	\$500–\$525	\$500–\$550
Minera Florida	\$350–\$390	\$340–\$370
Fazenda Brasileiro	\$500–\$550	\$500–\$550
Co-product cash cost per GEO	\$360–\$400	\$370–\$400
Co-product cash cost per pound of copper	\$1.00–\$1.10	\$1.10–\$1.20
By-product cash cost per GEO	Below \$200	Below \$200

(i) Excluding cash cost estimates for Alumbrera.

Co-product cash costs (a non-GAAP measure—see Section 6) were estimated using the following copper prices and exchange rates:

	2010	2011
Copper (US\$/lb)	2.75	2.75
Brazil — Reais/US\$	1.80	1.80
Argentina — Pesos/US\$	4.00	4.25
Chile — Pesos/US\$	500.00	500.00

The production and cash cost guidance above is in line with previous guidance issued by the Company.

Cash costs are reported on a gold equivalent ounce and on a by-product basis (a non-GAAP measure—see Section 6), apply zinc and copper net revenue as a credit to the cost of gold production and, as such, the by-product gold equivalent ounce cash costs are impacted by realized zinc and copper prices. Gold equivalent ounce is determined by converting silver production to its gold equivalent using relative gold/silver metal prices and adding the converted silver production expressed in gold ounces to the ounces of gold production.

In an effort to reduce volatility in cost structures due to fluctuating currency exchange rates, the Company has hedged approximately 65% of its local operating currency exposure at three of its mines of continuing operations in Brazil. A total of approximately 751.5 million Reais is now hedged for the next two years at an average rate of approximately 2.157 Reais to the United States Dollar. In Chile, given the strong correlation between the Chilean Peso and copper prices, rising copper prices serve as a natural hedge to a strengthening in the currency.

Capital expenditures for 2010 and 2011 are expected to be approximately \$515.0 million and \$455.0 million, respectively. This includes the capitalized portion of exploration and sustaining capital of approximately \$230.0 million in 2010, which includes the purchase of machinery and equipment as the Company transitions to owner-mining at El Peñón. Sustaining capital expenditures in 2011 are expected to be \$155.0 million which does not include expenditures on development areas for which the Company has not yet made a construction decision. The majority of the expansionary capital costs for the two years are allocated to the development of the Company's growth projects, C1 Santa Luz, Mercedes, the Minera Florida tailings project and Ernesto/Pau-a-Pique, all of which are expected to begin production in 2012.

Exploration expenditures in 2010 are expected to be between \$75.0 million to \$80.0 million, with approximately half of the amount being capitalized. The Company's 2010 exploration program will focus on increasing mineral reserves and mineral resources while continuing with the near-mine exploration program and its efforts to look for new opportunities and on the ground purchases elsewhere in the Americas.

With approximately \$600.0 million of available cash and immediate and undrawn credit available in addition to expected robust cash flows, the Company is fully funded for its growth.

To provide additional funding and flexibility to execute on the next growth phase and reduce overall debt exposure, in December 2009, the Company arranged to increase its revolving credit facility capacity to \$680.0 million from \$500.0 million and closed a \$270.0 million senior debt securities offering. The proceeds from the senior debt securities were used to repay the Company's existing term loan and reduce outstanding amounts under its revolving line of credit.

4. OVERVIEW OF FINANCIAL RESULTS

Annual Financial Review

- Earnings from continuing operations of \$211.8 million or \$0.29 basic and diluted earnings per share. Net earnings of \$192.6 million or \$0.26 basic and diluted earnings per share.
- Adjusted Earnings (non-GAAP measure—see Section 6) of \$346.1 million or \$0.47 per share.
- Revenues of \$1,183.3 million, an increase of 25% over 2008.
- Mine operating earnings of \$467.5 million, an increase of approximately 31% over 2008.
- Foreign exchange gains of \$74.5 million.
- Cash flows from continuing operations before changes in non-cash working capital (a non-GAAP measure) of \$495.6 million and cash flows from continuing operations after changes in non-cash working capital of \$528.0 million for the year.
- Cash and cash equivalents at the end of the year of \$170.1 million.
- Total capital expenditures were \$498.8 million.
- Non-cash unrealized loss on derivatives, principally from copper derivatives, of \$105.4 million, and realized gain on derivatives of \$18.7 million.

The table below represents selected financial data for the Company's three most recently completed fiscal years as presented in the audited consolidated financial statements (*i*):

(in thousands of United States Dollars, except per share information, unless otherwise stated)	2009	2008	2007
Financial results			
Revenues (*ii*)	$ 1,183,314	$ 949,362	$ 639,365
Mine operating earnings	$ 467,498	$ 357,986	$ 356,636
Earnings from continuing operations	$ 211,771	$ 479,357	$ 132,963
Net Earnings for the year	$ 192,631	$ 434,772	$ 157,245
Adjusted Earnings (*iv*)	$ 346,131	$ 281,220	$ 227,603
Cash flows from operating activities of continuing operations	$ 528,026	$ 237,414	$ 242,873
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) (*iv*)	$ 495,619	$ 411,200	$ 244,332
Cash flows to investing activities of continuing operations	$ (469,916)	$ (469,578)	$ (648,697)
Cash flows (to) from financing activities of continuing operations	$ (64,957)	$ 131,579	$ 614,344
Per share financial results			
Earnings per share from continuing operations			
Basic	$ 0.29	$ 0.69	$ 0.32
Diluted	$ 0.29	$ 0.68	$ 0.31
Net Earnings per share			
Basic	$ 0.26	$ 0.63	$ 0.38
Diluted	$ 0.26	$ 0.62	$ 0.36
Adjusted Earnings per share			
Basic	$ 0.47	$ 0.41	$ 0.55
Diluted	$ 0.47	$ 0.40	$ 0.53
Financial position			
Cash and cash equivalents	$ 170,070	$ 167,765	$ 283,646
Total assets	$ 9,707,260	$ 9,337,355	$ 9,895,924
Total long-term liabilities	$ 2,589,460	$ 2,419,640	$ 3,469,659
Production			
Commercial GEO—continuing operations (*v*)	980,847	859,202	441,002
Commissioning GEO produced—continuing operations (*iii*)	44,830	–	–
GEO—discontinued operations (*i*)	175,338	123,695	156,302
Total GEO produced	1,201,015	982,897	597,304
Commercial GEO—continuing operations excluding 12.5% equity interest in Alumbrera (*v*)	928,097	796,152	576,908
Co-product cash costs per GEO produced—continuing operations, including 12.5% equity interest in Alumbrera (*iv*) (*v*)	$ 357	$ 352	$ 311
Chapada concentrate production (tonnes)	248,940	244,301	201,339
Chapada copper contained in concentrate production (millions of lbs)	144.0	139.3	122.9
Chapada co-product cash costs per lb of copper	$ 0.99	$ 1.02	$ 0.72
Alumbrera (12.5% interest) attributable copper contained in concentrate production (millions of lbs)	39.4	43.2	11.4
Alumbrera co-product cash costs per lb of copper (*iii*)	$ 1.49	$ 1.69	$ 1.42
Alumbrera (12.5% interest) concentrate production (tonnes)	68,868	68,281	20,254
Gold Equivalent Ounces Breakdown—Continuing Operations			
Total gold ounces produced	835,265	668,876	406,438
Commercial gold ounces produced	790,435	668,876	406,438
Silver ounces produced (millions of ounces)	10.5	10.2	1.9
Sales			
Commercial gold sales—continuing operations (ounces)	769,636	657,478	398,720
Commissioning gold sales—continuing operations (ounces)	41,298	–	–
Gold sales—discontinued operations (ounces)	164,651	123,542	158,364
Total gold sales (ounces)	975,585	781,020	557,084
Commercial gold sales—continuing operations excluding Alumbrera (ounces)	717,018	596,159	374,167
Chapada payable copper contained in concentrate sales (millions of lbs)	137.4	131.9	117.0
Chapada concentrate sales (tonnes)	261,841	241,341	201,248
Silver sales (millions of ounces)	10.5	9.8	1.8
Average realized gold price per ounce (*ii*)	$ 980	$ 871	$ 707
Average realized copper price per pound (excluding derivative contracts) (*ii*)	$ 2.44	$ 3.17	$ 3.32
Average realized silver price per ounce (*ii*)	$ 14.89	$ 15.18	$ 14.14

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

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

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

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

(v) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio (55:1), which is a long-term historical average of prices and is used and presented solely for period-over-period comparative purposes only.

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

(in thousands of United States Dollars, except per share information, unless otherwise stated)	2009	2008	2007
Revenues	$ 1,183,314	$ 949,362	$ 639,365
Cost of sales excluding depletion, depreciation and amortization	(479,847)	(413,635)	(222,408)
Depletion, depreciation and amortization	(233,687)	(175,907)	(58,936)
Accretion of asset retirement obligations	(2,282)	(1,834)	(1,385)
Mine operating earnings	467,498	357,986	356,636
Expenses			
General and administrative	(101,357)	(68,686)	(66,231)
Exploration	(20,438)	(17,372)	–
Other	(3,870)	(8,925)	702
Operating earnings	341,833	263,003	291,107
Other business expenses	(12,322)	(71,771)	(9,572)
Foreign exchange gain (loss)	74,515	131,921	(42,313)
Realized gain (loss) on derivatives	18,659	(10,048)	(17,082)
Unrealized (loss) gain on derivatives	(105,428)	166,216	(28,391)
Earnings from continuing operations before income taxes, equity earnings and non-controlling interest	317,257	479,321	193,749
Income tax expense	(136,559)	(25,727)	(62,589)
Equity earnings from Minera Alumbrera	31,073	25,763	3,820
Non-controlling interest	–	–	(2,017)
Earnings from continuing operations	211,771	479,357	132,963
(Loss) Earnings from discontinued operations (*i*)	(19,140)	(44,585)	24,282
Net earnings	$ 192,631	$ 434,772	$ 157,245
Earnings Adjustments (*iii*):			
Mark-to-market on prior period sales and price and quantity settlements	–	116,631	–
Non-cash unrealized foreign exchange (gains)/losses	(36,672)	(133,353)	40,385
Non-cash unrealized losses/(gains) on derivatives	112,519	(175,408)	29,068
Non-recurring future income tax adjustments (*ii*)	35,826	–	(1,951)
Proceeds on sale of commodity derivatives	–	(47,000)	–
Write off of mineral interests and other assets	8,301	114,861	17,143
Stock-based and other compensation	23,275	2,648	726
Non-controlling interest	–	–	2,017
Future income tax expense/(recovery) on transaction of inter-company debt	51,578	(37,243)	14,478
Adjusted Earnings before income tax effects	387,458	275,908	259,111
Income tax effect of adjustments	(41,327)	5,312	(31,508)
Adjusted Earnings (*iii*)	346,131	281,220	227,603
Basic earnings per share from continuing operations	$ 0.29	$ 0.69	$ 0.32
Basic earnings per share	$ 0.26	$ 0.63	$ 0.38
Adjusted Earnings per share (*iii*)	$ 0.47	$ 0.41	$ 0.55

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

(ii) Non-recurring and non-cash tax adjustments on the revaluation of future income tax liabilities related to the excess purchase price of the Meridian Gold Inc. acquisition in respect to the mineral interests in Chile and a write-off of future income tax assets relating to discontinued operations.

(iii) 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, (c) unrealized (gains) losses on commodity derivative, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments reflect both continuing and discontinued operations.

The Company strived to maintain its strategic objectives and commitment to sustainability, growth and low cash costs amid the economic crisis that started to peak at the beginning of the year. As a result of the downturn of the world economy, demand for most metals fell and prices declined with significant adverse effect on the industry in the first two quarters. Prices for gold began to rebound quickly and prices for copper followed in the third quarter of the year but never reached the level of average prices of 2008.

Adjusted Earnings were $346.1 million or $0.47 per share for the year compared with Adjusted Earnings of $281.2 million or $0.41 per share for 2008 (2007—$227.6 million or $0.55 per share). Higher adjusted earnings for 2009 were mainly due to increased revenues as a result of more favourable realized gold prices, increased foreign exchange gains and realized gains on derivatives, partly offset by higher cash costs, depreciation, depletion and amortization expenses, and adjusted income tax expenses.

Earnings from continuing operations for the year were $211.8 million compared with $479.4 million in 2008 (2007—$133.0 million), mainly as a result of lower copper prices, unfavourable year-over-year variances from unrealized losses on derivatives, decrease in foreign exchange gain and increase in income taxes. Net earnings for the year were $192.6 million, compared with net earnings of $434.8 million in 2008 (2007—$157.2 million). Basic earnings from continuing operations per share were $0.29 and basic net earnings per share were $0.26, compared with $0.69 per share and $0.63 per share, respectively, for 2008 (2007—$0.32 per share and $0.38 per share, respectively).

Higher mine operating earnings of $467.5 million for the year, compared with $358.0 million in 2008, represented a 31% increase from 2008. Year-over-year, revenues increased by 25% while cash costs only went up by 16%.

Increase in revenues was mainly due to increased production of gold, copper and silver; and a higher average price of gold was partly offset by a lower average price of copper in 2009 compared with 2008. While the average realized price for gold increased by 13%, the average realized price of copper for the year was 23% lower than the average realized price in 2008. Ounces of gold and silver sales from continuing operations increased year-over-year by approximately 17% and 7%, respectively.

Gross revenues for the year were derived from the sale of 769,636 ounces of gold, 10.5 million ounces of silver and 137.4 million pounds of copper from continuing operations. This compares with gross revenues for 2008 from sale of 657,478 ounces of gold (2007—398,720 ounces), 9.8 million ounces of silver (2007—1.8 million ounces) and 131.9 million pounds of copper (2007—117.0 million pounds) from continuing operations. Higher production volumes were due to the gold ounces contribution of Gualcamayo, which was commissioned on July 1, 2009, and increased production of gold at Chapada, Jacobina and Minera Florida, partly offset by decreased production at El Peñón and Fazenda Brasileiro and increased copper production at Chapada in 2009.

The gross margin for the year as a percentage of revenues was 59%, compared with 56% of 2008. Significant contributors to the increase in margin were the Chapada, Jacobina, Fazenda Brasileiro and Minera Florida mines as a result of the Company's continued focus on cost control measures. The new Gualcamayo mine, in its first six months of commercial production, with an average 64% gross margin, also contributed to the overall performance.

The average prices of gold, copper and silver for 2009 and 2008 are summarized below:

	Realized Prices *(i)*		Market Prices	
For the 12 months ended December 31,	2009	2008	2009	2008
Gold (per oz)	$ 980	$ 871	$ 974	$ 872
Copper (per lb)	$ 2.44	$ 3.17	$ 2.34	$ 3.16
Silver (per oz)	$ 14.89	$ 15.18	$ 14.70	$ 14.97

(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.

Depletion, depreciation and amortization ("DDA") expense of continuing operations for the year was $233.7 million, compared with $175.9 million in 2008. Increase in DDA was mainly due to the additional DDA related to Gualcamayo being commissioned into commercial production and the completion of various expansionary projects. Average DDA of $238 per GEO sold for the year, compared with $200 per GEO sold in 2008. Average DDA was $0.13 per pound of copper sold in the year, compared with $0.15 per pound of copper sold in 2008.

General and administrative expenses were $101.4 million for the year, compared with $68.7 million in 2008 (2007—$66.2 million), mainly due to general and administrative expenses at Gualcamayo that were previously capitalized during the construction phase and employee-related compensation including non-cash, stock-based compensation.

Exploration expenses were $20.4 million for the year, compared with $17.3 million in 2008.

Other business expenses of $12.4 million, compared with expenses of $71.8 million in 2008, were mainly due to capitalization of borrowing costs related to the assets under construction and the absence of the write-down of several investment assets for a total of $37.3 million in 2008.

Foreign exchange gain was $74.5 million, compared to a gain of $131.9 million in 2008. The reduction in exchange gain was the result of the weakening United States Dollar in the fourth quarter of 2009, compared to the fourth quarter of 2008 in the currencies in which the Company's mines operate.

The Company recorded equity earnings from its 12.5% interest in Alumbrera of $31.1 million for the year, compared with $25.8 million attributable to the Company in 2008. During the year, the Company received a total of $51.5 million of cash distribution from Alumbrera, compared to $34.0 million received in 2008.

Cash and cash equivalents as at December 31, 2009 were $170.1 million compared to $167.8 million as at December 31, 2008. The cash inflows from operating activities of continuing operations after changes in non-cash working capital were $528.0 million for the current year.

In 2009, the Company declared cash dividends of $0.04 per share or $0.01 a share per quarter (2008—$0.10 per share; 2007—$0.04 per share).

Quarterly Financial Review

- Earnings from continuing operations of $53.5 million or $0.07 basic and diluted earnings per share. Net earnings of $36.2 million or $0.05 basic and diluted earnings per share.
- Adjusted earnings were $100.9 million or $0.14 basic and diluted earnings per share.
- Revenues of $399.8 million, up 355% from the fourth quarter of 2008.
- Mine operating earnings of $184.3 million.
- Foreign exchange loss of $13.3 million compared with gain of $131.4 million in the fourth quarter of 2008, highlighting the fourth quarter appreciation of Latin American currencies against the United States Dollar.
- Cash flows from continuing operations after changes in non-cash working capital of $211.2 million, compared with $79.8 million in the fourth quarter in 2008.
- Capital expenditures of $138.8 million for the quarter.
- Unrealized loss on derivatives of $8.5 million, principally from the interest-rate swap as the result of the termination of a previous interest-rate hedge; the same interest-rate swap has been redesignated to a new interest-rate hedge.

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

(in thousands of United States Dollars, except per share information, unless otherwise stated)	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Financial results				
Revenues (*ii*)	$ 399,825	$ 333,179	$ 236,710	$ 213,600
Mine operating earnings	$ 184,341	$ 136,419	$ 81,558	$ 65,180
Earnings from continuing operations	$ 53,458	$ 54,446	$ 21,400	$ 82,466
Net Earnings for the period	$ 36,175	$ 60,823	$ 9,641	$ 85,993
Adjusted Earnings (*iv*)	$ 100,863	$ 84,682	$ 95,558	$ 65,027
Cash flows from operating activities of continuing operations	$ 211,206	$ 144,249	$ 115,824	$ 56,747
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) (*iv*)	$ 155,225	$ 167,741	$ 104,635	$ 68,018
Cash flows to investing activities of continuing operations	$ (90,532)	$ (152,160)	$ (123,001)	$ (104,223)
Cash flows (to) from financing activities of continuing operations	$ (10,578)	$ (28,212)	$ 2,559	$ (28,726)
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.07	$ 0.07	$ 0.04	$ 0.11
Diluted	$ 0.07	$ 0.07	$ 0.04	$ 0.11
Earnings per share				
Basic	$ 0.05	$ 0.08	$ 0.01	$ 0.12
Diluted	$ 0.05	$ 0.08	$ 0.01	$ 0.12
Adjusted Earnings per share				
Basic	$ 0.14	$ 0.12	$ 0.13	$ 0.08
Diluted	$ 0.14	$ 0.12	$ 0.13	$ 0.09
Financial Position				
Cash and cash equivalents	$ 170,070	$ 97,498	$ 93,102	$ 91,816
Total assets	$ 9,707,260	$ 9,550,270	$ 9,421,659	$ 9,323,552
Total long-term liabilities	$ 2,589,460	$ 2,445,613	$ 2,368,298	$ 2,347,353
Production				
Commercial GEO—continuing operations (*v*)	289,456	269,191	217,162	205,038
Commissioning GEO produced—continuing operations (*iii*)	–	–	24,347	20,483
GEO—discontinued operations (*i*)	35,796	45,516	48,065	45,961
Total GEO produced	325,252	314,707	289,574	271,482
Commercial GEO—continuing operations excluding 12.5% equity interest in Alumbrera (*v*)	277,912	259,359	201,533	189,293
Co-product cash costs per GEO produced—continuing operations, including 12.5% equity interest in Alumbrera (*iv*)(*v*)	$ 366	$ 350	$ 362	$ 347
Chapada copper contained in concentrate production (millions of lbs)	37.0	36.3	35.6	35.0
Chapada co-product cash costs per pound of copper	$ 1.05	$ 1.07	$ 0.91	$ 0.93
Gold Equivalent Ounces Breakdown—Continuing Operations				
Total gold ounces produced	238,438	216,273	196,096	184,458
Commercial gold ounces produced	238,438	216,273	171,749	163,975
Silver ounces produced (millions of ounces)	2.8	2.9	2.5	2.3
Sales				
Commercial gold sales—continuing operations (ounces)	232,923	215,138	161,388	160,187
Commissioning gold sales (ounces)	–	–	24,698	16,600
Gold sales—discontinued operations (ounces)	35,941	40,601	44,187	43,922
Total gold sales (ounces)	268,864	255,739	230,273	220,709
Commercial gold sales—continuing operations excluding Alumbrera (ounces)	222,008	203,947	145,695	145,368
Chapada payable copper contained in concentrate sales (millions of lbs)	34.6	36.2	34.2	32.4
Silver sales (millions of ounces)	2.9	2.8	2.4	2.4
Average realized gold price per ounce (*ii*)	$ 1,095	$ 962	$ 922	$ 906
Average realized copper price per pound (excluding derivative contracts) (*ii*)	$ 3.18	$ 2.74	$ 2.06	$ 1.53
Average realized silver price per ounce (*ii*)	$ 17.47	$ 14.97	$ 14.03	$ 12.59

(in thousands of United States Dollars, except per share information, unless otherwise stated)	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Financial results				
Revenues (*ii*)	$ 87,831	$ 221,620	$ 313,081	$ 326,830
Mine operating earnings	$ (59,056)	$ 57,960	$ 170,496	$ 188,586
Earnings from continuing operations	$ 219,974	$ 163,479	$ 38,239	$ 57,665
Net earnings for the period	$ 179,367	$ 150,200	$ 42,086	$ 63,119
Adjusted Earnings (*iv*)	$ 12,350	$ 31,503	$ 102,702	$ 134,665
Cash flows from operating activities of continuing operations	$ 79,769	$ 56,654	$ 107,471	$ (6,480)
Cash flows from operating activities of continuing operations (before changes in non-cash working capital items) (*iv*)	$ 34,801	$ 100,319	$ 177,165	$ 98,915
Cash flows to investing activities of continuing operations	$ (122,968)	$ (110,498)	$ (128,966)	$ (107,147)
Cash flows (to) from financing activities of continuing operations	$ 93,754	$ (53,897)	$ 47,662	$ 44,060
Per share financial results				
Earnings per share from continuing operations				
Basic	$ 0.31	$ 0.23	$ 0.06	$ 0.09
Diluted	$ 0.31	$ 0.23	$ 0.05	$ 0.08
Earnings per share				
Basic	$ 0.25	$ 0.21	$ 0.06	$ 0.09
Diluted	$ 0.25	$ 0.21	$ 0.06	$ 0.09
Adjusted Earnings per share				
Basic	$ 0.02	$ 0.05	$ 0.15	$ 0.20
Diluted	$ 0.02	$ 0.04	$ 0.15	$ 0.19
Financial Position				
Cash and cash equivalents	$ 167,765	$ 125,635	$ 238,377	$ 213,916
Total assets	$ 9,337,353	$ 9,222,513	$ 10,151,232	$ 9,929,098
Total long-term liabilities	$ 2,419,639	$ 2,616,938	$ 3,588,874	$ 3,499,390
Production				
Commercial GEO—continuing operations (*v*)	218,069	205,521	228,210	207,402
GEO—discontinued operations (*i*)	36,705	29,885	29,288	27,817
Total GEO produced	254,774	235,406	257,498	235,219
Commercial GEO—continuing operations excluding 12.5% equity interest in Alumbrera (*v*)	197,155	194,060	214,588	190,349
Co-product cash costs per GEO produced—continuing operations, including 12.5% equity interest in Alumbrera (*iv*)(*v*)	$ 364	$ 417	$ 292	$ 340
Chapada copper contained in concentrate production (millions of lbs)	36.8	34.9	36.6	31.0
Chapada co-product cash costs per pound of copper	$ 0.90	$ 1.19	$ 0.98	$ 1.02
Gold Equivalent Ounces Breakdown—Continuing Operations				
Total gold ounces produced	173,915	159,891	173,769	161,301
Silver ounces produced (millions of ounces)	2.4	2.5	2.8	2.5
Sales				
Commercial gold sales—continuing operations (ounces)	152,634	154,962	180,703	169,179
Gold sales—discontinued operations (ounces)	34,018	30,419	27,133	31,972
Total gold sales (ounces)	186,652	185,381	207,836	201,151
Commercial gold sales—continuing operations excluding Alumbrera (ounces)	131,991	142,923	166,017	155,228
Chapada payable copper contained in concentrate sales (millions of lbs)	30.1	33.4	35.2	33.2
Silver sales (millions of ounces)	2.2	2.3	2.9	2.4
Average realized gold price per ounce (*ii*)	$ 789	$ 861	$ 893	$ 937
Average realized copper price per pound (excluding derivative contracts) (*ii*)	$ 1.59	$ 3.45	$ 3.81	$ 3.64
Average realized silver price per ounce (*ii*)	$ 10.20	$ 14.56	$ 17.20	$ 17.83

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

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

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

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

(v) Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an assumed gold to silver ratio (55:1), which is a long-term historical average of prices and is used and presented solely for quarter-over-quarter comparative purposes only.

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

	Three Months Ended	
(in thousands of United States Dollars, except per share information, unless otherwise stated)	December 31, 2009	December 31, 2008
Revenues	$ 399,825	$ 87,831
Cost of sales excluding depletion, depreciation and amortization	(141,695)	(102,736)
Depletion, depreciation and amortization	(73,108)	(44,090)
Accretion of asset retirement obligations	(681)	(61)
Mine operating earnings	184,341	(59,056)
Expenses		
General and administrative	(40,472)	(12,349)
Exploration	(6,479)	(5,332)
Other	(3,062)	(3,569)
Operating earnings (loss)	134,328	(80,306)
Other business expenses	(19,690)	(11,335)
Foreign exchange (loss) gain	(13,305)	131,430
Realized (loss) gain on derivatives	(9,190)	56,389
Unrealized (loss) gain on derivatives	(8,478)	126,135
Earnings from continuing operations before income taxes, equity earnings and non-controlling interest	83,665	222,313
Income tax (expense) recovery	(42,415)	3,654
Equity earnings (loss) from Minera Alumbrera	12,208	(5,993)
Earnings from continuing operations	53,458	219,974
Loss from discontinued operations (*i*)	(17,283)	(40,607)
Net earnings	$ 36,175	$ 179,367
Earnings Adjustments (*ii*):		
Mark-to-market on prior period sales and final price and quantity settlements	–	78,250
Non-recurring future income tax adjustment	15,234	–
Proceeds on sale of commodity derivatives	–	(47,000)
Write-off of mineral interests and other assets	8,301	81,075
Stock-based and other compensation	15,380	–
Future income tax expense/(recovery) on translation of inter-company debt	1,613	(24,280)
Non-cash unrealized foreign exchange losses/(gains)	20,314	(130,626)
Non-cash unrealized losses/(gains) on derivatives	9,666	(138,957)
Adjusted Earnings before income tax effects	106,683	(2,171)
Income tax effect of adjustments	(5,820)	14,521
Adjusted Earnings (*ii*)	$ 100,863	$ 12,350
Basic earnings per share	$ 0.05	$ 0.25
Diluted earnings per share	$ 0.05	$ 0.25
Adjusted Earnings per share (*ii*)	$ 0.14	$ 0.02

(i) Results of San Andrés, São Vicente and São Francisco mines have been reclassified as discontinued operations (in accordance with GAAP) 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, (c) unrealized (gains) losses on commodity derivatives, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments reflect both continuing and discontinued operations.

Most of the major industrialized countries started to emerge from the bottom of the economic crisis in mid-2009. Due to strong demand for copper primarily from China, by the fourth quarter of 2009, market prices of copper were up by 70% from the average market price of $1.79 per pound in the fourth quarter of 2008. Prices for gold remained robust throughout the year due to increased gold purchases by investors as a hedge against the weakening United States Dollar and by central banks in diversifying their reserves.

Adjusted Earnings were $100.9 million or $0.14 per share in the fourth quarter of 2009, compared with $12.4 million or $0.02 per share in the same quarter of 2008. Higher adjusted earnings were mainly due to an increase in adjusted revenues and equity earnings, partly offset by a realized loss on derivatives, income tax expense and a decrease in amount of interest costs capitalized in the fourth quarter of 2009 compared with the same period of 2008.

Revenues of $399.8 million in the fourth quarter, compared with $87.8 million in the same quarter of 2008, were mainly due to high gold prices and a strong rebound of copper prices. Higher revenues also contributed to higher mine operating earnings of $184.3 million in the quarter, compared with loss of $59.4 million in the fourth quarter of 2008.

Earnings from continuing operations for the fourth quarter were $53.5 million, compared with net earnings of $219.5 million in the same quarter in 2008. Earnings per share were $0.05 on a basic and diluted basis for the fourth quarter of 2009, compared with basic and diluted earnings per share of $0.25 for the same quarter in 2008.

Lower earnings from continuing operations were mainly due to higher income tax expense, general and administrative expenses of Gualcamayo that were capitalized prior to commercial production and loss of the interest rate swap write-off related to termination of the old debt in the fourth quarter of 2009. The strengthening of the currencies of Brazil, Chile and Argentina against the United States Dollar contributed to foreign exchange loss of $13.3 million in the fourth quarter, compared with gain of $131.4 million in the same quarter of 2008, when the exchange rates of local currencies against the United States Dollar were trending in the opposite direction.

The average prices of gold, copper and silver for the fourth quarter of 2009 and 2008 are summarized below:

	Realized Prices (*i*)		Market Prices	
For the three months ended December 31,	2009	2008	2009	2008
Gold (per oz)	$ 1,095	$ 789	$ 1,101	$ 795
Copper (per lb)	$ 3.18	$ 1.59	$ 3.02	$ 1.79
Silver (per oz)	$ 17.47	$ 10.20	$ 17.58	$ 10.20

(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.

Revenues for the quarter are comprised of the following:

For the quarter ended December 31, 2009	Quantity Sold		Realized Price	Revenues (in 000's)
Gold (*i*)	232,923	oz	$ 1,095	$ 253,908
Copper (*i*)	45,047,693	lbs	$ 3.18	143,165
Silver	2,879,058	oz	$ 17.47	50,287
Gross revenues				$ 447,360
Add (deduct):				
Treatment and refining charges of gold and copper concentrate				$ (7,123)
Sales taxes				(4,545)
Mark-to-market adjustments				2,506
Metal price adjustments related to concentrate revenues				12,520
Revenues related to Alumbrera				(50,893)
Revenues				$ 399,825

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

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

Cost of sales excluding depletion, depreciation and amortization for the quarter was $141.7 million, compared with $102.7 million in the fourth quarter of 2008. The following table provides a reconciliation of the co-product cash costs to the cost of sales from continuing operations of the quarter:

For the quarter ended December 31, 2009	Gold Ounces or Pounds of Copper Produced			Co–product Cash Cost per unit		Total (in 000's)
Chapada—Gold	42,216	oz	$	230	$	9,697
Chapada—Copper	37,035,407	lbs		1.05		38,946
El Peñón (GEO) (*i*)	109,979	oz		382		42,056
Jacobina	24,866	oz		597		14,840
Gualcamayo	59,118	oz		290		17,150
Minera Florida (GEO) (*i*)	24,198	oz		365		8,824
Fazenda Brasileiro	17,535	oz		577		10,117
Alumbrera—gold	11,544	oz		274		3,163
Alumbrera—copper	10,805,071	lbs		1.23		13,246
Co-product cash cost of sales					$	158,039
Add (deduct):						
Inventory and other non-cash adjustments						9,404
Chapada concentrate treatment and refining charges						(7,123)
Other commercial costs						(3,379)
Overseas freight for Chapada concentrate						1,163
Alumbrera cash costs (*ii*)						(16,409)
Cost of sales excluding depletion, depreciation and amortization					$	141,695

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

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

Depletion, depreciation and amortization ("DDA") expense for the quarter was $73.1 million, a 66% increase from $44.1 million in the fourth quarter of 2008. Increase in DDA was mainly due to the additional DDA related to Gualcamayo and the completion of various expansionary projects. Average DDA was $248 per GEO sold for the quarter, representing a 10% increase over $226 per GEO sold in the same quarter of 2008. The denominator of higher volume of GEO sales, compared with the same period in 2008, contributed to a lower increase in DDA on a per GEO basis. Average DDA was $0.15 per pound of copper sold in the quarter, compared with $0.18 per pound of copper sold in the fourth quarter of 2008.

General and administrative expenses increased to $40.5 million compared with $12.3 million in the last quarter of 2008 as capitalization of general and administrative expenses in respect to the construction of Gualcamayo ceased in 2009, based on completion of commissioning of the mine at the end of June 2009. Additionally, it includes higher employee-related compensation including non-cash, stock-based compensation resulting from the administration of growing operations. Interest and financing expenses net of investment income or other business expense for the quarter was $19.7 million, compared with expense of $11.8 million in the fourth quarter of 2008.

The Company recorded equity earnings from its 12.5% interest in Alumbrera of $12.2 million for the quarter, compared with loss of $6.0 million attributable to the Company in the quarter ended December 31, 2008. During the quarter, the Company received a total of $19.1 million of cash dividends from Alumbrera, compared to nil in the fourth quarter of 2008.

Cash flows from continuing operations after changes in non-cash working capital was a $209.2 million inflow for the fourth quarter, compared with a $79.8 million inflow for the quarter ended December 31, 2008. The increase in cash flows from continuing operations after change in non-cash working capital was primarily due to an increase in gold and copper prices causing higher sales revenues and positive pricing adjustments for copper in concentrate and contribution of the new Gualcamayo Mine. The cash impact of pricing adjustments during the fourth quarter was positive, $12.5 million compared with negative $74.1 million in the same period of 2008.

Net earnings for the quarter included losses of $17.3 million from discontinued operations relating to the São Francisco, São Vicente and San Andrés Mines.

5. MINES AND DEVELOPMENT PROJECTS

Overview of Annual Operating Results

In 2009, production from continuing operations excluding commissioning gold equivalent ounces ("GEO") totaled 980,847 GEO, compared with 859,202 GEO in 2008 (2007—441,002 GEO) representing a year-over-year increase of 14%. Production from continuing operations including commissioning GEO was 19% higher than 2008.

Copper production of 144.0 million pounds from the Chapada Mine for the year increased by 3% over the production of 139.3 million pounds in 2008. Tonnage of copper concentrate production at Chapada also increased by 2% over the prior year. Additionally, 39.4 million pounds of copper produced from Alumbrera were attributable to the Company in 2009.

Average co-product cash costs of continuing operations for the year were $357 per GEO including Alumbrera and $356 per GEO excluding Alumbrera. This compares to co-product cash costs of continuing operations of $352 per GEO and $346 per GEO, respectively, for the year ended December 31, 2008 (2007: $311 per GEO and $312 per GEO). By-product cash costs of continuing operations including Alumbrera were $123 per GEO and excluding Alumbrera were $170 per GEO, compared with $68 per GEO and $97 per GEO, respectively, in 2008.

Co-product cash costs per pound of copper were $0.99 for the year from Chapada, compared with $1.02 for the year ended December 31, 2008 (2007: $0.72 per pound). Co-product cash costs for the year including the Company's interest in the Alumbrera Mine were $1.10 per pound, compared with $1.18 for 2008 (2007: $0.79 per pound).

Total production of GEO in 2009 is summarized below with comparatives:

For the twelve months ended December 31, *(In GEO)*	2009	2008	2007
Production from:			
Commercial—continuing operations excluding Alumbrera	928,097	796,152	420,606
Discontinued operations	175,338	123,695	156,302
Alumbrera (12.5% interest)	52,750	63,050	20,396
Commissioning of Gualcamayo	44,830	–	–
Total production	1,201,015	982,897	597,304

The following table summarizes the 2009 GEO production from continuing operations by mine with comparatives:

For the twelve months ended December 31,	2009		2008		2007	
	GEO	Co-product Cash Costs per GEO ($) *(i)*	GEO	Co-product Cash Costs per GEO ($) *(i)*	GEO	Co-product Cash Costs per GEO ($) *(i)*
Chapada	156,251	258	150,037	337	178,125	218
El Peñón *(ii)*	394,400	353	407,944	308	77,340	265
Jacobina	110,515	476	73,240	411	54,076	541
Gualcamayo *(iii)*	98,641	301	n/a	n/a	n/a	n/a
Minera Florida *(ii)*	91,877	373	64,617	398	12,788	243
Fazenda Brasileiro	76,413	453	96,092	423	87,969	388
Fazenda Nova	–	–	–	–	6,925	551
Rossi (40% interest)	–	–	4,222	661	3,383	469
Total commercial production from continuing operations excluding Alumbrera	928,097	356	796,152	346	420,606	312
Alumbrera (12.5% interest)	52,750	372	63,050	422	20,396	285
Total commercial production from continuing operations	980,847	357	859,202	352	441,002	311

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

(ii) 2009 gold production: El Peñón—215,846 ounces; Minera Florida—80,019 ounces, and silver production: El Peñón—9.8 million ounces; Minera Florida—0.7 million ounces. Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average long-term historical gold to silver ratio (55:1), which is used and presented solely for period-over-period comparative purposes only.

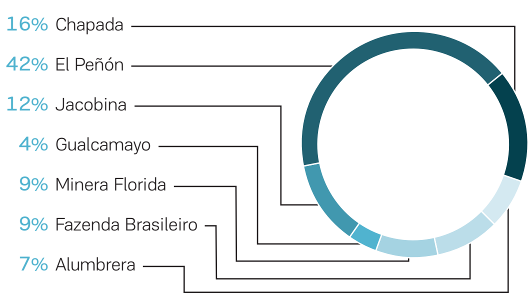
(iii) The Company commissioned Gualcamayo on July 1, 2009 and only included production after that date.

As at December 31, 2009, proven and probable reserves for continuing operations were 17.6 million ounces of contained gold (December 31, 2008—17.6 million excluding discontinued operations of 1.8 million), 162 million ounces of contained silver and 11.2 billion pounds of contained copper based on a gold price of $825 per ounce (except for Fazenda Brasileiro based on $776 per ounce, C1 Santa Luz based on $750 per ounce and Agua Rica, based on $425 per ounce and $1.10 per lb for copper), a silver price of $14.00 per ounce and a copper price of $2.25 per pound.

Recent Events Relating to the Earthquake in Chile

On February 27, 2010, several areas of Chile were devastated by a massive earthquake. The Company is focused on assisting its personnel in Chile for personal property losses and offering aid to local communities where possible. Operations at the El Peñón mine, which is in Northern Chile, were not meaningfully impacted and have resumed. The Company has begun to effect repairs at its Minera Florida mine, which is in southern Chile, and is also evaluating sources of power for Minera Florida as there have been transmission interruptions in the local area.

2009 Production from Continuing Operations Gold Equivalent Ounces by Mine



Overview of Quarterly Operating Results

Production from continuing operations was 289,456 GEO for the quarter, including the Company's proportionate interest in production from the Alumbrera Mine of 11,544 GEO. This represents a 33% increase, compared with production from continuing operations of 218,069 GEO, including production of 20,914 GEO from Alumbrera, for the comparative quarter ended December 31, 2008.

Co-product cash costs (a non-GAAP measure, see Section 6) from continuing operations including Alumbrera were $366 per GEO and excluding Alumbrera were $369 per GEO for the quarter, compared with $364 per GEO and $368 per GEO, respectively, for the fourth quarter of 2008. By-product cash costs from continuing operations including Alumbrera averaged $38 per GEO and excluding Alumbrera were $111 per GEO, compared with $661 per GEO and $674 per GEO, respectively, in the fourth quarter of 2008, when by-product credit from copper was negative due to depressed copper prices, which resulted in negative metal price adjustments.

Copper production for the quarter ended December 31, 2009 was 37.0 million pounds from the Chapada Mine, compared with 36.8 million pounds for the fourth quarter 2008. Additionally, 10.8 million pounds of copper were produced from Alumbrera attributable to the Company, compared with 15.6 million pounds for the quarter ended December 31, 2008. Total copper production for the fourth quarter was 47.8 million pounds.

Co-product cash costs per pound of copper were $1.05 for the quarter from the Chapada Mine. Co-product cash costs per pound of copper for the quarter, including the Company's interest in the Alumbrera Mine, were $1.23 per pound. This compares to co-product cash costs per pound of copper of $0.96 during the quarter ended December 31, 2008.

Total production of GEO for the four quarters of 2009 is summarized below:

For the three months ended *(In GEO)*	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Production from:				
Commercial—continuing operations excluding Alumbrera	277,912	259,359	201,533	189,293
Discontinued operations	35,796	45,516	48,065	45,961
Alumbrera (12.5% interest)	11,544	9,832	15,629	15,745
Commissioning of Gualcamayo	–	–	24,347	20,483
Total production	325,252	314,707	289,574	271,482

The following table summarizes the production from continuing operations by mine for the four quarters of 2009:

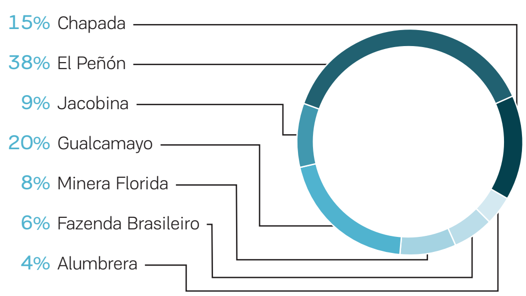
For the three months ended	December 31		September 30		June 30		March 31	
	GEO	Co–product Cash Costs per GEO ($) *(i)*	GEO	Co–product Cash Costs per GEO ($) *(i)*	GEO	Co–product Cash Costs per GEO ($) *(i)*	GEO	Co–product Cash Costs per GEO ($) *(i)*
Chapada	42,216	230	34,929	271	40,554	260	38,552	276
El Peñón *(ii)*	109,979	382	108,054	323	92,016	339	84,351	366
Jacobina	24,866	597	30,978	473	27,593	446	27,078	400
Gualcamayo *(iii)*	59,118	290	39,523	316	n/a	n/a	n/a	n/a
Minera Florida *(ii)*	24,198	365	25,411	355	22,966	414	19,302	358
Fazenda Brasileiro	17,535	577	20,464	486	18,404	397	20,010	361
Total commercial production from continuing operations excluding Alumbrera	277,912	369	259,359	349	201,533	352	189,293	351
Alumbrera (12.5% interest)	11,544	274	9,832	381	15,629	498	15,745	297
Total commercial production from continuing operations	289,456	366	269,191	350	217,162	362	205,038	347

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

(ii) 2009 fourth quarter gold production: El Peñón—62,199 ounces; Minera Florida—20,960 ounces, and silver production: El Peñón—2.6 million ounces; Mineral Florida—0.2 million ounces.
Silver production is treated as a gold equivalent. Gold equivalent ounce calculations are based on an average long-term historical gold to silver ratio (55:1), which is used and presented solely for quarter-over-quarter comparative purposes only.

(iii) The Company commissioned Gualcamayo on July 1, 2009 and only included production after that date.

Fourth Quarter 2009 Production from Continuing Operations
Gold Equivalent Ounces by Mine



CHAPADA MINE

Operating Statistics		Three Months Ended December 31, 2009		Year Ended December 31, 2009		December 31, 2008		Year Ended December 31, 2007
Production								
Concentrate (tonnes)		63,990		248,940		244,301		201,339
Gold contained in concentrate production (ounces)		42,216		156,251		150,037		178,125
Copper contained in concentrate (millions of pounds)		37.0		144.0		139.3		122.9
Co-product cash costs per oz of gold produced *(i)*	$	230	$	258	$	337	$	218
Co-product cash costs per lb of copper produced *(i)*	$	1.05	$	0.99	$	1.02	$	0.72
By-product cash costs per oz of gold produced *(i)*	$	(1,468)	$	(848)	$	(984)	$	(1,360)
Ore mined (tonnes)		4,457,232		16,998,887		14,521,140		18,651,162
Ore processed (tonnes)		4,609,853		17,307,429		14,942,848		12,693,868
Gold ore grade (g/t)		0.42		0.41		0.44		0.60
Copper ore grade (%)		0.42		0.43		0.47		0.50
Concentrate grade—gold (g/t)		20.49		19.63		19.32		27.60
Concentrate grade—copper (%)		26.27		26.24		25.86		27.70
Gold recovery rate (%)		67.1		69.0		71.0		73.0
Copper recovery rate (%)		87.6		88.0		89.6		87.8
Sales								
Concentrate (tonnes) *(ii)*		63,646		261,841		241,341		201,248
Payable gold contained in concentrate (ounces)		39,933		143,939		149,549		168,135
Payable copper contained in concentrate (millions of pounds)		34.6		137.4		131.9		117.0
Depletion, depreciation and amortization per gold ounce sold	$	56	$	54	$	47	$	27
Depletion, depreciation and amortization per copper pound sold	$	0.15	$	0.13	$	0.15	$	0.09

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

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

Chapada produced a total of 42,216 ounces of gold contained in concentrate in the quarter, compared with 35,263 ounces of gold in concentrate in the fourth quarter of 2008, representing a 20% increase. Production of copper at Chapada was 37.0 million pounds in the fourth quarter, compared with 36.8 million pounds of copper contained in concentrate during the comparable period in 2008.

Increase in gold and copper production was mainly due to increases of tonnage of ore mined by 17% and tonnage of ore processed by 16%, compared with the same quarter of 2008. The original design of the Chapada mine was for a throughput annual rate of 16.0 million tonnes and, in the fourth quarter, the plant operated in excess of the design capacity rate. Increase in production is expected to continue as a result of the current plant optimization initiatives undertaken by the Company, with annual throughput expected to increase to 22.0 million tonnes per year before 2012.

Total production at Chapada for 2010 is expected to be between 140,000 to 155,000 ounces of gold and 150 to 160 million pounds of copper.

Co-product cash costs for the quarter were $230 per gold ounce and $1.05 per pound of copper, which compared with $293 per gold ounce and $0.90 per pound of copper for the same quarter of 2008. The Company has hedged approximately 65% of the currency exposure related to operating expenses at Chapada as of the first quarter of 2010.

Over the past year, copper contained in concentrate has remained constant at 35 to 37 million pounds per quarter. In spite of the continuing effort in striving for efficiency improvement, a higher value for the Brazilian Real is putting pressure on product cash costs. Associated overseas transportation costs were approximately $1.2 million for the fourth quarter of 2009, compared to $5.4 million in the comparative period.

Total revenue for the quarter net of sales taxes and treatment and refining costs was $152.0 million. Revenue includes positive mark-to-market adjustments of $2.5 million. Final and provisional pricing-quantity settlements in the quarter were positive, $13.9 million ($12.5 million—metal price adjustment, $1.4 million—metal quantity adjustment), representing an increase in revenue from increasing copper prices during the quarter compared to the third quarter of 2009.

The Company intersected a new mineralized zone at Suruca, located approximately six kilometres northeast of Chapada. Drilling intersections show mineralized levels, with the upper level having an average thickness of 70 metres and the lower level having an average thickness of approximately

20 metres. Exploration drilling to date has defined significant mineral intercepts with continuity along a 500-metre strike length. The mineral trend is wholly within a much larger soil geochemical gold anomaly that extends over five kilometres on the surface.

The drilling results demonstrate the potential to add ounces from the areas surrounding the mine, further extending Chapada's already long mine life of 17 years. The Company's efforts have not only been to increase mineral reserves and mineral resources at Chapada, but to use it as a launching point for a regional exploration program. Suruca represents real potential and is a result of these efforts. The objectives for Chapada in 2010 include defining a mineral resource in the Suruca target by 2011.

EL PEÑÓN

Operating Statistics	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
Production				
Gold equivalent (ounces)	109,979	394,400	407,944	77,340
Gold production (ounces)	62,199	215,846	224,990	44,965
Silver production (ounces)	2,627,893	9,820,475	9,864,275	1,780,625
Cash costs per gold equivalent ounce produced (*i*)	$ 382	$ 353	$ 308	$ 265
Ore mined (tonnes)	349,735	1,314,759	1,084,953	189,885
Ore processed (tonnes)	330,631	1,271,594	1,124,566	186,705
Gold ore grade (g/t)	6.43	5.78	6.73	7.92
Silver ore grade (g/t)	288.30	276.32	307.97	320.18
Gold recovery rate (%)	90.4	91.2	92.0	93.7
Silver recovery rate (%)	85.0	86.9	87.6	91.9
Sales				
Gold sales (ounces)	62,950	219,764	216,810	43,005
Silver sales (ounces)	2,704,618	10,034,160	9,315,443	1,736,704
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 279	$ 277	$ 281	$ 193

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

El Peñón produced 109,979 GEO during the fourth quarter, consisting of 62,199 ounces of gold and 2.6 million ounces of silver, compared with 97,944 GEO, which consisted of 54,987 ounces of gold and 2.4 million ounces of silver produced in the fourth quarter of 2008. This represents a 12% increase in 2009 versus 2008 production on a GEO basis. Higher production was mainly due to increase in tonnage of ore mined and ore processed, and positive variation gold grade from the same quarter of 2008.

During the quarter ended December 31, 2009, an additional grinding mill was installed in order to enable the plant to increase the throughput to a sustainable 4,300 tonnes per day. Additional upgrades are also going to be performed in the plant in order to have higher sustainable recoveries.

Cash costs were $382 per GEO in the quarter ended December 31, 2009, compared with $332 per GEO in the fourth quarter in 2008.

The Company has undertaken a plan to improve grade control and dilution, increase capacity and develop newer higher grade veins. Production in 2010 is expected to be in the range of 400,000 to 420,000 GEO although production in the first quarter of 2010 is expected to be slightly lower than production in the fourth quarter of 2009 but higher than first quarter production in 2009. Cash costs and production are then expected to improve going forward. Production is anticipated to ramp up quarter over quarter in 2010. Grade is also expected to improve throughout 2010 with a significant increase in the fourth quarter of 2010 and into 2011 as the development of Bonanza is completed and it begins to contribute to production.

In the fourth quarter, the Company began the transition to owner mining at El Peñón. The decision to transition to owner mining better enables the Company to mine ore from narrower veins as it has allowed the Company to better match the equipment to the size of the veins.

Exploration in 2010 at El Peñón will focus on extending the known deposits, infill drilling to upgrade certain inferred mineral resources to the indicated resource category, a broader regional exploration program and the advancement of the newest discovery, Pampa Augusta Victoria. The 2010 exploration program is to include 69,500 metres of exploration drilling and 24,550 metres of infill drilling with a budget of $18.4 million, an increase of $2.0 million or 12% from the total amount spent for 2009.

For the long-term, the Company has been investigating various strategies for the optimization of El Peñón with the objective to achieve a sustainable production level of 450,000 to 500,000 GEO beginning in 2012 and going forward. The optimization strategy consists of the following:

- Further increase plant capacity from the current level of 4,300 tonnes per day to 5,000 tonnes per day by 2012, with additional sources of ore that would include approximately 350 to 400 tonnes per day from the measured and indicated mineral resource category as a result of the effective mining of narrower veins, and further ore from Amancaya which is located 120 kilometres southwest of El Peñón as well as ore from new discoveries.
- Plant capacity improvements to increase recovery which are expected to be completed by the end of 2012. Plant improvements would include finer milling and longer residency time and require modest capital.
- Continued focus on increasing proven and probable mineral reserves by upgrading ounces from the mineral resource category and from new ounces discovered. In line with this objective, recent exploration efforts have led to the discovery of a new high grade vein system, Pampa Augusta Victoria.

Contribution from Pampa Augusta Victoria will further support the Company's objective to achieve the sustainable production level of 450,000 to 500,000 GEO with the potential for additional increases. Pampa Augusta Victoria is a grassroots discovery and is similar to high grade veins previously discovered at El Peñón two and a half years ago demonstrating strong mineralization and continuity of grade. The discovery of Pampa Augusta Victoria is not only significant because of its grade and potential for meaningful contribution to mineral resources, it is also significant because it supports the Company's view of the very strong exploration and resource growth potential at El Peñón, which is the reason for the large commitment to exploration. With only approximately 35% of the surrounding area explored to date, El Peñón has exceptional exploration upside and the Company expects new discoveries of this nature consistent with previous high grade vein discoveries which now include Pampa Augusta Victoria.

JACOBINA

Operating Statistics	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
Production				
Gold production (ounces)	24,866	110,515	73,240	54,076
Cash costs per ounce produced (*i*)	$ 597	$ 476	$ 411	$ 541
Ore mined (tonnes)	521,335	2,004,936	1,509,679	1,044,312
Ore processed (tonnes)	521,335	1,996,989	1,388,086	1,040,174
Gold Grade (g/t)	1.63	1.88	1.82	1.71
Gold Recovery rate (%)	90.9	91.7	90.0	94.8
Sales				
Gold sales (ounces)	26,168	111,906	69,792	54,458
Depletion, depreciation and amortization per gold ounce sold	$ 364	$ 316	$ 248	$ 194

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

Production at Jacobina was 24,866 ounces of gold in the fourth quarter, an increase of 6% from production of 23,439 ounces of gold in the fourth quarter of 2008. Continuous improvement in mine planning, expansion and optimization of the processing plant and milling capacity, increased development work, increased number of working stopes were the contributing factors to the improved performance despite a decline in average grade. Reliability of the mining plan benefited from additional infill drilling.

The recovery rate at Jacobina for the fourth quarter was 90.9% compared to 89.3% for the fourth quarter of 2008. The Company continues to modify the leaching cycle in order to improve recoveries which have trended upwards since the start-up of higher throughput levels.

Cash costs averaged $597 per ounce of gold for the fourth quarter, compared with $573 per ounce of gold in the fourth quarter of 2008.

Exploration at Jacobina in 2009 focused on near mine efforts and has provided a promising new discovery, Serra da Lagartixa. A structural and geological analysis undertaken in 2008 concludes that the Serra da Lagartixa area, located 2.5 kilometres from the mine site, possibly consists of the north continuity of the Canavieiras Block displaced by a main listric fault. Canavieiras is the most significant mineral resource of the Jacobina Mine and the possibility that it continues to the north opens important potential exploration upside for Jacobina. Following exploration discoveries for 2009, exploration efforts in 2010 will be to more aggressively pursue higher grade areas of mineralization for future mining.

The objectives at Jacobina for 2010 will focus on upgrading most of the inferred mineral resource to the measured and indicated categories, rapidly accelerating the definition of higher grade areas by 2012, continuing development of Canavieiras North and identifying of new ore bodies in a regional exploration plan between Jacobina and Pindobasu.

GUALCAMAYO

	Three Months Ended	Year Ended		Year Ended
Operating Statistics	December 31, 2009	December 31, 2009	December 31, 2008	December 31, 2007
Production				
Total Gold production (ounces)	59,118	143,471	–	–
Commercial Gold production (ounces)	59,118	98,641	–	–
Commissioning gold production (ounces)	–	44,830	–	–
Cash costs per ounce produced (*i*)	$ 290	$ 301	–	–
Ore mined (tonnes)	1,813,661	3,294,175	–	–
Ore processed (tonnes)	1,838,012	3,370,057	–	–
Gold Grade (g/t)	1.14	1.19	–	–
Gold Recovery rate (%)	87.6	76.6	–	–
Sales				
Gold sales (ounces)	56,708	88,555	–	–
Depletion, depreciation and amortization per gold ounce sold	$ 204	$ 228	–	–

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

Gualcamayo produced 59,118 ounces of gold in the fourth quarter and added a total of 143,471 ounces to the Company's gold production for the year, including 44,830 ounces during the commissioning period prior to July 1, 2009. Total production exceeded original expectations of 120,000 ounces of gold set for 2009.

Cash costs were $290 per ounce of gold for the quarter, better than guidance of $350 per ounce and cash costs of $316 per ounce in the third quarter of 2009.

Current production includes only ounces produced from the main Quebrada del Diablo ("QDD") open pit operation, which is performing at planned levels in terms of grades and above planned levels in terms of production and recoveries. The Company plans to upgrade the current plant capacity by increasing the ADR plant flow rate and throughput to 1,500 tonnes per hour. A study on these initiatives is underway.

Metallurgical test work continues at the AIM deposit to create more reliability and certainty with respect to ore metallurgy. In addition, QDD Lower West feasibility study results are expected in the second half of 2010. A prior feasibility study indicated a contribution to production from QDD Lower West of 90,000 additional ounces per year. The Company has undertaken an evaluation to determine the process in accelerating the development of and production from QDD Lower West.

Exploration efforts continued at the Salamanca discovery area located approximately 10 kilometres north of Gualcamayo. The Company recently completed a core drilling campaign of 17 drill holes for a total of 3,000 metres concentrating on the Salamanca mineralized tensional gash. The high-grade gold values encountered support the interpretation that the main intercepted structure might continue deeper and maintain the robust gold tenor. The drilling results continue to confirm the Company's view that Salamanca represents an important potential source of further gold ounces for Gualcamayo with the potential to extend the mine life.

The exploration effort for Gualcamayo in 2010 will focus on a 2,000-metre drill program at Salamanca, providing a mineral resource estimate for Salamanca in the first half of 2010, extending the QDD Lower West high grade deposit along strike and down plunge and expending the mineral resource at QDD Lower West through upgrading inferred mineral resource to the measured and indicated categories and adding new ounces.

MINERA FLORIDA

Operating Statistics	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
Production				
Gold equivalent (ounces)	24,198	91,877	64,617	12,788
Gold production (ounces)	20,960	80,019	57,325	10,694
Silver production (ounces)	178,075	652,192	392,211	115,170
Cash costs per gold equivalent ounce produced (*i*)	$ 365	$ 373	$ 398	$ 243
Ore mined (tonnes)	184,849	718,603	471,798	74,307
Ore processed (tonnes)	188,248	723,061	468,012	76,918
Gold grade (g/t)	4.35	4.21	4.53	5.28
Silver ore grade (g/t)	42.51	40.91	36.68	66.59
Gold recovery rate (%)	81.6	82.3	84.2	81.7
Silver recovery rate (%)	69.5	68.9	70.0	68.9
Sales				
Gold sales (ounces)	19,308	75,396	58,715	9,824
Silver sales (ounces)	174,440	461,567	471,150	70,564
Depletion, depreciation and amortization per gold equivalent ounce sold	$ 442	$ 344	$ 134	$ 165

(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 24,198 GEO in the current quarter, compared with 16,366 GEO in the fourth quarter of 2008. The 48% quarter-over-quarter increase was mainly the result of the expansion project, implementation of a change in the mining method to accommodate the completed expansion and more effective mining in narrower veins. The throughput expansion project was completed in the first quarter of 2009.

Production for the year 2009 was 91,877 GEO, compared to 64,615 GEO for 2008.

Cash costs for the fourth quarter were $365 per GEO, compared with $463 per GEO in the same quarter in 2008, representing a quarter-over-quarter improvement of 21%.

In addition, the mine produced 1,277 tonnes of zinc in the quarter and 5,042 tonnes of zinc in the 12-month period ended December 31, 2009. In the fourth quarter and 12 months of 2008, production of zinc was 932 tonnes and 3,457 tonnes, respectively. Zinc is accounted for as a by-product.

The Company expects to produce approximately 100,000 to 125,000 GEO at Minera Florida in 2010, an increase of up to 35% from 2009 production levels reflecting the first full year of production following the expansion. Production in 2011 is expected to be in the range of 110,000 to 130,000 GEO.

The Company has also advanced a new plan to process historical tailings at Minera Florida. Implementation of the project and ramp-up is estimated to be achieved within approximately 20 months. The project would add another 40,000 GEO to current expected production at Minera Florida, beginning in early 2012.

The Company's exploration efforts at and around the mine have resulted in the delineation of the newly discovered Centenario and Polvorin deposits containing higher grades than the current mine grades. The exploration program for Minera Florida in 2010 will include 12,900 metres of exploration drilling for near mine targets and 18,000 metres of infill drilling to re-categorize inferred mineral resources to the indicated category. Multiple veins are to be explored with two new regional targets.

The objectives for 2010 include the upgrading of 150,000 GEO from the inferred mineral resource category to the indicated resource category, identifying a minimum of 100,000 ounces of new mineral resource and the discovery of new vein zones that can sustain a longer mine life.

OTHER MINES

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

Operating Statistics	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
FAZENDA BRASILEIRO				
Production				
Gold production (ounces)	17,535	76,413	96,092	87,969
Cash costs per ounce produced *(i)*	$ 577	$ 453	$ 423	$ 388
Ore mined (tonnes)	281,796	1,155,247	1,107,710	1,198,709
Ore processed (tonnes)	296,630	1,179,595	1,121,025	1,041,778
Gold Grade (g/t)	2.05	2.21	2.85	2.81
Gold recovery rate (%)	89.6	91.0	93.4	94.3
Sales				
Gold sales (ounces)	16,941	77,458	95,461	86,959
Depletion, depreciation and amortization per gold ounce sold	$ 200	$ 155	$ 104	$ 95
ALUMBRERA (12.5% interest) *(ii)*				
Production				
Concentrate (tonnes)	18,711	68,868	68,281	20,254
Gold production (ounces)	1,172	6,954	7,560	3,379
Gold production in concentrate (ounces)	10,372	45,796	55,490	17,017
Total gold produced	11,544	52,750	63,050	20,396
Copper contained in concentrate (millions of pounds)	10.8	39.4	43.2	11.4
Co-product cash costs per ounce of gold produced *(i)*	$ 274	$ 372	$ 431	$ 285
Co-product cash costs per pound of copper produced *(i)*	$ 1.23	$ 1.49	$ 1.69	$ 1.42
By-product cash costs per ounce produced *(i)*	$ (1,731)	$ (703)	$ (304)	$ (816)
Ore mined (tonnes)	1,185,788	3,662,997	3,521,353	734,984
Gold ore grade (g/t)	0.43	0.49	0.55	0.77
Copper ore grade (%)	0.47	0.46	0.50	0.58
Gold recovery rate (%)	66.7	70.4	75.1	80.1
Copper recovery rate (%)	86.5	82.7	82.2	85.7
Sales				
Payable gold contained in concentrate (ounces)				
Gold sales (ounces)	9,940	45,363	53,874	20,085
Gold doré sales (ounces)	975	7,255	7,445	4,469
Total gold sales (ounces)	10,915	52,618	61,319	24,554
Payable copper contained in concentrate (millions of pounds)	10.4	38.2	41.7	13.0

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

(ii) Comparative information reported in the above table excludes pre-acquisition data as Northern Orion Resources Inc. was acquired during the fourth quarter of 2007.

The Fazenda Brasileiro Mine produced 17,535 ounces of gold in the quarter and 76,413 ounces of gold in the year ended December 31, 2009. This compares to 24,143 ounces of gold and 96,092 ounces of gold during the respective periods in 2008.

The Fazenda Brasileiro Mine was originally 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 6 years with production generally in the range of 75,000 to 90,000 ounces per year and continues to outline significant exploration potential. Recently, two new areas have been discovered, CLX$_2$ and Lagoa do Gato, which give the Company high confidence that significant potential remains at the mine. The current efforts and recent discoveries are intended to redefine Fazenda Brasileiro with the possibility, relating to CLX$_2$ and Lagoa do Gato, of discovering a new mine. The objectives in 2010 include continuing to extend Lagoa do Gato mineral resource, further extending the mine life of Fazenda Brasileiro, continuing to define new near mine targets and upgrading mineral resources to support future production.

The Company's interest in the Alumbrera Mine is accounted for as an equity investment. The Company recorded earnings from its 12.5% interest in Alumbrera Mine of $12.2 million and $31.1 million for the three and 12 months ended December 31, 2009, respectively. The Company received $19.1 million and $51.5 million in cash distribution during the three months and 12 months ended December 31, 2009, respectively.

NON-CORE MINE DISPOSITIONS

On July 17, 2009, the Company entered into an agreement to sell three of the Company's non-core operating mines for total consideration expected to exceed $265.0 million in a combination of cash, shares, secured promissory notes and deferred payments. One of the mines is in Honduras and two are in Brazil.

The transaction was structured in two parts to accommodate jurisdiction-related regulatory requirements. The first disposition relating to the sale of San Andrés in Honduras closed on August 25, 2009. The Company did not record a material gain or loss on closing of this transaction. The second disposition which relates to the sale of São Francisco and São Vicente is expected to close in the first half of 2010. The transaction is subject to customary closing conditions.

Readers are encouraged to read *Note 10* to the consolidated financial statements for the year ended December 31, 2009 for selected financial information relating to the disposition.

Operating Statistics	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
SAN ANDRÉS *(i)*				
Production				
Gold production (ounces)	–	43,089	47,760	51,538
Cash costs per ounce produced *(ii)*	–	$ 452	$ 584	$ 410
Ore mined (tonnes)	–	2,323,957	2,827,494	2,608,051
Ore processed (tonnes)	–	2,317,107	2,867,967	n/a
Gold Grade (g/t)	–	0.88	0.71	0.58
Gold recovery rate (%)	–	65.6	76.3	105.7
Sales				
Gold sales (ounces)	–	37,803	45,141	53,692
SÃO VICENTE *(iii)*				
Production				
Total Gold production (ounces)	16,991	49,584	–	–
Commercial Gold production (ounces)	16,991	21,694	–	–
Commissioning Gold production (ounces)	–	27,890	–	–
Cash costs per ounce produced *(ii)*	$ 739	$ 747	–	–
Ore mined (tonnes)	1,579,261	2,133,965	–	–
Ore processed (tonnes)	1,571,392	2,159,268	–	–
Gold Grade (g/t)	0.44	0.43	–	–
Gold recovery rate (%)	77.5	74.9	–	–
Sales				
Gold sales (ounces)	17,263	20,767	–	–
SÃO FRANCISCO				
Production				
Gold production (ounces)	18,805	82,665	75,936	104,764
Cash costs per ounce produced *(ii)*	$ 901	$ 755	$ 629	$ 373
Ore mined (tonnes)	1,921,603	6,564,449	7,419,243	7,566,871
Ore processed (tonnes)	1,916,982	6,524,678	7,440,905	n/a
Gold Grade (g/t)	0.54	0.57	0.60	0.54
Gold recovery rate (%)	56.8	69.6	58.6	79.2
Sales				
Gold sales (ounces)	18,678	81,302	78,401	104,672

(i) Operating statistics for the year for the San Andrés Mine are only for the period until the closing of the sale on August 25, 2009.

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

(iii) São Vicente was commissioned effective September 1, 2009.

A total of 18,805 ounces of gold were produced from São Francisco during the fourth quarter, compared with 21,569 ounces of gold in the quarter ended December 31, 2008. Production levels are expected to fluctuate due to the coarse gold contained in the ore. Performance is expected to improve in 2010.

São Vicente was commissioned on September 1, 2009. Total production from the mine was 16,991 for the fourth quarter and 49,584 ounces of gold for the year. The 2009 production included 27,890 ounces of gold produced during the commissioning period and 21,694 ounces of commercial production.

Financial results from these mines are excluded from mine operating earnings and reflected under earnings from discontinued operations in the Statement of Operations.

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*", "*Cash flows from operations before changes in non-cash working capital*" or "*Cash flows from operating activities before changes in non-cash working capital*" and "*Gross margin*" to supplement its financial statements, which are presented in accordance with Canadian GAAP.

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

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 Canadian GAAP 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 Canadian GAAP. 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 as per the financial statements to (i) Co-product Cash Costs per GEO, (ii) Co-product Cash Costs per lb of Copper and (iii) By-product Cash Costs per GEO:

Reconciliation of cost of sales per the financial statements to Co-product Cash Costs per GEO

GEO	*In thousands of United States Dollars*			*United States Dollars per gold equivalent ounce*		
For the year ended December 31,	2009	2008	2007	2009	2008	2007
Cost of sales *(i) (iii)*	$ 479,847	$ 413,635	$ 222,408	$ 517	$ 519	$ 529
Adjustments:						
Copper contained in concentrate related cash costs (excluding related TCRCs) *(ii)*	(118,322)	(119,156)	(67,976)	(127)	(149)	(162)
Treatment and refining costs (TCRC) related to Chapada gold	5,862	5,762	990	6	7	2
Inventory movements and adjustments	(18,277)	2,552	12,801	(20)	3	30
Commercial selling costs	(18,816)	(27,304)	(37,000)	(20)	(34)	(88)
Total GEO co-product cash costs (excluding Alumbrera)	$ 330,294	$ 275,489	$ 131,223	$ 356	$ 346	$ 311
Mineral Alumbrera (12.5% interest) GEO cash costs	19,667	26,616	5,813	372	422	285
Total GEO co-product cash costs *(iii)*	$ 349,961	$ 302,105	$ 137,036	$ 357	$ 352	$ 311
Commercial GEO produced excluding Alumbrera	928,097	796,152	420,606			
Commercial GEO produced including Alumbrera	980,847	859,202	441,002			

GEO	*In thousands of United States Dollars*		*United States Dollars per gold equivalent ounce*	
For the three months ended December 31,	2009	2008	2009	2008
Cost of sales *(i) (iii)*	$ 141,696	$ 102,736	$ 510	$ 521
Adjustments:				
Copper contained in concentrate-related cash costs (excluding related TCRCs) *(ii)*	(33,025)	(27,319)	(120)	(138)
Treatment and refining costs (TCRC) related to Chapada gold	1,261	1,475	5	7
Inventory movements and adjustments	(9,404)	2,034	(34)	10
Commercial selling costs	2,217	(6,308)	8	(32)
Total GEO co-product cash costs (excluding Alumbrera)	$ 102,745	$ 72,618	$ 369	$ 368
Mineral Alumbrera (12.5% interest) GEO cash costs	3,163	6,755	274	323
Total GEO co-product cash costs *(iii)*	$ 105,908	$ 79,373	$ 366	$ 364
Commercial GEO produced excluding Alumbrera	277,912	197,155		
Commercial GEO produced including Alumbrera	289,456	218,069		

(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 70%–75% copper and 30%–25% gold. TCRCs are defined as treatment and refining charges.

(iii) Depletion, Depreciation and Amortization are excluded from both total cash costs and cost of sales from continuing operations.

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, unless otherwise stated*			*United States Dollars per pound of copper*		
For the year ended December 31,	2009	2008	2007	2009	2008	2007
Cost of sales *(i) (iii)*	$ 479,847	$ 413,635	$ 222,408	$ 3.33	$ 2.97	$ 1.81
Adjustments:						
GEO-related cash costs (excluding related TCRCs) *(ii)*	(324,433)	(269,727)	(130,233)	(2.25)	(1.94)	(1.06)
Treatment and refining costs (TCRC) related to Chapada copper	24,555	23,273	20,512	0.17	0.17	0.17
Inventory movements and adjustments	(18,277)	2,552	12,801	(0.13)	0.02	0.10
Commercial selling costs	(18,816)	(27,304)	(37,000)	(0.13)	(0.20)	(0.30)
Total Copper co-product cash costs (excluding Alumbrera)	$ 142,876	$ 142,429	$ 88,488	$ 0.99	$ 1.02	$ 0.72
Mineral Alumbrera (12.5% interest) Copper cash costs	59,308	72,682	16,188	1.50	1.68	1.42
Total Copper co-product cash costs *(iii)*	$ 202,184	$ 215,111	$ 104,676	$ 1.10	$ 1.17	$ 0.78
Copper produced excluding Alumbrera (millions of lbs)	144.0	139.3	122.9			
Copper produced including Alumbrera (millions of lbs)	183.4	182.5	134.3			

Copper	*In thousands of United States Dollars, unless otherwise stated*		*United States Dollars per pound of copper*	
For the three months ended December 31,	2009	2008	2009	2008
Cost of sales *(i) (iii)*	$ 141,696	$ 102,736	$ 3.83	$ 2.79
Adjustments:				
GEO-related cash costs (excluding related TCRCs) *(ii)*	(101,484)	(71,143)	(2.75)	(1.93)
Treatment and refining costs (TCRC) related to Chapada copper	5,862	5,917	0.16	0.16
Inventory movements and adjustments	(9,404)	2,034	(0.25)	0.06
Commercial selling costs	2,217	(6,308)	0.06	(0.18)
Total Copper co-product cash costs (excluding Alumbrera)	$ 38,887	$ 33,236	$ 1.05	$ 0.90
Mineral Alumbrera (12.5% interest) Copper cash costs	13,246	17,160	1.23	1.10
Total Copper co-product cash costs *(iii)*	$ 52,133	$ 50,396	$ 1.09	$ 0.96
Copper produced excluding Alumbrera (millions of lbs)	37.0	36.8		
Copper produced including Alumbrera (millions of lbs)	47.8	52.4		

(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 70%–75% copper and 30%–25% gold. TCRCs 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.

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

GEO	In thousands of United States Dollars, unless otherwise stated			United States Dollars per gold equivalent ounce		
For the year ended December 31,	2009	2008	2007	2009	2008	2007
Cost of sales *(i)*	$ 479,847	$ 413,635	$ 222,408	$ 517	$ 520	$ 529
Adjustments:						
Chapada treatment and refining costs related to gold and copper	30,417	29,035	21,502	33	36	51
Inventory movements and adjustments	(18,277)	2,649	12,801	(20)	3	30
Commercial selling costs	(18,816)	(27,304)	(37,000)	(20)	(34)	(88)
Chapada copper revenue including copper pricing adjustment	(315,324)	(340,636)	(369,569)	(340)	(428)	(879)
Total GEO by-product cash costs (excluding Alumbrera)	$ 157,847	$ 77,379	$ (149,858)	$ 170	$ 97	$ (357)
Mineral Alumbrera (12.5% interest) by-product cash costs	(37,070)	(19,168)	(16,643)	(703)	(304)	(816)
Total GEO by-product cash costs *(i)*	$ 120,777	$ 58,211	$ (166,501)	$ 123	$ 68	$ (378)
Commercial GEO produced excluding Alumbrera	928,097	796,152	420,606			
Commercial GEO produced including Alumbrera	980,847	859,202	441,002			

GEO	In thousands of United States Dollars, unless otherwise stated		United States Dollars per gold equivalent ounce	
For the three months ended December 31,	2009	2008	2009	2008
Cost of sales *(i)*	$ 141,696	$ 102,736	$ 509	$ 521
Adjustments:				
Chapada treatment and refining costs related to gold and copper	7,123	7,392	26	37
Inventory movements and adjustments	(9,404)	2,034	(34)	10
Commercial selling costs	2,217	(6,308)	8	(32)
Chapada copper revenue including copper pricing adjustment	(110,617)	27,054	(398)	138
Total GEO by-product cash costs (excluding Alumbrera)	$ 31,015	$ 132,908	$ 111	$ 674
Mineral Alumbrera (12.5% interest) by-product cash costs	(19,983)	11,239	(1,731)	544
Total GEO by-product cash costs *(i)*	$ 11,032	$ 144,147	$ 38	$ 661
Commercial GEO produced excluding Alumbrera	277,912	197,155		
Commercial GEO produced including Alumbrera	289,456	218,069		

(i) Depletion, Depreciation and Amortization is excluded from both total cash costs and cost of sales from continuing operations.

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 GAAP, 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 GAAP, but rather should be evaluated in conjunction with such GAAP measures. Adjusted Earnings or Loss and Adjusted Earnings or Loss per share are calculated as net earnings excluding (a) stock-based compensation, (b) foreign exchange (gains) losses, (c) unrealized (gains) losses on commodity derivatives, (d) impairment losses, (e) future income tax expense (recovery) on the translation of foreign currency inter-corporate debt, (f) write-down of investments and other assets and any other non-recurring adjustments. 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 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 Canadian GAAP, 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 Canadian GAAP, 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.

Cash Flows From Operations Before Changes in Non-Cash Working Capital

The Company uses the financial measure "cash flows from operations before changes in non-cash working capital" or "cash flows from operating activities before changes in non-cash working capital" to supplement its consolidated financial statements. The presentation of cash flows from operations before changes in non-cash working capital is not meant to be a substitute for cash flows from operations or cash flows from operating activities presented in accordance with Canadian GAAP, but rather should be evaluated in conjunction with such Canadian GAAP measures. Cash flows from operations before changes in non-cash working capital excludes the non-cash movement from period-to-period in working capital items, including accounts receivable, advances and deposits, inventory, accounts payable and accrued liabilities.

The terms "cash flows from operations before changes in non-cash working capital" and "cash flows from operating activities before changes in non-cash working capital" do not have a standardized meaning prescribed by Canadian GAAP, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that the presentation of cash flows from operations before changes in non-cash working capital provides useful information to investors because it excludes the non-cash movement in working capital items and is a better indication of the Company's cash flows from operations and considered to be meaningful in evaluating the Company's past financial performance or the future prospects. The Company believes that the conventional measure of performance prepared in accordance with Canadian GAAP does not fully illustrate the ability of its operating mines to generate cash flows.

The following table provides a reconciliation of cash flows from operating activities of continuing operations before changes in non-cash working capital:

			Year Ended		Three Months Ended
	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2009	December 31, 2008
Cash flows from operating activities of continuing operations	$ 528,026	$ 237,414	$ 242,873	$ 211,206	$ 79,769
Adjustments:					
Net change in non-cash working capital	(32,407)	173,786	1,459	(55,981)	(44,968)
Cash flows from operating activities of continuing operations before changes in non-cash working capital	$ 495,619	$ 411,200	$ 244,332	$ 155,225	$ 34,801

Gross Margin

The Company uses the financial measure "gross margin" to supplement its consolidated financial statements. The presentation of gross margin is not meant to be a substitute for net earnings presented in accordance with Canadian GAAP, but rather should be evaluated in conjunction with such Canadian GAAP measures. Gross margin represents the amount of revenues in excess of cost of sales. It may be expressed in terms of percentage of revenues, both in total amount or on a per GEO basis.

The term "gross margin" does not have a standardized meaning prescribed by Canadian GAAP, and therefore the Company's definitions is unlikely to be comparable to similar measures presented by other companies. The Company's management believes that the presentation of gross margin provides useful information to investors because it excludes the non-cash operating cost items such as depreciation, depletion and amortization and accretion for asset retirement obligations and considers this non-GAAP measure meaningful in evaluating the Company's past financial performance or the future prospects. The Company believes that the conventional measure of performance prepared in accordance with Canadian GAAP does not fully illustrate the ability of its operating mines to generate cash flows.

The following table provides a reconciliation of gross margin:

			Year Ended		Three Months Ended
	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2009	December 31, 2008
Revenues	$ 1,183,314	$ 949,362	$ 693,365	$ 399,825	$ 87,831
Cost of sales excluding depletion, depreciation and amortization	(479,847)	(413,635)	(222,408)	(141,695)	(102,736)
Gross Margin	$ 703,467	$ 535,727	$ 470,957	$ 258,130	$ (14,905)
Gross Margin as % of Revenues from continuing operations	59%	56%	68%	65%	–17%
GEO Sold (excluding Alumbrera)	907,851	777,944	420,606	274,356	171,205
Gross Margin per GEO Sold	$ 775	$ 689	$ 1,120	$ 941	$ (87)

7. LIQUIDITY AND CAPITAL RESOURCES

Recent global events have impacted many companies in a variety of industries as a result of tightening in the credit markets. In the face of these challenges, the Company's liquidity position continues to be stable and reliable as evidenced by increased availability of funds through its recent refinancing of long-term debt described below. In the near-term, the Company expects its liquidity to be positively impacted by higher forecasted production levels, high gold prices, stable demand for precious metals and the rebound of the United States Dollar against other currencies in which the Company operates. 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 continuing operations:

			As at
(in thousands of United States Dollars)	December 31, 2009	December 31, 2008	December 31, 2007
Cash	$ 170,070	$ 167,765	$ 283,646
Working capital	$ 260,337	$ 147,444	$ 163,634

			For the year ended
(in thousands of United States Dollars)	December 31, 2009	December 31, 2008	December 31, 2007
Cash flows from operating activities of continuing operations	$ 528,026	$ 237,414	$ 242,873
Cash flows from operating activities of continuing operations before changes in non-cash working capital items	$ 495,619	$ 411,200	$ 244,332
Cash flows (to) from financing activities of continuing operations	$ (64,957)	$ 131,579	$ 614,344
Cash flows (to) from investing activities of continuing operations	$ (469,916)	$ (469,578)	$ 648,697

Cash and cash equivalents as at December 31, 2009 were $170.1 million, remaining relatively unchanged compared to $167.8 million as at December 31, 2008. 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 and copper, production levels, operating cash costs, capital costs, exploration and discretionary expenditures.

Working capital was $260.3 million as at December 31, 2009, compared to $147.4 million as at December 31, 2008. The 77% increase in working capital is a result of increased operating activities of continuing operations primarily from the Gualcamayo Mine which was commissioned during the year.

Receivables at the end of the year were $102.1 million, compared with $24.1 million as at December 31, 2008. Approximately $87.1 million in the current year receivables represents receivables in respect to concentrate sales, of which $65.0 million has been collected subsequent to the year-end. Copper concentrate sales are made in accordance with certain smelter off-take agreements, whereby provisional payments of approximately 90% are received within 1 to 4 weeks after shipping. Final assays and payment related to these sales are received approximately 2 to 3 months thereafter.

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

Operating Cash Flows of Continuing Operations

Cash flows generated from continuing operations before changes in non-cash working capital items for the year were $495.6 million, compared to $411.2 million and $244.3 million for the years ended December 31, 2008 and

2007, respectively. The increase is mainly attributed to increases in revenues. Changes in non-cash working capital items for the year were cash inflows of $32.4 million (2007—outflows of $173.8 million; 2006—outflows of $1.5 million), mainly from higher accounts payable and accrued liabilities during the year in comparison to 2008 construction activities.

In the fourth quarter of 2009, cash flows to operating activities before changes in non-cash working capital were $155.2 million and cash flows from operating activities after changes in non-cash working capital item were $211.2 million, compared with $34.8 million and $79.8 million, respectively, in the same quarter of 2008. Cash flows from operating activities were higher due to higher gold prices.

Cash inflows from continuing operations after taking into effect changes in working capital items for the year were $528.0 million, compared to inflows of $237.4 million for the year ended 2008 (2007—inflows of $242.9 million).

Financing Activities of Continuing Operations

Cash outflows from financing activities of continuing operations for the year ended December 31, 2009 were $65.0 million, compared to cash inflows of $131.6 million in 2008 and included the following:

- dividends paid of $29.4 million;
- long-term debt proceeds of $28.3 million net of long-term debt repayment;
- $1.4 million received from the exercise of options and warrants;
- $8.7 million paid for financing and other charges.
- During the last quarter of 2009, the Company refinanced its revolving facility, increasing its credit limit to $680.0 million. The following summarizes the terms in respect to this facility as at December 31, 2009:
- The credit facility is unsecured and has a maturity date of December 16, 2012.
- Amounts drawn bear interest at a rate of LIBOR plus 1.7% to 4% per annum, depending upon the Company's leverage ratio, defined as the net total debt to rolling 12 months earnings before interest, taxes, depreciation and amortization. The effective interest rate at December 31, 2009 was 5.63%.
- Undrawn amounts are subject to a commitment fee of 0.81% to 1.2% per annum depending upon the Company's leverage ratio.

During December 2009, the Company completed a private placement for a total of $270.0 million unsecured fixed-rate senior debt 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

As at December 31, 2009, the Company has met all of the externally imposed capital requirements relating to the credit facilities.

Investing Activities of Continuing Operations

Cash outflows to investing activities of continuing operations were $469.9 million (2008—$469.6 million) for the year, of which approximately $130.5 million relates to expenditures on property, plant and equipment, $289.8 million to mineral properties and $78.5 million to construction. These outflows are comparable to prior year's expenditures, outlining management's intent to develop and expand existing assets and create new mines.

The following is a summary of capital expenditures by mine:

(in thousands of United States Dollars)	Three Months Ended December 31, 2009	Year Ended December 31, 2009	December 31, 2008	Year Ended December 31, 2007
Gualcamayo	$ 15,065	$ 121,996	$ 187,190	$ 65,278
Jacobina	10,671	51,661	87,779	72,027
El Peñón	39,669	105,942	74,898	15,280
Minera Florida	11,898	40,442	50,778	7,200
Chapada	29,406	112,501	34,492	38,864
Mercedes	4,394	16,333	19,202	2,718
Fazenda Brasileiro	6,300	15,463	11,640	1,397
Pilar	13,543	25,454	11,125	4,605
Agua Rica	1,391	3,932	7,821	3,372
Other	6,479	5,033	11,858	21,779
Total capital expenditures on continuing operations *(i)*	$ 138,816	$ 498,757	$ 496,783	$ 232,520

(i) Includes construction, fixed assets, exploration, feasibility and capitalized interest costs.

8. CAPITALIZATION

Shareholders' equity as at December 31, 2009 was $6.8 billion compared to $6.5 billion as at December 31, 2008.

The following table sets out the common shares, warrants and options outstanding as at December 31, 2009:

(in thousands)	Actual Outstanding as at December 31, 2009	Weighted Average Year–to–Date *(i)*	Weighted Average Q4 *(i)*
Common shares	733,411	733,093	733,318
Warrants	14,497	169	1,127
Options	5,812	973	1,502
Total	753,720	734,235	735,947

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

Of the total number of warrants outstanding, approximately 9.2 million warrants are publicly traded with an average weighted exercise price of Cdn$11.05.

Share Capital

As at December 31, 2009, the Company had 733.4 million (December 31, 2008—732.8 million; December 31, 2007—668.4 million) common shares outstanding. The basic weighted average number of common shares outstanding was 733.1 million shares for the year and 733.3 million shares for the quarter ended December 31, 2009.

The Company issued a total of 0.6 million common shares during the year in connection with the exercise of stock options, share appreciation rights and warrants.

As of March 1, 2010, the total number of shares outstanding are 740.6 million.

Warrants

As at December 31, 2009, the Company had a total of 14.5 million (December 31, 2008—14.5 million; December 31, 2007—46.9 million) share purchase warrants outstanding. Expiry dates on share purchase warrants range from February 2010 to May 2011, and exercise prices range from Cdn$10.42 to Cdn$19.08. All outstanding warrants were exercisable at an average weighted exercise price of Cdn$13.74 per share (December 31, 2008—Cdn$13.73 per share; December 31, 2007—Cdn$6.91 per share). The weighted average remaining life of warrants outstanding was 0.5 years (December 31, 2008—1.5 years; December 31, 2007—1.2 years).

During 2009, the Company did not issue any additional warrants.

On February 16, 2010, a total of 9.2 million publicly traded warrants with an exercise price of $11.05 expired. A total of 7.1 million common shares were issued for approximately Cdn$78.1 million in respect of the exercise of these warrants.

Stock-based Incentive Plans

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

The following table summarizes the stock-based compensation and other stock-based payments for 2009:

	Stock Option Plan		Deferred Share Units ("DSU")	Restricted Share Units ("RSU")
	Number of Stock Options (000's)	Weighted Average Exercise Price (Cdn$)	Number of DSU (000's)	Number of RSU (000's)
Outstanding, beginning of period	5,065	$ 9.21	273	1,128
Granted	1,524	9.92	332	802
Exercised	(551)	9.42	–	–
Vested and converted into common shares	–	–	–	(327)
Expired and forfeited	(226)	9.98	–	(254)
Outstanding, end of year	5,812	$ 9.29	605	1,349
Exercisable, end of year	4,852	$ 9.16		

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $101.4 million for the year ended December 31, 2009, compared with $68.7 million in 2008 (2007—$66.2 million).

General and administrative and other expenses were higher for 2009 as capitalization of general and administrative expenses in respect to the construction of Gualcamayo ceased in 2009, based on completion of the commissioning of the mine at the end of June 2009. Additionally, it included higher employee-related compensation, including non-cash stock-based compensation resulting from the administration of growing operations. Most of the general and administrative expenses are also incurred in currencies other than the United States Dollar, and therefore will vary period-to-period according to exchange rate movements relative to the United States Dollar resulting in increased volatility on the Company's earnings.

General and administrative expenses for the fourth quarter were $40.5 million (2008—$12.4 million). General and administrative expenses for the fourth quarter included stock-based and other compensation of $15.4 million,, which has been included as an adjusting item in the calculation of adjusted earnings (A cautionary note regarding non-GAAP measures is included in Section 6 of this Management's Discussion and Analysis).

10. FOREIGN EXCHANGE

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

In 2009, the Company recognized foreign exchange gains of $74.5 million. This compares to a foreign exchange gain of $131.9 million for 2008 and a loss of $42.3 million in 2007. The gains arose mainly from foreign exchange effect on future income tax liabilities recognized on business acquisitions. A strong United States Dollar versus the currencies of the countries in which the Company operates contributed to the gains.

The Company entered into certain hedge contracts where the value of the Real has been fixed against the United States Dollar. These hedges are further described in Section 14, Derivatives.

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

	Three Months Ended		
	December 31, 2009	December 31, 2008	Variance
Average Exchange Rate			
USD-CAD	1.0579	1.2101	–12.6%
USD-BRL	1.7476	2.2908	–23.7%
USD-ARG	3.8261	3.3363	14.7%
USD-CLP	529.1082	644.4283	–17.9%

	Twelve months ended				
	December 31, 2009	December 31, 2008	Variance	December 31, 2007	Variance
Average Exchange Rate					
USD-CAD	1.1417	1.0667	7.0%	1.0744	6.3%
USD-BRL	2.0085	1.8402	9.1%	1.9516	2.9%
USD-ARG	3.7385	3.1709	17.9%	3.1218	19.8%
USD-CLP	569.8881	523.9220	8.8%	522.3674	9.1%
Period-end Exchange Rate					
USD-CAD	1.0491	1.2228	–14.2%	0.9820	6.8%
USD-BRL	1.7343	2.3560	–26.4%	1.7741	–2.2%
USD-ARG	3.8142	3.4571	10.3%	3.1500	21.1%
USD-CLP	499.7680	647.9950	–22.9%	497.7000	0.4%

11. INVESTMENTS AND INVESTMENT INCOME

Investments

As at December 31, 2009, the Company had total investments of $56.4 million, compared with $12.5 million in the prior year. The increase was mainly a result of $42.9 million higher available-for-sale securities from $3.3 million in the prior year, mainly from the shares received as consideration on the sale of San Andrés. Total investments also include $10.1 million in Master Asset Vehicle II notes and Auction Rate Securities. In January 2010, subsequent to the year ended December 31, 2009, the Company entered into an agreement to sell all of its MAV II notes for proceeds of Cdn$7.5 million. The Company does not expect to record a material gain or loss on this transaction.

Investment and Other Business income

Investment and other business income was $22.2 million for the year, compared to a loss of $27.3 million for 2008 (2007—income of $12.5 million). The decrease in expenses is largely the result of the Company's recognition of investment write-offs on its available-for-sale and auction rate securities in the prior year with no current year comparatives.

Investment and other business income was $0.1 million for the fourth quarter, compared to a loss of $12.8 million for the comparative period in 2008 (2007—expenses $6.4 million). The decrease in expenses is largely the result of the Company's recognition of investment write-offs on its available-for-sale and auction rate securities in the prior year with no current year comparatives.

12. INCOME TAXES

The Company recorded an income tax expense of $136.6 million for the year. This compares to a tax expense of $25.7 million for 2008 and a tax expense of $62.6 million for 2007. The current year income tax provision mainly reflects a current income tax expense of $82.1 million for 2009 and a future income tax expense of $54.4 million. The expense reflects the current taxes incurred in our Brazilian, Chilean and Argentinean mines. The expense increased the future tax liability on inter-company loans.

The tax rate on adjusted earnings is summarized as follows:

		2009		2008		2007
Earnings from continuing operations before income taxes, equity earnings and non-controlling interest	$	317,257	$	479,321	$	193,749
Adjustments to earnings (Section 4)		105,329		(180,121)		87,322
Adjusted earnings from continuing operations before income taxes, equity earnings and non-controlling interest	$	422,586	$	299,200	$	281,071
Income tax expense	$	(136,559)	$	(25,727)	$	(62,589)
Adjustments to income tax expense (Section 4) (excluding discontinued operations)		(20,735)		5,312		(33,459)
Future tax expense on inter-company debt (Section 4)		51,578		(37,243)		14,478
Adjusted income tax expense	$	(105,716)	$	(57,658)	$	(81,570)
Tax rate on adjusted earnings		25.0%		19.3%		29.0%

The tax rate on adjusted earnings has been in the range of 25%–30%, with the exception of 2008 which was due to lower earnings in mines with higher tax rates. The consolidated balance sheet reflects recoverable tax installments in the amount of $12.3 million and an income tax liability of $42.8 million. Additionally, the balance sheet reflects a future income tax asset of $150.0 million and a future income tax liability of $1.7 billion.

The Company has approximately $200.9 million of tax losses available for carry forward in Brazil. Approximately 47.5% of these losses have been recognized as a tax asset. The Company expects to use these losses against future income from operating mines in Brazil.

The majority of the future tax liability arises on the allocation of the purchase price of acquisitions to the underlying assets as the tax basis of these assets did not increase. Future tax liabilities relating to the operating mines will reverse as the assets are depreciated or depleted. The future tax liabilities relating to exploration potential will not reverse until the property becomes a mine, is written off, or is sold. The largest components of the future tax liabilities relate to:

(in thousands of dollars)		
Gualcamayo	$	212,000
Agua Rica	$	329,000
El Peñón	$	305,000
Exploration Potential	$	578,000

The Company has exposure to foreign exchange fluctuations in Brazil. As the Real strengthened by 26.1% throughout the year vis-à-vis the United States Dollar, from a rate of 2.3560 as at December 31, 2008 to a rate of 1.7412 as at December 31, 2009, it resulted in a future income tax expense of approximately $51.6 million on the revaluation of United States Dollar-denominated inter-corporate debt, although the debt is eliminated on consolidation.

The income tax expense reported from period to period will vary depending on the foreign currency exchange rate in effect in the period. However, the income tax on inter-company debt is payable only if and when the debt is repaid and, therefore, if the debt is not repaid, the income tax payable will not have to be paid. Likewise, the actual amount of taxes payable will depend on the foreign exchange rate in effect at the time that the inter-corporate debt is repaid.

The Company's combined Canadian federal and provincial statutory tax rate was 33.0% (2008—33.5%; 2007—36.1%). There are a number of factors that affect the Company's effective tax rate, including the rate differential and proportion of income earned in each jurisdiction, tax benefits that were not recognized, foreign currency gains and losses and changes in tax rates. As a result, the Company's effective tax rate may fluctuate from period to period. A reconciliation of the Company's statutory rate to the effective tax rate is provided in *Note 21* to the consolidated financial statements.

13. CLOSURE AND RECLAMATION COSTS

The asset retirement obligations relate to reclamation and closure costs relating to the Company's mine operations and projects under development. As at December 31, 2009, the obligation increased to $133.2 million compared with $74.0 million in 2008, mainly from the completion of the Gualcamayo mine as well as other projects in existing mines. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items.

The Company accrues reclamation and closure costs at their fair value. Fair value is determined as the discounted future cash expenditures. Significant management judgments and estimates are made when estimating reclamation and closure costs. Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory requirements and are amortized over the life of each mine on a unit-of-production basis.

Accretion charged to 2009 earnings was $2.3 million compared to $1.8 million in 2008 (2007—$1.4 million).

Reclamation expenditures during the year were $4.1 million compared to $5.6 million in 2008 (2007—$4.7 million).

14. DERIVATIVES

The Company recorded realized losses on the settlement of commodity derivatives of $18.7 million in 2009, compared with $10.0 million of realized loss in 2008 (2007—loss of $17.1 million).

Additionally, the Company recorded unrealized gains on commodity derivative contracts of $105.4 million for the year ended December 31, 2009. This compares to an unrealized gain of $166.2 million in 2008 (2007—loss of $28.4 million). Included in cost of sales are currency derivative contracts realized gains in the amount of $10.1 million (2008—$14.4 million), and included in interest and financing expenses are realized losses in the amount of $16.2 million (2008—$5.1 million) in respect to the interest rate swaps.

Commodity Hedging

The Company enters into commodity forward contracts to mitigate commodity price risk and enable business planning with greater certainty. From time to time, the Company may enter into long call options to ensure its participation in commodity price increases.

The Company has a copper hedging program that was designed to mitigate risks to earnings and cash flows from its Chapada mine. Hedging copper also provides further leverage to gold prices and increases the impact of gold on the Company's unhedged revenues.

The copper derivatives provide an effective economic hedge against downward movements in the copper price allowing the Company to manage metal price risk and enable business planning with certainty. As Chapada produces a concentrate of copper and gold which is sold in concentrate form, under accounting rules, hedge accounting is not permitted. However, the Company has concluded that the above mentioned financial instruments provide an effective means for the Company to manage metal price risk and enable business planning with greater certainty. In accordance with derivative accounting rules changes, the fair value of the financial instruments are reflected in current earnings from period to period. This accounting results in fluctuations in net earnings from period to period until such time as the contracts are closed. The unrealized mark-to-market gain (loss) represents the value on notional cancellation of these contracts based on market values as at December 31, 2009 and does not represent an economic obligation for the Company nor does it represent an estimate of future gains or losses.

As at December 31, 2009, the Company had a total of approximately 1.4 million pounds of copper under open forward contracts at an average strike price of approximately $3.01 per pound of copper and maturity dates in 2010. The program requires no cash margin, collateral or other security from the Company.

Currency Hedging

As at December 31, 2009, the Company held forward contracts to hedge against the risk of an increase in the value of the Real versus the United States Dollar with respect to a portion of the expected Real expenditures.

These contracts fix the rate of exchange for the sale of approximately 191.4 million Reais at an average rate of 2.2144 Real to the United States Dollar and 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 2009 through to April 2011. Of this total, 171.4 million Reais is hedged for 2010 and approximately 20.0 million Reais for 2011. The effective portion of changes in the fair value of the currency contracts has been recorded in Other Comprehensive Income (OCI) until the forecast expenditure impacts earnings. The ineffective portion of changes in the fair value of the currency contracts has been recorded in current earnings.

The currency hedge has been accounted for as a cash flow hedge with the effective portion of $41.0 million for 2009 credited to Other Comprehensive Income and the ineffective portion of $0.9 million taken to income in 2009.

The following table summarizes the details of the currency hedging program as at December 31, 2009:

(quantities in thousands)									
		Jacobina		Fazenda Brasileiro		Chapada			Total
Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Contract Fixed Rate	Brazilian Real Notional Amount	Weighted Average Contract Rate	Market Rate as at Dec. 31, 2009
2010	53,266	2.4395	34,200	2.3900	83,907	2.0925	171,373	2.2477	1.7343
2011	–	–	–	–	20,000	1.9650	20,000	1.9650	1.7343
	53,266	**2.4395**	**34,200**	**2.3900**	**103,907**	**2.0667**	**191,373**	**2.2144**	**1.7343**

Subsequent to the end of 2009, the Company entered into additional forward contracts to hedge approximately 560.1 million Reais at an average rate of 2.1313. As part of the new contracts, an additional 63.8 million Reais is hedged for 2010, approximately 238.2 million Reais for 2011 and approximately 258.1 million Reais for 2012.

INTEREST RATE HEDGING

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2009, the Company has a total of $231.6 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 $22.2 million gain for the year ended December 31, 2009 recorded in Other Comprehensive Income.

At December 31, 2009, the Company's long-term debt was at fixed rates, hence there is no market risk arising from fluctuations in floating interest rate.

15. 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 December 31, 2009, the Company is contractually committed to the following:

(in thousands of United States Dollars)	2010	2011	2012	2013	2014	Thereafter	Total
Mine operating/construction and service contracts and other	$ 172,621	$ 110,543	$ 56,734	$ 41,516	$ 38,740	$ 25,117	$ 445,271
Long-term debt principal repayments *(i)*	–	–	267,632	–	15,000	255,000	537,632
Asset retirement obligations (undiscounted)	11,199	11,330	11,175	5,947	4,553	186,628	230,832
	$ 183,820	**$ 121,873**	**$ 335,541**	**$ 47,463**	**$ 58,293**	**$ 466,745**	**$ 1,213,735**

(i) Excludes interest expense.

16. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of $177 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitled him to a pre-emption right to participate in acquisitions by Northern Orion in Argentina and claimed damages in connection with the acquisition by Northern Orion of its 12.5% equity interest in the Alumbrera project. On August 22, 2008, the National Commercial Court No. 8 of the City of Buenos Aires issued a first-instance judgment rejecting the claim. The plaintiff appealed this judgment and a decision of the appellate court is pending. While the Company continues to consider that the plaintiff's allegations are unfounded and has been advised by its Argentine counsel that the appeal is unlikely to be successful; the outcome is not certain. There is no assurance that the Company will be wholly successful in confirming the first-instance judgment at appellate courts. There have not been any significant developments on this matter during the current year.

17. OFF-BALANCE SHEET ARRANGEMENTS

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

18. GOLD AND COPPER MARKETS

For the year ended December 31, 2009, spot gold prices averaged $972 per ounce representing an increase of approximately 11% from the comparative period of 2008.

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. Decreasing mine supply, steady investment demand, and strong physical demand for small bars, coins and rebounding jewelry demand have all been supportive of a rising gold price. Additionally, gold's appeal as a hedge against inflation and the United States Dollar has continued to underpin historically high 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 year ended December 31, 2009, spot copper prices averaged $2.35 per pound representing a decrease of 26% compared with 2008.

Copper prices rebounded strongly since their collapse in late 2008 due to inventory restocking, purchases for strategic stockpiles by Chinese buyers and steady investment demand. Prospects for advancing global growth for 2010 also supported a rising copper price during 2009. The Company expects that copper prices will remain well above long-term averages as the global supply demand balance in copper is expected to remain relatively tight by historical standards.

19. MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects, including rules relating to the determination of mineral reserves and mineral resources. This includes a requirement that a "qualified person" (as defined under NI 43-101) supervise the preparation of the mineral reserves and mineral resources reports. The Company's reserve reports are reviewed by Evandro Cintra, Senior Vice President Technical Services, who is a qualified person.

Complete information relating to mineral reserves and mineral resources indicating tonnage and grade for the various mines and projects is contained in a complete mineral resource and mineral reserve table accompanying the 2009 annual report.

The Company replaced reserves mined for continuing operations with proven and probable reserves of 17.6 million ounces of contained gold (December 31, 2008—17.6 million, excluding discontinued operations of 1.8 million), 162 million ounces of contained silver and 11.2 billion pounds of contained copper as of December 31, 2009, based on a gold price of $825 per ounce (except for Fazenda Brasileiro based on $776 per ounce, C1 Santa Luz based on $750 per ounce and Agua Rica, based on $425 per ounce and $1.10 per lb for copper), a silver price of $14.00 per ounce and a copper price of $2.25 per pound.

The Company had 162.1 million ounces of contained silver from the El Peñón and Minera Florida mines and the Mercedes and Agua Rica projects as at December 31, 2009.

Mineral reserves as at December 31, 2009 were estimated using the following price assumptions:

Mine/Project	Gold Price per oz / Copper Price per lb		
	2009	2008	2007
Chapada	$ 825 / $2.25	$ 700 / $1.85	$ 575 / $1.75
El Peñón	$ 825	$ 700	$ 575
Jacobina	$ 825	$ 700	$ 575
Gualcamayo	$ 825	$ 700	$ 575
Fazenda Brasileiro	$ 776	$ 700	$ 575
Mercedes	$ 825	$ 700	n/a
Ernesto/Pau-a-Pique	$ 825	$ 700	$ 575
C1 Santa Luz	$ 750	$ 700	$ 575
Alhué	$ 825	$ 700	$ 575

Proven and probable reserves for Chapada were 2.2 million contained gold ounces and 2.2 billion pounds of contained copper. This compares to 2.5 million ounces of contained gold ounces and 2.4 billion pounds of contained copper as at December 31, 2008. Current resource estimates include 745,000 contained gold ounces of measured and indicated resources plus an additional 661,000 contained gold ounces of inferred resources. Contained copper resources include 797 million pounds of measured and indicated resources plus an additional 823 million pounds of inferred resources. A 17-year mine life is contemplated for Chapada based on current throughput.

The Company was successful in developing a decline which exposed the vein at the Mercedes Project. The reserves as at December 31, 2009 were 624,000 contained ounces of gold. Total measured and indicated resources at year end were 128,000 contained ounces plus an additional 359,000 contained ounces of inferred resources. A pre-feasibility study was commissioned.

Proven and probable reserves decreased by 570,000 contained ounces at the Gualcamayo mine as a result of a reinterpretation of the QDD ore body and mining depletion. Total proven and probable gold ounces were 2.3 million contained ounces and current resource estimates include 802,000 measured and indicated ounces and 615,000 ounces of inferred resources.

At Jacobina, new proven and probable reserve ounces exceed mined ounces with 1.5 million contained ounces at the end of the year. Additionally, more than 50% of reserves are in the proven category. Resources were upgraded from Inferred to Measured and Indicated for a total of 1.4 million contained ounces of Measured and Indicated resources at the end of the year. Inferred resources were previously determined on geological modeling and Yamana has reduced total Inferred resources pending further drilling that will lead to better geological modeling. Average grades improved in all reserve and Measured and Indicated resource categories vis-à-vis the prior year.

It should be noted that mineral reserves and mineral resources are estimates only. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Fluctuations in gold and copper prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of mineral reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Depreciation and amortization using the unit-of-production method would be impacted by a change in mineral reserves and/or mineral resources.

20. EXPLORATION AND DEVELOPMENT

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

The following is a summary of the exploration and development expenditures:

	Year Ended December 31,		
(in millions of United States Dollars)	2009	2008	2007
Exploration capitalized	$ 45.2	$ 62.1	$ 40.9
Exploration expensed	20.4	19.4	–
Total Exploration	$ 65.6	$ 81.5	$ 40.9

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

Brazil

Ernesto/Pau-a-Pique

On January 26, 2010, the Company announced a formal decision for the construction of its Ernesto/Pau-a-Pique project in southwest Mato Grosso State. The construction decision is based on positive feasibility study results and an expected upgrade in mineral resources as a result of deeper drilling of the ore body. The project has an initial mine life of approximately seven years with current mineral reserves of 710,000 ounces of gold included in measured and indicated mineral resources of 854,000 ounces of gold. The Company believes there is potential to extend the mine life as it continues efforts to upgrade mineral resource ounces to the proven and probable categories and expand mineral resources at Ernesto as results demonstrate the deposit is open at depth and down dip.

The Company continues to progress more detailed engineering and an exploration tunnel to facilitate drilling in deeper areas where there are further mineral resources. Yamana also continues to conduct pilot tests on metallurgy and recoveries. Permitting is underway and construction is expected to begin in mid-2010 with production targeted for late 2012.

The key parameters of the feasibility study include proven and probable mineral reserves of 7.1 million tonnes of ore with an average grade of 3.11 g/t for a total to 710,000 gold ounces, which are included in measured and indicated mineral resources of 8.2 million tonnes of ore with an average grade of 3.24 g/t for a total of 854,000 gold ounces, and inferred mineral resources of 4.4 million tonnes with an average grade of 1.79 g/t for a total of 256,000 gold ounces.

Total capital cost is estimated to be approximately $116 million. The internal rate of return of approximately 31% is based on a gold price of $900 per ounce and a Brazilian Real of 1.8 in 2010 and 2.0 thereafter. The initial after-tax net present value is approximately $106 million and is based on a 5% discount rate. Total annual production is expected to average approximately 100,000 ounces of gold over the mine life, with the first two years of production averaging approximately 120,000 ounces, further improving project economics. The payback period for the Ernesto/Pau-a-Pique project is estimated at two years.

The Ernesto/Pau-a-Pique project is located in southwest Mato Grosso State, near Pontes e Lacerda in Brazil. The Pau-a-Pique deposit is approximately 62 kilometres by road south of the Ernesto deposit. The significant existing infrastructure including paved roadways supports the development of Ernesto/Pau-a-Pique as two operating mines with a common processing plant.

Ernesto/Pau-a-Pique represents a modest cost, low capital and high return project contributing 8 to 10% to overall production. Significant potential for mineral resource upgrade serves as a platform for further exploration at the Guapore belt where Yamana has extensive exploration concessions.

Suruca—Chapada

The Company has intersected a new mineralized zone at Suruca, located approximately 6 kilometres northeast of its Chapada Mine in central Brazil.

Drilling intersections show two mineralized levels, the upper level having an average thickness of 70 metres and the lower level having an average thickness of approximately 20 metres. Exploration drilling to date has defined significant mineral intercepts with continuity along a 500-metre strike length. This mineral trend is wholly within a much larger soil geochemical gold anomaly that extends for over five kilometres on the surface.

These drilling results demonstrate the potential to add ounces from the areas surrounding the mine, further extending Chapada's already long mine life of 17 years. The Company's efforts have not only been to increase mineral reserves and mineral resources at Chapada, but also to use it as a launching point for a regional exploration program. Suruca represents real potential as a result of these efforts. Objectives for Chapada in 2010 include defining a mineral resource in the Suruca target by 2011.

Fazenda Brasileiro

At Fazenda Brasileiro, the Company continues to outline significant exploration potential. The mine was originally 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 6 years, with production generally in the range of 75,000 to 90,000 ounces per year. Recently two new areas have been discovered, CLX_2 and Lagoa do Gato, which give the Company high confidence that significant potential remains at Fazenda Brasileiro. Current efforts and recent discoveries are intended to redefine Fazenda Brasileiro with the possibility, relating to CLX_2 and Lagoa do Gato, of discovering a new mine. In 2010, the Company will continue its efforts to replace mineral reserves and mineral resources at Fazenda Brasileiro and meaningfully increasing mineral reserves and mineral resources in these new areas.

Geophysical interpretation suggests that the Weber structure, which hosts the Fazenda Brasileiro mine, may continue to the northeast through the Rio Itapicuru Greenstone Belt in a zone called Lagoa do Gato, which is located 4 kilometres northeast from Fazenda Brasileiro. This zone consisted of a series of small open pits mined earlier in the 1980s during Fazenda Brasileiro's heap leach operation. Deeper exploration drilling beneath those pits has intersected mafic lenses with significant high grade mineralization.

Drilling to date has identified three mineralized levels and has been traced for 1,200 metres, all still open along strike. The Lagoa do Gato trend is at least eight kilometres long, defined by a high magnetic signature. A total of 4,000 metres of diamond drilling have been completed to date.

The Company has 20,000 metres of drilling planned for 2010 to continue efforts at these two new areas. At CLX_2, 10,000 metres of infill drilling is planned to focus on upgrading the mineral resource and 10,000 metres of exploration drilling is planned for extending Lagoa do Gato.

Jacobina

Exploration at Jacobina in 2009 focused on near mine efforts and has provided a promising new discovery. A structural and stratigraphic analysis undertaken in 2008 concludes that the Serra da Lagartixa area (Lagartixa Hill), located 2.5 kilometres from the mine site, possibly consists of the north continuity of the Canavieiras Block displaced by a main listric fault. Canavieiras is the most significant mineral resource of the Jacobina Mine and the possibility that it continues to the north opens important exploration upside for this mine.

The Lagartixa Block is 1,500 metres long with 300 metres of outcropping mineralized conglomerate reef confirmed by old artisanal mining workings and chip samples. This reef is thought to be the reef called Maneira, which represents the topmost reef of Canavieiras.

Three holes have been completed to date and the positive results to date are confirming the continuity of the Maneira Reef 700 metres down dip and 600 metres along strike. More drilling is necessary to confirm if there is a gap along such continuity. The Company considers these results significant and will concentrate most of 2010 on near mine drilling in this target.

Pilar

In April 2009, the Company delivered an update to Pilar's inferred mineral resource estimate of 12.6 million tonnes (100%) grading 3.61 g/t gold containing 1.4 million gold ounces, which was a substantial increase in inferred mineral resource of 51% and a grade increase of 48% year over year.

In 2009, the Company completed 26,000 metres of infill drilling spacing 50x50 metres and 7,000 metres of exploration drilling, and also commenced construction of an exploration ramp to determine the continuity of grade.

Drilling in 2009 was focused on extending the main Jordino mineralization down dip and the Company continues to report positive results. The recent extension drilling results, plus the results presented in the previous June 2009 news release, continue to show positive drill intercepts between 100 and 300 metres down dip from the mineral resource update provided in April 2009.

The drilling program for 2010 includes 18,000 metres of extension drilling, of which 50% is expected to be completed by the end of the first quarter of 2010. Drilling continues to be at the main high grade Jordino deposit and the area between Jordino and Tres Buracos as it continues to appear open down plunge and along strike. Efforts continue in 2010 toward an updated mineral resource and reserve estimate, followed by a feasibility study.

Caiamar

Since its purchase in July 2009, Yamana has completed 28 holes totaling 14,000 metres of exploration drilling at the Caiamar target. Caiamar is located approximately 38 kilometres from the Pilar project and just east of the Crixas Greenstone Belt, in the northern portion of a regional Shear Zone within the Guarinos Greenstone Belt. Mineralization consists of arsenopyrite rich quartz breccias hosted in metagraywacke layers.

A total of $3.4 million has been budgeted for regional exploration and 25,000 metres of drilling at Caiamar. The objective of the drill program for the first year will be to assess the potential of the deposit and evaluate the regional potential inside the Caiamar concessions, in addition to defining the ore bodies.

A total of approximately 15,000 metres of drilling has been completed in 2009, with a total of 14,000 metres planned for 2010. Drilling to date has confirmed the occurrence of mineralized shoots along an area of 2.5 kilometres length and 700 metres wide. A mineral resource estimate is targeted for mid-2010.

C1 Santa Luz

The Company continues to progress development work at C1 Santa Luz. Basic engineering has been completed and metallurgical test work is advancing. Permitting and the start-up of mine construction are on track for mid-2010 with production expected to commence mid-2012. During the permitting period, Yamana has undertaken a program to conduct pilot tests on metallurgy and recoveries.

Argentina

Agua Rica

The Company has continued to advance its Agua Rica project in Argentina. Agua Rica is a large-scale copper, gold, silver and molybdenum porphyry deposit located in the province of Catamarca near the producing Alumbrera mine. A feasibility study was completed in 2006 and the primary environmental license was issued in 2009.

The Company has completed the first of several studies evaluating certain optimization initiatives over and above the evaluation of the project based on the 2006 feasibility study, all of which are expected to have a positive impact on the project. The optimization initiatives included the following:

1. New mine plan that reduces the initial overburden and is expected to result in improvements in both capital and operating costs.
2. Thickening paste disposal of tailings that should result in significant savings in capital with further potential for improvements.
3. Replacement of the concentrate pipeline with trucking to an existing railroad system that results in significant initial capital cost improvements.
4. A review of the impact of higher metal prices on mineral reserves, which the Company estimates will result in higher mineral reserves and mineable tonnes of ore.

Based on the completed optimization study, Agua Rica is expected to produce approximately 12.5 million tonnes of copper/gold concentrate and 357,750 tonnes of molybdenum concentrate over a 26.5-year mine life. The study now creates the new base case for the project. The Company concluded that this is an exceptional stand-alone project offering significant value and currently has further optimization upside options and additional initiatives being evaluated.

Previous estimates of mineral resources and reserves of Agua Rica as reported in the Company's 2008 annual report were based on a copper price of $1.10 per pound and a gold price of $425 per ounce. With the higher metal prices used in the optimization review, contained metal is expected to increase by at least 5%. An updated mineral reserve estimate will be completed as part of the continued review of the project. A full update to the 2006 feasibility study, which would include the recently completed optimization initiatives, the additional initiatives under review and definitive mineral reserve and production estimates, will be provided as Yamana continues to work toward a formal construction decision for the project.

Salamanca—Gualcamayo

Exploration efforts continued at the Salamanca area located approximately 10 kilometres north of the Gualcamayo mine area. The Company recently completed a core drilling campaign comprised of 17 drill holes for a total of 3,000 metres concentrating on the Salamanca mineralized tensional gash.

The high-grade gold values encountered support the interpretation that the main intercepted structure might continue deeper and maintain the robust gold tenor. Results to date continue to compare favourably to results from the three known mineral deposits at Gualcamayo, which have mineral resource grades of 1.08 g/t gold at QDD, and 2.6 g/t gold at both QDD Lower West and AIM. The sediment-hosted mineralization at Salamanca is consistent with the other known mineral deposits at Gualcamayo.

A subsequent 2,000 metre drill program is scheduled to commence in early 2010 and will continue to explore the deeper levels as well as to test the strike continuation of the mineralized dilational bend at Salamanca.

These drilling results continue to confirm the Company's view that Salamanca represents an important source of further gold ounces for Gualcamayo with the potential to extend the mine life. These results will be used to support a mineral resource estimate in the first half of 2010.

QDD Lower West—Gualcamayo

Continued drilling on the QDD Lower West deposit is expected to increase mineral reserves, particularly in the western extension. Construction of an incline ramp is planned. Advanced metallurgical test work demonstrates the strong presence of free gold which would allow heap leaching through existing facilities. A pre-feasibility study supports additional production of 80,000 to 90,000 gold ounces per year at Gualcamayo. A feasibility study is expected in the second half of 2010 to evaluate the possibility of accelerating production.

Chile

El Peñón

Exploration efforts in 2009 were principally focused on replacing ounces at El Peñón and focusing on new areas of mineralization for exploration. With that objective completed, 2010 exploration will focus on extending the known deposits, infill drilling to upgrade certain inferred mineral resources to the indicated resource category and a broader regional exploration program. The 2010 exploration program is to include 69,500 metres of exploration drilling and 24,550 metres of infill drilling with a budget of US$18.4 million, US$5.8 million higher than the original budgeted amount for 2009.

Recent exploration efforts have led to the discovery of Pampa Augusta Victoria, a high grade gold and silver vein system. Pampa Augusta Victoria is a vein system of structurally controlled low sulphidation quartz, stockworks and hydrothermal breccias that are positioned within acidic volcanic rocks. These rocks are exposed in a structurally controlled window that is approximately 400 km^2 in surface area. Comparable to El Peñón, the gold mineralization is surrounded by silver mineralization with grades greater than 30 g/t silver.

The Company has completed 21 reverse circulation drill holes totaling 6,368 metres to date. The main structure has been traced along strike for approximately 270 metres and down dip to approximately 200 metres and is open in all directions.

The discovery of Pampa Augusta Victoria supports the Company's view that there is significant unrealized value at El Peñón and potential remains to further increase production and extend the mine life. With only approximately 35% of the surrounding area explored to date, El Peñón has exceptional exploration upside and the Company expects new discoveries of this nature consistent with previous high grade vein discoveries which now include Pampa Augusta Victoria.

Minera Florida

In 2009, two new zones of mineralization were discovered: Centenario and Polvorin.

At Centenario, 49 diamond drill holes totaling 7,594 metres were completed and outlined mineralization along a strike length of 250 metres and a dip length of 100 metres. The mineralization consists of quartz veins, veinlets and stockworks in andesite flows with widths varying from 0.25 to 8 metres but averaging between 1 and 3 metres.

At Polvorin, 43 diamond drill holes totaling 8,090 metres have outlined mineralization along 400 metres of strike length and up to 200 metres of dip length with an average width of approximately 2.0 metres. The mineralization is typified by zones of hydrothermal breccia with zones of massive quartz veins. Sulphide mineralization consists of disseminations of pyrite, sphalerite and magnetite with traces of galena.

The exploration program for Minera Florida in 2010 includes 12,900 metres of exploration drilling for near mine targets and 18,000 metres of infill drilling to re-categorize inferred mineral resources to the indicated category. Multiple veins are to be explored with two new regional targets. Exploration also continues in the areas surrounding Minera Florida with the objective to identify new ounces.

Mexico

Mercedes

In July 2009, Yamana made a decision for the development and construction of the Mercedes gold-silver project based on positive project economics from the pre-feasibility study completed earlier in the year and additional drilling results which added further certainty to the extension of the initial mine life. In addition, since earlier this year, Mercedes has been further advanced with the construction of a development ramp. The ramp has accelerated development of the Mercedes vein and confirmed continuity in the grade over approximately 600 metres of length, plus approximately 300 metres in two cross-cuts and vein levels. The Project is expected to produce over 110,000 gold equivalent ounces for an initial mine life of 6 years.

Development work continued to progress at Mercedes. Permitting is now currently underway and targeted to be complete mid-2010 facilitating the start-up of construction expected to be completed by mid-2012. Basic engineering and advanced mine development has been completed and exploration results continue to confirm Mercedes' high geological potential. Work on the development ramp is progressing to confirm grade continuity and the potential to convert mineral resources to mineral reserves.

21. 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 year ended December 31, 2009. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Operating and Political Risks

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

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

Currency Risks

Conducting exploration and production in Latin America also exposes the Company to the risk of currency fluctuations. A significant portion of the Company's expenditures are denominated in Brazilian Reais, Argentine Pesos, Chilean Pesos and, to a lesser extent, Canadian Dollars, Mexican Pesos and Honduran Lempiras. 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 26* to the consolidated financial statements for an additional discussion on currency risks.

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

Commodity Risks

The mining industry is intensely competitive and highly dependent on commodity prices. The profitability of the Company is directly related to the market price of gold, silver and copper. A decline in the price of gold, copper or silver could negatively impact the Company's operations. Refer to *Note 26* to the consolidated financial statements for an additional discussion on commodity risks.

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

The Company has entered into several currency hedges to mitigate against fluctuations in the price of copper as further discussed in Section "Derivatives". The Company has not hedged any of its gold.

Interest Rate Risks

The Company is exposed to interest rate risk on its variable rate debt. As at December 31, 2009, the Company has a total of $231.6 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 OCI until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings. At December 31, 2009, the Company's long-term debt was at fixed rates; hence there is no market risk arising from fluctuations in floating interest rate.

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 offsetting 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 maintaining adequate lines of credit.

Environmental Risks

The Company's mining and processing operations and exploration activities in Brazil, Chile, Argentina, Mexico and Columbia are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. Permits from various governmental authorities are necessary in order to engage in mining operations in all jurisdictions in which the Company operates. Such permits relate to many aspects of mining operations, including maintenance of air, water and soil quality standards. In most jurisdictions, the requisite permits cannot be obtained prior to completion of an environmental impact statement and, in some cases, public consultation. Furthermore, 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.

22. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements in accordance with Canadian GAAP, 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. Users are cautioned that under current economic conditions, the Company may require the use of additional estimates and certain estimates are subject to a greater degree of uncertainty as a result. The following accounting estimates are among the most critical:

Revenue Recognition

Revenue from the sale of gold or other metals is recognized when all significant risks and rewards of ownership pass to the purchaser, including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are finally settled.

Sales revenue is recognized at the fair value of consideration received. Revenue includes treatment and refining charges if payment of these amounts can be enforced at the time of sale. Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract or at spot prices. Incidental revenues from the sale of by-products (zinc) are classified with cost of sales. Concentrate revenue for independent smelters are set at a specified future date after shipment based on market prices. Revenues are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts are caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. In a period of unusual price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant.

For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.

Asset retirement obligations

Asset retirement obligations are accrued at their fair value. Fair value is determined as the discounted future cash expenditures. Asset retirement obligations and other environmental liabilities are based on management's judgments and estimated engineering costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, current technology and the possible use of the location. Since these estimates are specific to the locations involved, there are many individual assumptions underlying the Company's total asset retirement obligations and provision for other environmental liabilities. The asset retirement obligations are calculated as the net present value of estimated future cash flows, which total $213.6 million discounted using a credit adjusted risk-free rate of 5%. The settlement of the obligations will occur through to 2032. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items. While these individual assumptions can be subject to change, none are individually significant to the Company's reported financial results. Asset retirement obligations are amortized over the life of each mine on a unit-of-production basis. Readers are encouraged to refer to *Note 13* of the consolidated financial statements for additional information.

Inventories

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Depletion and impairment of mineral properties

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine which they relate to, or using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to exploration potential, reserves and resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained, or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. The annual impairment test included a long-term gold price of $950 per ounce, and a long-term copper price of $2.50 per pound. Upon completion of this test, there were no impairments.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Goodwill

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of the reporting unit to its carrying amounts. If the carrying value of the reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

For goodwill impairment testing purposes, the Company estimates the fair value of a gold property using a discounted cash flow valuation based on projected future cash flows. The determination of fair value is highly subjective and requires numerous assumptions including, but not limited to, projected future revenues based on estimated production, long-term metal prices, operating expenses, capital expenditures, inflation index, exchange and discount rates.

The Company's goodwill relates exclusively to the acquisition of the Jacobina mine. The annual goodwill impairment test included a long-term gold price of $950 per ounce, a nominal discount rate of 8.9% and an average future inflation index of 2.0%. Upon completion of this test, there was no impairment to goodwill.

Mineral reserve estimates

The figures for reserves and resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

As at December 31, 2009, mineral reserve estimates were based on a gold price of $825 per ounce (except for Fazenda Brasileiro based on $776 per ounce, C1 Santa Luz based on $750 per ounce and Agua Rica based on $425 per ounce and

$1.10 per lb for copper), a silver price of $14.00 per ounce and a copper price of $2.25 per pound.

Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operation.

Income taxes

Future income tax assets and liabilities are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for income tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

Long-term income tax liabilities are recorded on the profits earned in Chile that the Company expects to repatriate to its foreign shareholders.

Long-term investments

Long-term investments held by the Company include Master Asset Vehicle II notes ("MAV II") and Auction Rate Securities ("ARS"). Due to the absence of properly functioning markets for these assets, the Company has estimated the fair value of these investments considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments.

The Company's valuation of the MAV II investment assumed that the repayment, discounted at a risk-free rate plus a 10% credit spread, would occur in 8 years resulting in an impairment of 50% of face value. The Company's valuation of the ARS investments assumed that repayment, discounted at a risk-free rate plus a 20% credit spread, would occur in 20 years which resulted in an impairment of 90% of face value.

Assets under construction

Assets under construction consist of expenditures for the construction of future mines and include pre-production revenues and expenses prior to achieving commercial production. Commercial production is a convention for determining the point in which a mine and plant has completed the operational commissioning and has operational results that are at a sustainable commercial level over a period of time, after which production costs are no longer capitalized and are reported as operating costs. The determination of when commercial production commences is based on a several qualitative and quantitative factors including but not limited to the following:

- A significant portion of planned capacity, including production levels, grades and recovery rates, is achieved
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits to allow continuous operations

Change in Accounting Policies

During 2009, the Company adopted, in accordance with the respective transitional provisions, the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

(i) Goodwill and Intangible Assets

On January 1, 2009, the Company adopted, in accordance with the respective transitional provisions, the new Section 3064, "Goodwill and Intangible Assets", issued by the Canadian Institute of Chartered Accountants ("CICA") in February 2008. The section clarifies the recognition and measurement criteria of goodwill and intangible assets, in particular, for those that are generated internally. On adoption of Section 3064, Emerging Issues Committee Abstract 27, "Revenues and Expenditures during the Pre-operating period", no longer applies to the Company. The implementation of this standard did not have a material impact on the Company's interim consolidated financial statements.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC-173"). EIC-173 provides guidance on how to take into account the credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's interim consolidated financial statements.

(iii) Mining Exploration Costs

In March 2009, the CICA issued EIC Abstract 174, "Mining Exploration Costs" ("EIC-174"), which supersedes EIC Abstract 126, "Accounting by Mining Enterprises for Exploration Costs", to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-174 did not result in a material impact on the Company's interim consolidated financial statements.

(iv) Financial Instruments—Recognition and Measurement

In August 2009, the CICA issued amendments to Section 3855, "Financial Instruments—Recognition and Measurement". The application of this amendment is to annual financial statements beginning on or after November 1, 2008. Changes include:

- Reclassification of financial assets out of assets held for trading and assets held for sale categories into the loans and receivables category is permitted under certain circumstances;
- The definition of loans and receivables category has been updated so that debt securities that are not quoted in an active market are permitted to be classified in the loans and receivables category. Impairment of loans and receivables is calculated using the incurred credit loss model of Section 3025, "Impaired Loans". Loans and receivables that an entity plans to sell in the near term must be classified as held for trading, and loans or receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available for sale; and
- Impairment losses relating to available-for-sale debt instruments must be reversed if the fair value of the instrument increases due to an event occurring after the loss was recognized.

The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

(v) Financial Instruments—Disclosures

In June 2009, the CICA issued amendments to Section 3862, "Financial Instruments—Disclosures". The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009.

Financial instruments recognized at fair value on the consolidated balance sheet must be classified in fair value hierarchy levels as follows:

- Level 1—valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3—valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The impact of this amendment resulted in additional disclosures included in *Note 26* of the consolidated financial statements.

23. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) CHANGEOVER PLAN

The Company continues to monitor the deliberations and progress on plans to converge to International Financial Reporting Standards ("IFRS") by accounting standard setting bodies and securities regulators in Canada, Brazil, Chile, Argentina, the United States and other countries, where the Company has operating and other interests.

Differences between Canadian GAAP and IFRS will impact the Company's accounting activities at varying degrees, some of which are dependent on policy-choice decisions. The Company's main objective in the selection of IFRS policies and transition elections is to become IFRS-compliant while ensuring it provides meaningful and transparent information to stakeholders.

The major differences between the current accounting policies of the Company and those the Company is required or expects to apply in preparing IFRS financial statements include:

- Asset retirement obligations
  Differences related to decommissioning, restoration and similar liabilities that are being assessed include the recognition of provisions which introduce the concept of legal and constructive obligations when probable ("more likely than not" or greater than 50%) and the measurement requirements for discounting using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.
- Income taxes
  The Company expects differences to include items in the areas of inter-company transactions, and business combinations.
- Share-based compensation
  The Company recognizes share-based compensation as a single pool with a fair value based on a specified vesting period. Under IFRS, the Company will treat each installment as a separate arrangement with its own distinct fair value measurement. Compensation cost for each tranche will be recognized over its own distinct vesting period.
- Property, plant and equipment ("PPE")
  Key differences with respect to PPE include component accounting which must be more rigorously applied to physical and non-physical components, the mandatory capitalization of interest costs and requirements for annual review of estimates of useful life, residual value and depreciation method. The Company has chosen the valuation method of historical cost accounting.
- Impairment of assets
  Under IFRS, it is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. An impairment test includes only the use of discounted cash flows, when a cash flow model is used, to calculate the asset's recoverable amount and to compare it with the carrying amount. IFRS also allows the reversal of impairments for long-lived assets if conditions that gave

rise to those impairments no longer exist. It is expected that there will be increased volatility in impairment recognition due to increase in frequency of assessment and possibility of reversal of impairments.

- Provisions, Contingent Liabilities and Contingent Assets Differences that are being assessed include the recognition of provisions which introduce the concept of legal and constructive obligations when probable ("more likely than not" or greater than 50%) and the requirements for discounting when material.

A project steering committee was established at the inception of the project and is providing the overall guidance to the conversion project. The audit committee of the Company is kept informed of management's decisions on accounting policy choices under IFRS, project status and significant IFRS developments. During the 12 months of 2009, the Company completed a detailed work plan for the design and implementation phases of the project. The project is progressing according to plan, is on budget and there has been no significant change to the plan.

Some of the key activities that have commenced and will continue in early 2010 include the preparation of IFRS opening balance sheet for January 1, 2010 and draft financial statements, training and communication programs, internal control risk assessment process and consultation with the operating units. In addition, the IFRS project team will continue to liaise with IT system teams to ensure alignment with other IT project developments.

Continuous monitoring of current IFRS developments is also an imperative consideration in the design and implementation phase as multiple changes are expected to come into effect as the Company transitions to IFRS.

24. RECENT ACCOUNTING PRONOUNCEMENTS

Recently issued Canadian and United States accounting pronouncements are outlined below.

Canadian GAAP

(a) In January 2009, the CICA issued Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests" to replace Section 1581 and Section 1600. These sections shall be applied prospectively to business combinations on or after the effective date of January 1, 2011 with earlier application permitted. These standards establish updated principles on the recognition, measurement criteria and presentation for acquisitions, the accounting for assets and liabilities assumed and non-controlling interests. The implementation of these standards is currently not expected to have a material impact on the Company's consolidated financial statements.

(b) In December 2009, the CICA issued EIC Abstract 175, "Multiple Deliverable Revenue Arrangements" ("EIC-175"), requiring a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the stand-alone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirement to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. EIC-175 may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 with early adoption permitted. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(c) Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011 ("Changeover Date"). Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required. Refer to Section 23 for additional information.

United States GAAP

(a) In June 2009, FASB issued Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles"—a replacement of FASB Statement 162. This statement is now known as ASC 105. The FASB Accounting Standards Codification™ (Codification) is the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

(b) In June 2009, FASB issued Statement No. 166, "Accounting of Transfers of Financial Assets"—an amendment of FASB No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of

Liabilities". This statement is now known as ASC 860. This Statement improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (1) practices that have developed since the issuance of FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is assessing the impact of the new standard.

(c) In June 2009, FASB issued Statement No. 167, "Amendment to FASB Interpretation No.46(R)". This statement is now known as ASC 810. This Statement improves financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities", as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, "Accounting for Transfers of Financial Assets", and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is assessing the impact of the new standard.

25. 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, the 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

The 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 of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that, as of December 31, 2009, the Company's internal control over financial reporting is effective and no material weaknesses were identified. The Company has certified the above in its annual filings with both the U.S. Securities and Exchange Commission on Form 40-F as required by the United States *Sarbanes-Oxley Act* and with Canadian securities regulatory authorities.

Deloitte and Touche LLP, the Company's Independent Registered Chartered Accountants, have audited the consolidated financial statements of the Company for the year ended December 31, 2009, and also issued a report on the internal controls over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States).

Changes in Internal Controls

During the year ended December 31, 2009, 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. Furthermore, 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 errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

This report provides a discussion and analysis of the financial condition and results of operations ("Management's Discussion and Analysis") to enable a reader to assess material changes in financial condition between December 31, 2009 and December 31, 2008 and results of operations for the periods ended December 31, 2009, December 31, 2008 and December 31, 2007.

This Management's Discussion and Analysis has been prepared as of March 3, 2010. The audited consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") 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, 2009 (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, 2009 and the most recent Annual Information Form for the year ended December 31, 2009 on file with the Securities Commissions of all of the provinces in Canada and the 2009 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, but are not limited to, 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 and the Chilean 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 resources; changes in project parameters as plans continue to be refined; changes in project development and production 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; successful transition to owner-mining; permitting timelines, 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, 2009 filed with the securities regulatory authorities in all provinces of Canada and available at www.sedar.com, and the Company's Annual Report on Form 40-F filed with the United States Securities and Exchange Commission. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

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

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

Cautionary Note Regarding Mineral Reserves and Mineral Resources

Readers should refer to the Annual Information Form of the Company for the year ended December 31, 2009 and other continuous disclosure documents filed by the Company since January 1, 2010 available at www.sedar.com, for further information on mineral reserves and mineral resources, which is subject to the qualifications and notes set forth therein.

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Yamana Gold Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management on a going concern basis in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Yamana Gold Inc. maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are independent directors. The Committee meets at least four times a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States) on behalf of the shareholders. Deloitte & Touche LLP have full and free access to the Audit Committee.

Charles B. Main

Peter Marrone
Chairman and
Chief Executive Officer
March 2, 2010

Charles B. Main
Executive Vice President, Finance and
Chief Financial Officer

Report of Independent Registered Chartered Accountants

To the Shareholders of Yamana Gold Inc.

We have audited the accompanying balance sheets of Yamana Gold Inc. and subsidiaries (the "Company") as at December 31, 2009 and 2008, and the related statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Yamana Gold Inc. and subsidiaries as at December 31, 2009 and 2008 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 2, 2010

Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the changes described in *Note 2* to the consolidated financial statements. Although we conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), our report to the Shareholders, dated March 2, 2010, is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 2, 2010

Report of Independent Registered Chartered Accountants (cont'd)

To the Shareholders of Yamana Gold Inc.

We have audited the internal control over financial reporting of Yamana Gold Inc. and subsidiaries (the "Company") as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2009 of the Company and our report dated March 2, 2010 expressed an unqualified opinion on those financial statements and included a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Differences referring to changes in accounting principles.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 2, 2010

Consolidated Balance Sheets

For the Years Ended December 31 *(In thousands of United States Dollars)*

	2009	2008
Assets		
Current		
Cash and cash equivalents	$ 170,070	$ 167,765
Accounts receivable	102,126	24,076
Inventory (*Note 4*)	101,820	84,412
Other current assets (*Note 5*)	154,979	180,893
Current assets held for sale (*Note 10*)	53,624	51,093
	582,619	508,239
Mineral interests (*Note 6*)	8,576,361	8,329,885
Investments (*Note 7*)	56,366	12,493
Other long-term assets (*Note 8*)	167,390	102,584
Future income tax assets (*Note 21(b)*)	135,454	124,021
Goodwill (*Note 9*)	55,000	55,000
Long-term assets held for sale (*Note 10*)	134,070	205,132
	$ 9,707,260	$ 9,337,354
Liabilities		
Current		
Accounts payable	$ 153,522	$ 136,877
Accrued liabilities	86,319	62,087
Income taxes payable	42,844	4,565
Other current liabilities (*Note 11*)	25,660	142,589
Current liabilities held for sale (*Note 10*)	13,937	14,677
	322,282	360,795
Long-term debt (*Note 12*)	529,450	472,215
Asset retirement obligations (*Note 13*)	133,163	73,954
Future income tax liabilities (*Note 21(b)*)	1,768,899	1,710,293
Other long-term liabilities (*Note 14*)	138,389	141,692
Long-term liabilities held for sale (*Note 10*)	19,559	21,486
	2,589,460	2,419,640
	2,911,742	2,780,435
Non-controlling interest (*Note 19*)	46,800	46,800
Shareholders' Equity		
Capital Stock (*Note 15*)		
Issued and outstanding—733,411,458 common shares		
(December 31, 2008—732,844,955 shares)	6,063,410	6,055,892
Share purchase warrants (*Note 17*)	44,071	44,109
Contributed surplus	26,942	26,587
Accumulated other comprehensive income (loss) (*Note 16*)	26,652	(40,651)
Retained earnings	587,643	424,182
	6,748,718	6,510,119
	$ 9,707,260	$ 9,337,354

Contractual commitments and contingencies (*Notes 24 and 27*).

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

Approved by the Board

Peter Marrone
Chairman

Patrick Mars
Director

Consolidated Statements of Operations

For the Years Ended December 31 *(In thousands of United States Dollars, except shares and per share amounts)*

	2009	2008	2007
Revenues	$ 1,183,314	$ 949,362	$ 639,365
Cost of sales excluding depletion, depreciation and amortization	(479,847)	(413,635)	(222,408)
Depletion, depreciation and amortization	(233,687)	(175,907)	(58,936)
Accretion of asset retirement obligations	(2,282)	(1,834)	(1,385)
Mine operating earnings	467,498	357,986	356,636
Expenses			
General and administrative	(101,357)	(68,686)	(66,231)
Exploration	(20,438)	(17,372)	–
Other operating (expenses) income	(3,870)	(8,925)	702
Operating earnings	341,833	263,003	291,107
Investment and other business income (loss)	22,231	(27,293)	12,462
Interest and financing expenses (*Note 20*)	(34,553)	(44,478)	(22,034)
Foreign exchange gain (loss)	74,515	131,921	(42,313)
Realized gain (loss) on derivatives (*Note 26(a)*)	18,659	(10,048)	(17,082)
Unrealized (loss) gain on derivatives (*Note 26(a)*)	(105,428)	166,216	(28,391)
Earnings from continuing operations before taxes and equity earnings	317,257	479,321	193,749
Income tax expense (*Note 21(a)*)	(136,559)	(25,727)	(62,589)
Equity earnings from Minera Alumbrera (*Note 6*)	31,073	25,763	3,820
Non-controlling interest	–	–	(2,017)
Earnings from continuing operations	211,771	479,357	132,963
(Loss) earnings from discontinued operations (*Note 10*)	(19,140)	(44,585)	24,282
Net earnings	$ 192,631	$ 434,772	$ 157,245
Earnings per share from continuing operations			
Basic	0.29	0.69	0.32
Diluted	0.29	0.68	0.31
Net earnings per share			
Basic	0.26	0.63	0.38
Diluted	0.26	0.62	0.36
Weighted average number of shares outstanding (*Note 15(b)*)			
Basic	733,093	691,536	415,232
Diluted	734,235	701,685	431,917

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

Yamana Gold Inc.

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31 *(In thousands of United States Dollars)*

	2009	2008	2007
Common shares			
Balance, beginning of year	$ 6,055,892	$ 5,502,518	$ 1,619,850
Issued on exercise of stock options, share appreciation rights and warrants (*Note 15(a)*)	3,702	449,933	99,091
Issued on vesting of restricted share units (*Note 18*)	3,816	–	–
Public offering (net of issue costs)	–	103,441	–
Issued on business acquisitions (*Note 10*)	–	–	3,783,577
	$ 6,063,410	$ 6,055,892	$ 5,502,518
Shares to be issued			
Balance, beginning of year	$ –	$ –	$ 42,492
To be issued on exercise of stock options, share appreciation rights and warrants	–	–	(3,009)
Issued on business acquisitions (*Note 10*)	–	–	(39,483)
	$ –	$ –	$ –
Share purchase warrants			
Balance, beginning of year	$ 44,109	$ 270,805	$ 73,004
Exercise of warrants	(38)	(226,029)	(4,906)
Transfer of expired warrants	–	(667)	–
Value of warrants acquired on business acquisition	–	–	202,707
	$ 44,071	$ 44,109	$ 270,805
Contributed surplus			
Balance, beginning of year	$ 26,587	$ 77,393	$ 61,578
Transfer of stock-based compensation on the exercise	(2,252)	(53,522)	15,378
Transfer of expired warrants	–	667	–
Transfer of restricted share units on vesting (*Note 18*)	(3,904)	–	–
Stock-based compensation	6,511	2,049	437
	$ 26,942	$ 26,587	$ 77,393
Total before retained earnings and accumulated other comprehensive income (loss)	$ 6,134,423	$ 6,126,588	$ 5,850,716
Retained earnings			
Balance, beginning of year	$ 424,182	$ 59,960	$ (80,085)
Net earnings	192,631	434,772	157,245
Dividends declared	(29,170)	(70,550)	(17,200)
Retained earnings, end of year	587,643	424,182	59,960
Accumulated other comprehensive income (loss) (*Note 16*)	26,652	(40,651)	(3,855)
	614,295	383,531	56,105
Total shareholders' equity	$ 6,748,718	$ 6,510,119	$ 5,906,821

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

Consolidated Statements of Comprehensive Income

For the Years Ended December 31 *(In thousands of United States Dollars)*

	2009	2008	2007
Net earnings	$ 192,631	$ 434,772	$ 157,245
Other comprehensive income, net of taxes:			
Net change in unrealized gains (losses) on available-for-sale securities:			
Change in fair value	21,327	(29,842)	(7,296)
Reclassification of losses recorded in earnings	–	33,817	–
Net change in fair value of hedging instruments (*Note 26(a)*)	45,976	(40,771)	6,951
Other comprehensive gain (loss)	67,303	(36,796)	(345)
Comprehensive income	$ 259,934	$ 397,976	$ 156,900

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

Consolidated Statements of Cash Flows

For the Years Ended December 31 *(In thousands of United States Dollars)*

	2009	2008	2007
Operating Activities			
Earnings from continuing operations	$ 211,771	$ 479,357	$ 132,963
Asset retirement obligations paid	(4,134)	(5,556)	(4,710)
Other	–	10,000	10,397
Items not involving cash:			
Depletion, depreciation and amortization	233,687	175,907	58,936
Stock-based compensation	10,470	4,493	726
Future income taxes (*Note 21(a)*)	54,435	(37,792)	(13,580)
Accretion of asset retirement obligations (*Note 13*)	2,282	1,834	1,385
Unrealized foreign exchange (gain) loss	(73,601)	(124,375)	19,714
Unrealized loss (gain) on commodity contracts (*Note 26(a)*)	105,428	(166,216)	28,391
Write-off and provisions against assets	6,263	52,451	4,206
Mark-to-market on sales of concentrate	(40,365)	17,072	–
Financing charges	10,333	2,919	3,245
Other	(20,950)	1,106	2,659
	495,619	411,200	244,332
Net change in non-cash working capital (*Note 22(c)*)	32,407	(173,786)	(1,459)
Cash flows from operating activities of continuing operations	528,026	237,414	242,873
Cash flows from operating activities of discontinued operations (*Note 10*)	23,567	91,261	38,257
Financing Activities			
Public offering (net of issue costs)	–	101,941	–
Issue of common shares upon exercise of options and warrants (net of issue costs)	1,353	170,382	37,912
Dividends paid	(29,366)	(69,930)	(17,200)
Proceeds of notes payable and long-term liabilities	568,632	30,000	654,174
Repayment of notes payable and long-term liabilities	(596,891)	(95,621)	(53,278)
Financing and other costs	(8,685)	(5,193)	(7,264)
Cash flows (to) from financing activities of continuing operations	(64,957)	131,579	614,344
Investing Activities			
Expenditures on mineral properties	(289,774)	(226,794)	(115,288)
Acquisition of property, plant and equipment	(130,475)	(106,768)	(83,595)
Expenditures on assets under construction	(78,508)	(163,221)	(33,637)
Corporate acquisitions, net of cash acquired	–	–	(416,668)
Proceeds on disposition of mineral interests (*Note 10*)	55,432	33,192	–
Return of investment from Minera Alumbrera Ltd. (*Note 6*)	20,411	8,222	15,555
Other assets and investments	(47,002)	(14,209)	(15,064)
Cash flows to investing activities of continuing operations	(469,916)	(469,578)	(648,697)
Cash flows to investing activities of discontinued operations (*Note 10*)	(25,940)	(90,137)	(41,151)
Effect of foreign exchange on non-United States Dollar-denominated cash and cash equivalents	9,152	(15,296)	9,588
(Decrease) Increase in cash and cash equivalents	(68)	(114,757)	215,214
Cash and cash equivalents, beginning of year—continuing operations	167,765	283,646	65,538
(Decrease) Increase in cash and cash equivalents—discontinued operations	(2,373)	1,124	(2,894)
Cash and cash equivalents, end of year	$ 170,070	$ 167,765	$ 283,646
Cash and cash equivalents are comprised of the following:			
Cash at bank	$ 93,673	$ 136,063	$ 98,074
Bank term deposits	76,397	31,702	101,757
Short-term money market securities	–	–	83,815
	$ 170,070	$ 167,765	$ 283,646

Supplementary cash flow information (*Note 22*).

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

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009, December 31, 2008 and December 31, 2007

(Tabular amounts in thousands of United States Dollars unless otherwise noted)

1. NATURE OF OPERATIONS

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

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. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Consolidation and Presentation

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the assets, liabilities and operations of the Company and its wholly-owned subsidiaries. Canadian GAAP differs in certain aspects from United States of America generally accepted accounting principles ("US GAAP") as described in *Note 29*.

Management is required to assess whether there are significant uncertainties that may affect the Company's ability to continue to operate as a going concern in the foreseeable future. In developing this assessment, management has taken into account all available information about the future including, but not limited to, projected cash flows, current and expected profitability and debt repayment schedules. Based on the above assessment, the accompanying consolidated financial statements have been prepared on a going concern basis.

During the year, the San Andrés, São Francisco and São Vicente Mines were sold (*Note 10*). The São Francisco and São Vicente Mines are under agreements, which are expected to close during 2010. The operating results, assets and liabilities of these mines have been treated as discontinued operations with the balances presented in a separate line. Comparative amounts have been restated to exclude amounts pertaining to discontinued operations, as applicable.

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

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Entities which are jointly controlled, referred to as joint ventures, are proportionately consolidated. Variable Interest Entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company's 56.7% interest in Agua De La Falda ("ADLF"), which is a variable interest entity, is consolidated and the non-controlling interest of the Company's partner is recorded (*Note 19*).

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

All inter-company accounts are eliminated on consolidation.

(ii) Measurement uncertainties

The preparation of consolidated financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Users are cautioned that under current economic conditions, the Company may require the use of additional estimates and certain estimates are subject to a greater degree of uncertainty as a result.

Significant estimates used in the preparation of these financial statements include, but are not limited to, the recoverability of receivables and investments, the quantities of material on heap leach pads and in circuit, the useful lives of assets, proven and probable reserves, resources and exploration potential and the related depletion and the valuation of goodwill, impairment testing of mineral properties, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the estimated net realizable value of inventories, the accounting for stock-based compensation, the valuation of Master Asset Vehicle II Notes and auction-rate securities, the fair value of derivatives, the provision for taxes and recognition of future income tax assets and liabilities, the anticipated costs of reclamation and closure cost obligations, the criteria used to determine when a mine begins commercial production and the fair value of assets and liabilities acquired in business combinations. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(iii) Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and VIEs and represent the outside interest's share of the carrying values of the subsidiaries and VIEs. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

(iv) Foreign currency translation

The Company considers its foreign operations to be integrated operations as they are financially and operationally interdependent of the reporting entity such that the exposure to exchange rate change is similar to the exposure that would exist had the transactions and activities been undertaken by the reporting enterprise. The Company's mining operations operate primarily within an economic environment where the United States Dollar is the reference currency; as such the Company's functional currency is the United States Dollar. Monetary assets and liabilities of the Company's operations denominated in a currency other than the United States Dollar are translated into United States Dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depletion, depreciation and amortization, which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings.

(v) Cash and cash equivalents

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

(vi) Inventories and Stockpiled Ore

Inventory consisting of metal-in-circuit ore, gold in process and product inventories is valued at the lower of the weighted average cost of production and net realizable value. Net realizable value is calculated as the difference between the estimated future metal price based on prevailing and long-term metal prices and estimated costs to complete production into a saleable form. Inventories of material and supplies expected to be used in production are valued at the lower of cost and net replacement value. Net realizable and/or net replacement value is evaluated on a periodic basis. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the original write-down. Write-downs of inventory and reversals of write-downs are reported as a component of current period costs.

Metal in circuit is comprised of ore in stock piles and ore on heap leach pads. Ore in stock piles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stock piles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad.

Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Gold in process represents materials that are currently in the process of being converted to a saleable product.

(vii) Mineral Interests

(a) Property, plant and equipment

Property, plant and equipment are initially recorded at cost and amortization is recorded on a straight-line basis over the estimated useful lives of the assets. Useful lives of property, plant and equipment items range from two to 15 years, but do not exceed the related estimated mine life based on proven and probable reserves and the portion of resources that management expects to become reserves in the future.

	Amortization Method	Useful Life
Building	Straight-Line	4 to 15 years
Machinery and equipment	Straight-Line	2 to 7 years
Vehicles	Straight-Line	3 to 5 years
Furniture and office equipment	Straight-Line	2 to 10 years
Computer equipment and software	Straight-Line	3 to 5 years

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

The Company reviews the carrying value of its property, plant and equipment on a regular basis and where the carrying value is estimated to exceed the estimated undiscounted future net cash flows, a provision for impairment is recorded based on discounted estimated future cash flows.

(b) Mineral properties and exploration costs

Acquisition costs of mineral properties, direct exploration and development expenditures, and pre-stripping costs are capitalized at cost and carried net of depreciation. Costs incurred for general exploration that is not project specific or does not result in the acquisition of mineral properties are charged to operations. Costs relating to areas of interest abandoned are written off when such a decision is made.

When accounting for multiple pits using a common infrastructure:

- In circumstances where the new development is not closely located to a producing mine or is development of an new ore body, the Company accounts for the pre-stripping costs as if the development was a separately identified mine; and
- In circumstances where the development relates to ensuring or facilitating continued access to a common orebody and the pit is in close proximity to an existing pit, the Company accounts for the costs as per below.

Depletion of mining properties and amortization of pre-production and development costs are calculated and recorded on the unit-of-production basis over the proven and probable reserves of the mine and the portion of mineralization expected to be classified as reserves.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the orebody (stripping costs). During the pre-production and also in the production period, these costs are deferred as part of the mine property classified into mineral properties, if the costs relate to anticipated future benefits and represent a betterment. Once mine production enters the area related to the capitalized stripping costs, these are depleted on a unit-of-production basis over the reserves that directly benefit from the specific stripping activity. Regular waste removal that does not give rise to future benefits is accounted for as variable production costs and included in the cost of the inventory produced during the period that the stripping costs are incurred.

The Company reviews the carrying value of each property on an ongoing basis. This review generally is made by reference to the timing of exploration and/or development work, work programs proposed and the exploration results achieved. Where it is determined that there is an excess of carrying value over the estimated undiscounted future net cash flows the difference between carrying value and fair value is charged to operations in the period in which such impairment is determined. Estimated undiscounted future net cash flows are calculated using estimates for metal prices, reserves, operating costs, capital costs, and reclamation and closure costs for each respective property.

(c) Assets under construction

Assets under construction consist of expenditures for the construction of future mines and include pre-production revenues and expenses prior to achieving commercial production. Commercial production is a convention for determining the point in time in which a mine and plant has completed the operational commissioning and has operational results that are expected to remain at a sustainable commercial level over a period of time, after which production costs are no longer capitalized and are reported as operating costs. The determination of when commercial production commences is based on several qualitative and quantitative factors including, but not limited to, the following:

- A significant portion of planned capacity, including production levels, grades and recovery rates is achieved
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits to allow continuous operations

Financing costs, including interest, associated with projects that are actively being prepared for production are capitalized to assets under construction. These costs are elements of the historical cost of acquiring an asset when a period of time is required to bring it to the condition and location necessary for its intended use. Capitalized interest costs are amortized on the same basis as the corresponding qualifying asset with which they are associated.

(viii) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in investment and other business income. Loans and receivables, and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets, designated based on the criteria that management does not hold these for the purposes of trading, are presented as investments and measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income ("OCI") unless their impairment is determined to be other than temporary.

Derivatives

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

For cash flow hedges that qualify under the hedging requirements of Section 3865, the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is included in operations as an unrealized gain (loss) on commodity and currency contracts in the Statement of Operations.

(a) Commodity derivatives

The Company may enter into commodity contracts including forward contracts and derivatives to manage exposure to fluctuations in metal prices such as copper, zinc and silver. In the case of forwards, these contracts are intended to reduce the risk of declining prices on future sales. Purchased options are intended to allow the Company to benefit from higher market metal prices. In instances where the call option purchases offset the committed ounces of the corresponding forward, derivative assets/liabilities are presented net of amounts to counterparties. Some of the derivative transactions are effective in achieving the Company's risk management goals; however, they do not meet the hedging requirements of CICA Section 3865—"Hedges", therefore the changes in fair value are recorded in earnings.

The Company has entered into non-hedge derivatives that include forward contracts intended to manage the risk of declining copper prices. The Company does not hedge any of its gold sales.

(b) Currency Derivatives

The Company, from time to time, may enter into currency forward contracts to manage the foreign exchange exposure of the expenditures associated with the international operations. The Company tests the hedge effectiveness quarterly. Effective unrealized changes in fair value are recorded in other comprehensive income. Ineffective changes in fair value are recorded in earnings. At settlement, the fair value amount settled is recognized as cost of sales to offset the foreign exchange recorded by the mines.

(c) Interest Rate Derivatives

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

(ix) Revenue recognition

Revenue from the sale of gold or other metals is recognized when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are finally settled.

Sales revenue is recognized at the fair value of consideration received. Revenue includes treatment and refining charges if payment of these amounts can be enforced at the time of sale. Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract or at spot prices. Incidental revenues from the sale of by-products (zinc) are classified with cost of sales. Concentrate revenue for independent smelters are set at a specified future date after shipment based on market prices. Revenues are recorded at the time the rights and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts are caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. The provisional sales quantities are adjusted for changes in metal quantities upon receipt of new information and assay results.

(x) Goodwill

Acquisitions are accounted for using the purchase method whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company tests for impairment of goodwill at least on an annual basis during the fourth quarter or upon the occurrence of a triggering event or circumstance that indicates impairment. At such time, the Company evaluates whether the carrying amount of a reporting unit's goodwill may no longer be recoverable. To accomplish this, the Company compares the fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

(xi) Asset retirement obligations and closure costs

Asset retirement obligations are legal obligations associated with the retirement of a long-lived asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset. Reclamation obligations on the Company's mineral properties are recorded as asset retirement obligations.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures that may occur upon reclamation and closure. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Reclamation and closure costs are capitalized as part of the carrying amount of the associated long-lived asset and amortized over the life of the mine on a unit-of-production basis.

(xii) Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded on the financial statements if realization is considered more likely than not.

(xiii) Earnings per share

Earnings per share are based on the weighted average number of common shares of the Company that were outstanding throughout each year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of outstanding stock options and warrants that are used to purchase common shares at the average market price during the year.

(xiv) Stock-based compensation

The Company's stock-based compensation plans are described in *Note 18*.

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

(xv) Transaction and financing costs

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

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

During 2009, the Company adopted, in accordance with the respective transitional provisions, the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted, in accordance with the respective transitional provisions, the new Section 3064 "Goodwill and Intangible Assets" issued by the Canadian Institute of Chartered Accountants ("CICA") in February 2008. The section clarifies the recognition and measurement criteria of goodwill and intangible assets, in particular, for those that are generated internally. On adoption of Section 3064, Emerging Issues Committee Abstract 27, "Revenues and Expenditures during the Pre-operating period", no longer applies to the Company. The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

Financial Instruments—Recognition and Measurement

In August 2009, the CICA issued amendments to Section 3855, "Financial Instruments—Recognition and Measurement". The application of this amendment is to annual financial statements beginning on or after November 1, 2008. Changes include:

- Reclassification of financial assets out of assets held for trading and assets held for sale categories into the loans and receivables category is permitted under certain circumstances;
- The definition of loans and receivables category has been updated so that debt securities that are not quoted in an active market are permitted to be classified in the loans and receivables category. Impairment of loans and receivables is calculated using the incurred credit loss model of Section 3025 "Impaired Loans". Loans and receivables that an entity plans to sell in the near term must be classified as held for trading, and loans or receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available for sale; and
- Impairment losses relating to available-for-sale debt instruments must be reversed if the fair value of the instrument increases due to an event occurring after the loss was recognized.

The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

Financial Instruments—Disclosures

In June 2009, the CICA issued amendments to Section 3862, "Financial Instruments—Disclosures". The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009.

Financial instruments recognized at fair value on the consolidated balance sheet must be classified in fair value hierarchy levels as follows:

- Level 1—Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—Valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3—valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The impact of this amendment resulted in additional disclosures included in *Note 26* of the consolidated financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC Abstract 174, "Mining Exploration Costs" ("EIC-174") which supersedes EIC Abstract 126, "Accounting by Mining Enterprises for Exploration Costs", to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-174 did not result in a material impact on the Company's consolidated financial statements.

Future accounting changes

(i) In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests" to replace Section 1581 and Section 1600. These sections shall be applied prospectively to business combinations on or after the effective date of January 1, 2011 with earlier application permitted. These standards establish updated principles on the recognition, measurement criteria and presentation for acquisitions, the accounting for assets and liabilities assumed and non-controlling interests. The implementation of these standards is currently not expected to have a material impact on the Company's consolidated financial statements.

(ii) In December 2009, the CICA issued EIC Abstract 175, "Multiple Deliverable Revenue Arrangements" ("EIC-175") requiring a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the stand-alone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirement to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. EIC-175 may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(iii) Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011 ("Changeover Date"). Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended March 31, 2011, prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

4. INVENTORY

		2009		2008
Product inventories	$	26,372	$	18,237
Metal in circuit and gold in process		11,752		4,658
Ore stockpiles		20,303		14,843
Material and supplies		43,393		46,674
	$	101,820	$	84,412

The amount of inventories recognized as an expense during the year is included in cost of sales of $479.8 million (2008—$413.6 million; 2007—$222.4 million).

5. OTHER CURRENT ASSETS

		2009		2008
Advances and deposits	$	98,035	$	51,919
Income taxes recoverable		12,323		12,717
Current portion of derivative-related assets (*Note 26(a)*)		14,110		82,677
Future income tax assets (*Note 21*)		14,552		24,460
Other current assets		15,959		9,120
	$	154,979	$	180,893

6. MINERAL INTERESTS

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Total property, plant and equipment (*i*)	$ 999,001	$ 187,149	$ 811,852	$ 615,747	$ 102,718	$ 513,029
Mineral Properties:						
Depletable producing properties	2,703,580	435,957	2,267,623	2,370,063	259,735	2,110,328
Non-depletable development and exploration properties	5,278,605	–	5,278,605	5,196,132	–	5,196,132
Total mineral properties (*ii*)	$ 7,982,185	$ 435,957	$ 7,546,228	$ 7,566,195	$ 259,735	$ 7,306,460
Total assets under construction (*iii*)			$ 4,492			$ 276,196
Equity investment in Minera Alumbrera Ltd. (*iv*)			$ 213,789			$ 234,200
Total mineral interests			$ 8,576,361			$ 8,329,885

(i) Included in property, plant and equipment is $39.4 million of land properties which are not subject to depreciation (December 31, 2008—$35.1 million).

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

	2009	2008
Balance, beginning of year	$ –	$ –
Additions	14,272	–
Amortization	(277)	–
Balance, end of year	$ 13,995	$ –

(iii) The Company commissioned Gualcamayo on July 1, 2009. At that date, all related capitalized items have been reclassified to property, plant and equipment and mineral properties. Certain areas of the Gualcamayo mining complex continue to be under construction. During the year ended December 31, 2009, the Company capitalized $16.7 million of interest costs for assets under construction (December 31, 2008—$10.9 million), of which $9.0 million was reclassified to other mineral interests related to Gualcamayo.

(iv) The Company has a 12.5% indirect interest in the Bajo de la Alumbrera Mine, held by Minera Alumbrera Ltd. (“Alumbrera”). Based on the Company’s ability to exercise significant influence, the investment has been accounted for using the equity method. Earnings of Alumbrera have been included in the earnings of the Company from October 13, 2007, the date of acquisition.

	2009	2008
Balance, beginning of year	$ 234,200	$ 240,622
Equity in earnings	31,073	25,763
Cash distributions	(51,484)	(33,985)
Adjustment relating to the purchase price on acquisition	–	1,800
Balance, end of year	$ 213,789	$ 234,200

The equity investment in Alumbrera includes $131.2 million (December 31, 2008—$142.7 million) representing the unamortized excess of the purchase price over the underlying net book value of the investee’s assets as at December 31, 2009. The excess is attributable to the value of mineral properties within the investee’s assets based on estimated fair values and is being amortized over the life of the mine.

7. INVESTMENTS

	2009	2008
Available-for-sale securities (a)	$ 46,239	$ 3,332
Long-term investments (b)	10,127	9,161
	$ 56,366	$ 12,493

(a) Available-for-sale securities

		2009			2008	
	% of Ownership (*i*)	Cost	Fair Value	Cumulative Gains (Losses) in OCI	Fair Value	Cumulative Gains (Losses) in OCI
Aura Minerals Inc.	5.5%	26,532	40,886	$ 14,354	$ 916	$ (2,448)
Others	–	3,985	5,353	1,368	2,416	(4,383)
		$ 30,517	$ 46,239	$ 15,722	$ 3,332	$ (6,831)

(i) % ownership on an undiluted basis.

Available-for-sale securities are reviewed quarterly for possible other-than-temporary impairment and more frequently when economic or market concerns warrant such evaluation. The review includes an analysis of the facts and circumstances of each individual investment, including the severity of loss, the financial position and near term prospects of the investment, the length of time the fair value has been below cost, management's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value and management's market view and outlook.

(b) Other investments

As at December 31, 2009, other investments included $7.1 million (December 31, 2008—$6.1 million) Master Asset Vehicle II ("MAVII") notes and $3.0 million (December 31, 2008—$3.0 million) Auction Rate Securities. In January 2010, subsequent to the year ended December 31, 2009, the Company has entered into an agreement to sell all of its MAV II notes for proceeds of Cdn$7.5 million. The Company does not expect to record a significant gain or loss on this transaction.

8. OTHER LONG-TERM ASSETS

	2009	2008
Derivative-related assets (*Note 26(a)*)	$ 167	$ 6,171
Restricted cash (*i*)	13,844	13,868
Long-term note receivable (*ii*)	25,971	–
Long-term tax credits (*iii*)	107,177	74,771
Other	20,231	7,774
	$ 167,390	$ 102,584

(i) At December 31, 2009, the Company had restricted cash of $13.8 million (December 31, 2008—$13.9 million). Restricted cash held in the United States represents funds on deposit that have been pledged as backing for letters of credit, subject to annual renewal issued for reclamation bonding and relate to the Beartrack and Royal Mountain King mines in reclamation since acquisition.

(ii) Long-term note receivable is a secured promissory note received on the sale of San Andrés. The note is payable in two installments, the first due February 2011 and the second installment due August 2012. The long-term note receivable is recorded at its fair value (*Note 10* and *Note 26(a)*).

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

9. GOODWILL

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired on a business acquisition. The Company's total goodwill of $55.0 million as at December 31, 2009 relates to the 2006 acquisition of the gold-producing Jacobina mine and related assets in Brazil. To date the accumulated impairments relating to goodwill is nil. The recognition of goodwill represents the substantial value implicit in the Company's intent and ability to develop the mine. Additionally, it captures the expected synergies, including but not limited to, the expected increases in cash flow resulting from cost savings and revenue enhancements that can be realized from managing a portfolio of mines and mineral properties in Brazil.

For goodwill impairment testing purposes, the Company estimates the fair value of a gold property using a discounted cash flow valuation based on projected future cash flows. The determination of fair value is highly subjective and requires numerous assumptions including, but not limited to, projected future revenues based on estimated production, long-term metal prices, operating expenses, capital expenditures, inflation index, exchange and discount rates.

For the Jacobina mine, the assumptions used on long-term gold prices, discount rate and the inflation index to apply have a significant impact on the estimate of fair value. The annual goodwill impairment test included a long-term gold price of $950 per ounce, a nominal discount rate of 8.9% and an average future inflation index of 2%. Upon completion of this test, there was no impairment to goodwill.

10. DISPOSITION AND ACQUISITION OF MINERAL INTERESTS

Disposition of San Andrés, São Francisco and São Vicente Mines

On July 17, 2009, the Company signed an agreement with Aura Minerals Inc. (the "Purchaser") to sell three of the Company's non-core operating mines for total consideration exceeding $265.0 million in a combination of cash, shares, secured promissory notes and deferred payments. One of the mines is in Honduras and two are in Brazil.

The sale transaction is structured in two parts to accommodate jurisdiction-related regulatory requirements as follows:

(a) The first disposition relates to the sale of shares representing a 100% interest in the San Andrés mine (*Note 23*—Central America and Other Segment). The sale closed on August 25, 2009 at which time the Company was entitled to a consideration totaling $84.9 million, which included cash of $35.9 million and a note receivable of $23.2 million. In addition, the agreement entitles the Company to receive a deferred consideration to a maximum of $14.7 million payable on the achievement of specified operating results. The sale of shares does not result in a significant income tax liability for the Company. There was a gain on sale of $5.8 million.

(b) The second disposition relates to the sale of assets that encompass the São Francisco and São Vicente Mines and is expected to close in the first half of 2010. The second part of the transaction is subject to customary closing conditions and the Company does not expect to record a significant gain or loss on closing of this transaction.

The Company has two common directors with the Purchaser, both of whom recused themselves from participating in the decisions and voting matters with respect to this transaction.

Based on the final terms of the executed purchase and sale agreement, the results of operations of the mines above were retrospectively reclassified as discontinued operations as follows for the years ended December 31:

	San Andrés *(i)*			São Francisco/São Vicente *(ii)*			Total Discontinued Operations		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues	$ 34,648	$ 37,582	$ 36,731	$ 100,083	$ 67,664	$ 70,994	$ 134,731	$ 105,246	$ 107,725
Operating earnings	13,453	6,404	11,530	19,716	(62,457)	13,742	33,169	(56,053)	25,272
Earnings (loss) before taxes	13,288	6,290	11,860	(26,820)	(56,919)	13,705	(13,532)	(50,629)	25,565
Income tax (expense) recovery	(617)	(2,962)	(1,566)	(10,735)	9,006	283	(11,352)	6,044	(1,283)
Earnings (loss)	12,671	3,328	10,294	(37,555)	(47,913)	13,988	(24,884)	(44,585)	24,282
Gain on sale	5,744	–	–	–	–	–	5,744	–	–
Earnings (loss) from discontinued operations	$ 18,415	$ 3,328	$ 10,294	$ (37,555)	$ (47,913)	$ 13,988	$ (19,140)	$ (44,585)	$ 24,282
Earnings (loss) per share from discontinued operations									
Basic	0.03	–	0.02	(0.05)	–	0.03	(0.03)	–	0.06
Diluted	0.03	–	0.02	(0.05)	–	0.03	(0.03)	–	0.06
Cash flows of discontinued operations									
Operating activities	13,286	18,632	3,641	10,281	72,629	34,616	23,567	91,261	38,257
Investing activities	(15,659)	(17,508)	(6,535)	(10,281)	(72,629)	(34,616)	(25,940)	(90,137)	(41,151)

(i) Balances are up to August 25, 2009, the date of disposition.

(ii) The São Vicente mine was commissioned as of September 1, 2009.

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

	San Andrés *(i)*		São Francisco/São Vicente		Total discontinued operations	
	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008
Assets						
Accounts receivable	$ –	$ 2,894	$ 7,953	$ 25	$ 7,953	$ 2,919
Inventory	–	7,459	44,085	32,117	44,085	39,576
Other current assets	–	7,802	1,586	796	1,586	8,598
Current assets	–	18,155	53,624	32,938	53,624	51,093
Mining interests	–	64,933	134,070	139,263	134,070	204,196
Other assets	–	936	–	–	–	936
Non-current assets	$ –	$ 65,869	$ 134,070	$ 139,263	$ 134,070	$ 205,132
Liabilities						
Accounts payable and accrued liabilities and other	$ –	$ 3,228	$ 13,937	$ 9,166	$ 13,937	$ 12,394
Income taxes payable	–	2,283	–	–	–	2,283
Current liabilities	–	5,511	13,937	9,166	13,937	14,677
Future income taxes	–	3,853	–	–	–	3,853
Asset retirement obligation and other	–	3,992	19,559	13,641	19,559	17,633
Long-term liabilities	–	7,845	19,559	13,641	19,559	21,486
Total liabilities	$ –	$ 13,356	$ 33,496	$ 22,807	$ 33,496	$ 36,163

(i) Balance Sheet items disposed of include $1.4 million of cash and cash equivalents, $103.3 million in total assets excluding cash and cash equivalents and $21.4 million in total liabilities. Total assets disposed of include $4.7 million of exploration properties sold to another party.

Acquisition of Meridian Gold Inc.

During 2007, the Company acquired all the outstanding common shares of Meridian Gold Inc. ("Meridian") which held two operating mines in Chile—El Peñón and Minera Florida—a 40% interest in the Rossi property in Nevada, and other exploration and development projects in Mexico, Argentina and the United States. The Company offered to exchange 2.235 common shares of Yamana and $6.99 (Cdn$7.00) cash for each common share of Meridian. Based on a volume adjusted share price of $12.355 (Cdn$12.37) determined with reference to the share price of Yamana common shares for the two days prior to, the day of, and the two days subsequent to the date of the announcement, the purchase price equated to a total consideration of $34.60 (Cdn$34.64) per share. On October 12, 2007, the Company completed the acquisition of 76.4% of the outstanding shares of Meridian and subsequently completed follow-up offers on the same terms to acquire 100% of the Meridian shares.

The purchase price of the transaction totaled $3.6 billion, comprised of approximately 226.4 million Yamana common shares, cash of $726.1 million, transaction costs of $28.6 million, and issued options acquired from Meridian. The Company exchanged all outstanding options of Meridian ("Meridian options") for options of the Company at an exchange ratio of 2.809 and at a price equivalent to the original price divided by 2.809. The exchange ratio was calculated as the sum of 2.235 and the $6.99 (Cdn$7.00) cash component divided by the average closing price for the five days ending October 12, 2007. On October 12, 2007, 774,439 Meridian options were outstanding and were exchanged for 2,175,262 options of Yamana with a fair value of $17.4 million. The business combination was accounted for as a purchase transaction with the Company as the acquirer of Meridian. The results of operations of Meridian have been consolidated from October 13, 2007.

During 2008, the Company finalized the purchase price allocation based on a detailed valuation of the Meridian assets and, in doing so, relied in part upon a report from a third party expert.

Included in cash proceeds of $33.2 million are $29.2 million cash proceeds on the sale of the Rossi property on October 31, 2008. The Company recorded a gain on sale of $2.3 million.

Acquisition of Northern Orion Resources Inc.

During 2007, the Company entered into a business combination arrangement to acquire all the outstanding common shares of Northern Orion Resources Inc. ("Northern Orion"), which owns a development project in Argentina and a 12.5% interest in Minera Alumbrera Ltd. Under the transaction, the shareholders of Northern Orion received 0.543 of a Yamana common share for each Northern Orion common share outstanding and $0.001 in cash for each Northern Orion common share. As at October 13, 2007, there were 154,103,861 common shares of Northern Orion outstanding. The volume adjusted share price of Yamana common shares for the period of two days prior to the day of the announcement, the day of the announcement, and the two days after the date of the announcement was $11.38 (Cdn$12.19).

On October 13, 2007, the Company completed the acquisition of 100% of the outstanding shares of Northern Orion and has consolidated the results of operations from that date. The business combination was accounted for as a purchase transaction, with the Company as the acquirer of Northern Orion. The Company also exchanged all outstanding employee options of Northern Orion for similar securities of Yamana at an exchange ratio of 0.543 and at a price equivalent to the original price divided by 0.543. All outstanding non-employee options and share purchase warrants of Northern Orion were exchanged for similar securities of Yamana at an exchange ratio of 0.543 and a price equivalent to the original price divided by 0.543, and $0.001 in cash for each non-employee option and share purchase warrant.

During 2008, the Company finalized the purchase price allocation based on a full and detailed valuation of the Northern Orion assets and, in doing so, relied in part upon a report from a third party expert.

11. OTHER CURRENT LIABILITIES

	2009	2008
Current portion of derivative-related liabilities (*Note 26(a)*)	$ 12,105	$ 25,897
Current portion of long-term debt (*Note 12*)	–	83,749
Other current liabilities	13,555	32,943
	$ 25,660	$ 142,589

12. LONG-TERM DEBT

	2009	2008
$680 million revolving facility (*a*)	$ 261,477	$ –
$400 million non-revolving facility (*b*)	–	313,939
$270 million senior debt notes (*c*)	267,973	242,025
	529,450	555,964
Less: current portion	–	(83,749)
Long-term portion (*i*)	$ 529,450	$ 472,215

(i) Includes transaction costs of $8.2 million net of amortization (2008—$8.0 million).

(a) During the last quarter of 2009, the Company refinanced its revolving facility increasing its credit limit to $680.0 million. The following summarizes the terms in respect to this facility as at December 31, 2009:
- The credit facility is unsecured and has a maturity date of December 16, 2012.
- Amounts drawn bear interest at a rate of LIBOR plus 1.7% to 4% per annum, depending upon the Company's

- leverage ratio defined as the net total debt to rolling 12 months' earnings before interest, taxes, depreciation and amortization. The effective interest rate at December 31, 2009 was 5.63%.
- Undrawn amounts are subject to a commitment fee of 0.81% to 1.2% per annum depending upon the Company's leverage ratio.

(b) The $400.0 million credit facility was closed during the last quarter of 2009.

(c) During December 2009, the Company completed a private placement of a total of $270.0 million unsecured senior debt 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
2010	–	–
2011	–	–
2012	267,632	–
2013	–	–
2014	–	15,000
Thereafter	–	255,000
	$ 267,632	$ 270,000

13. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations relate to reclamation and closure costs relating to the Company's mine operations and projects under development. The asset retirement obligations are calculated as the net present value of estimated future cash flows, which total $230.8 million discounted using a credit adjusted risk-free rate of 5%. The settlement of the obligations will occur through to 2032. Reclamation and closure costs of the mines and projects are incurred in Brazilian Reais, Chilean Pesos, Argentine Pesos and United States Dollars and are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items.

The following is an analysis of the asset retirement obligations:

	2009	2008
Balance, beginning of year	$ 80,213	$ 62,219
Accretion incurred in the current year for operating mines	2,282	1,834
Accretion incurred in the current year for non-operating mines	1,698	1,422
Additions capitalized to site reclamation obligations during the year	51,137	24,993
Foreign exchange gain (loss)	6,908	(4,699)
Expenditures during the current year	(4,134)	(5,556)
	138,104	80,213
Less: Current portion included in other current liabilities	(4,941)	(6,259)
Balance, end of year	$ 133,163	$ 73,954

14. OTHER LONG-TERM LIABILITIES

	2009	2008
Derivative-related liabilities (*Note 26(a)*)	$ 3,241	$ 10,823
Silicosis liability (*i*)	6,533	6,108
Long-term withholding taxes (*ii*)	91,172	93,491
Royalty payable (*iii*)	14,193	12,224
Other	23,250	19,046
	$ 138,389	$ 141,692

(i) The silicosis liability consists of amounts provided 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 $6.5 million as at December 31, 2009. The increase of $0.4 million in the year relates to the impact of the foreign exchange rate on this Brazilian-Real denominated liability.

(ii) The Company is subject to additional taxes in Chile on the repatriation of profits to its foreign shareholders. Total taxes in the amount of $91.2 million have been accrued on the assumption that the profits will be repatriated.

(iii) The Company has an agreement with Miramar Mining Corporation ("Miramar" acquired by Newmont Mining Corporation) for a Proceeds Interest of Cdn$15.0 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$15.0 million is paid.

15. CAPITAL STOCK

(a) Common shares issued and outstanding:

	2009		2008	
	Number of Common Shares (000's)	Amount	Number of Common Shares (000's)	Amount
Balance, beginning of year	732,845	$ 6,055,892	668,417	$ 5,502,518
Exercise of options and share appreciation rights (*i*)	206	3,331	9,677	107,046
Exercise of warrants (*ii*)	33	371	32,251	342,887
Issued on vesting of restricted share units (*Note 18*)	327	3,816	–	–
Public offering, net of transaction costs	–	–	22,500	103,441
Balance, end of year	733,411	$ 6,063,410	732,845	$ 6,055,892

(i) During the year ended December 31, 2009, the Company issued 0.2 million shares (December 31, 2008—9.7 million shares) to optionees on the exercise of their share options and appreciation rights for cash proceeds of $1.1 million (December 31, 2008—$53.5 million). Previously recognized stock-based compensation in the amount of $2.2 million (December 31, 2008—$53.5 million) on the options exercised was added to share capital with a corresponding decrease to contributed surplus.

(ii) During the year ended December 31, 2009, the Company issued 0.03 million shares (December 31, 2008 –32.3 million) to warrant holders on the exercise of their warrants for cash proceeds of $0.3 million (December 31, 2008 –$116.9 million). An amount of $0.04 million (December 31, 2008—$226.0 million) was added to share capital with a corresponding decrease to share purchase warrants with respect to these exercises.

(b) Weighted average number of common shares and dilutive common share equivalents

	2009	2008	2007
Weighted average number of common shares	733,093	691,536	415,232
Weighted average number of dilutive warrants	169	8,652	11,314
Weighted average number of dilutive stock options	973	1,497	5,371
Dilutive weighted average number of common shares	734,235	701,685	431,917

Total options and warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the period ended December 31, 2009 were nil (December 31, 2008—0.02 million) and 4.9 million (December 31, 2008—4.9 million), respectively.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2009	2008
Balance, beginning of year	$ (40,651)	$ (3,855)
Change in fair value of available-for-sale securities (*i*)	21,327	(29,842)
Reclassification of losses on available-for-sale securities to earnings (*ii*)	–	33,817
Net change in fair value of hedging instruments (*iii*)	45,976	(40,771)
Balance, end of year	$ 26,652	$ (40,651)

(i) Net of tax expense of $2.8 million (2008—$nil).

(ii) Net of tax recovery of $nil (2008—$5.7 million).

(iii) Net of tax expense of $22.4 million (2008—$19.3 million recovery).

17. SHARE PURCHASE WARRANTS

A summary of issued share purchase warrants as at the year-end and the changes thereof during the year are as follows:

	2009			2008		
	Number of Warrants (000's)	Weighted Average Exercise Price (Cdn$)	Value	Number of Warrants (000's)	Weighted Average Exercise Price (Cdn$)	Value
Outstanding, beginning of year	14,530	$ 13.73	$ 44,109	46,897	$ 6.91	$ 270,805
Exercised	(33)	10.53	(38)	(32,251)	3.85	(226,029)
Expired	–	–	–	(116)	4.07	(667)
Outstanding and exercisable, end of year (*i*)	14,497	$ 13.74	$ 44,071	14,530	$ 13.73	$ 44,109

(i) No share purchase warrants were issued during 2009 and 2008.

Subsequent to the year-end, on February 16, 2010, a total of 9.2 million publicly traded warrants with an exercise price of $11.05 expired. A total of 7.1 million common shares were issued for approximately Cdn$78.1 million in respect of the exercise of these warrants.

The Company had the following share purchase warrants outstanding as at December 31, 2009:

Exercise price (Cdn$)	Issuable Shares on Exercise of Warrants (000's)	Weighted Average Remaining Contractual Life (Years)
$ 19.08	4,886	1.34
11.05 (*i*)	9,196	0.13
10.42	415	0.22
$ 13.74	14,497	0.54

(i) This series of warrants is publicly traded.

18. STOCK-BASED COMPENSATION

(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 (2008—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 10 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 in 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.

In 2009, shareholders approved the grant of 1.5 million options, previously approved by the Board of Directors, with an exercise price of Cdn$9.92. The Company has expensed stock-based compensation in the amount of $1.8 million for the year ended December 31, 2009 in respect to these options.

The following weighted average assumptions were used in the Black-Scholes option pricing model during the years ended December 31, 2009 and December 31, 2008:

	2009	2008
Dividend yield	0.35%–0.47%	0.33%
Expected volatility	35%	35%
Risk-free interest rate	1.8%–2.1%	4.66%
Expected life	1–3 years	3 years
Forfeitures	Nil	Nil

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:

	2009		2008	
	Number of Options (000's)	Weighted Average Exercise Price (Cdn$)	Number of Options (000's)	Weighted Average Exercise Price (Cdn$)
Outstanding, beginning of year	5,065	$ 9.21	17,184	$ 8.08
Granted	1,524	9.92	–	–
Exercised	(551)	9.42	(11,691)	7.59
Expired and forfeited	(226)	9.98	(428)	9.76
Outstanding, end of year	5,812	$ 9.29	5,065	$ 9.21
Exercisable, end of year	4,852	$ 9.16	5,065	$ 9.21

Stock options outstanding and exercisable as at December 31, 2009 are as follows:

		Outstanding		Exercisable
Exercise price (Cdn$)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)
$0.01–$2.99	5	1.41	4	1.41
$3.00–$4.99	230	5.06	230	5.06
$5.00–$5.99	11	2.36	11	2.36
$6.00–$7.99	175	1.48	175	1.77
$9.00–$9.99	5,203	2.25	4,249	2.25
$10.00–$15.00	8	4.97	3	4.97
	5,632		4,672	

		Outstanding		Exercisable
Exercise price (US$)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)	Quantity (000's)	Weighted Average Remaining Contractual Life (Years)
$0.01–$3.99	31	4.37	31	4.37
$4.00–$5.99	93	4.61	93	4.61
$6.00–$8.99	56	4.81	56	4.81
	180		180	
	5,812		4,852	

(b) Other Stock-based Payment Plans

(i) 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. In 2009, the Company recorded a mark-to-market expense of $1.1 million, which is included in general and administrative expenses, and an expense of $2.5 million for DSU granted during the year.

	2009	2008
	Number of DSU (000's)	Number of DSU (000's)
Outstanding, beginning of year	273	–
Granted	332	273
Outstanding, end of year	605	273

The value of the DSU as at December 31, 2009 was $6.5 million (2008—$2.2 million)

(ii) Restricted Share Units ("RSU")

RSU are granted to eligible employees and eligible contractors to secure from 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.

	2009	2008
	Number of RSU (000's)	Number of RSU (000's)
Outstanding, beginning of year	1,128	–
Granted	802	1,128
Vested and converted into common shares	(327)	–
Forfeited	(254)	–
Outstanding, end of year	1,349	1,128

In 2009, the Company credited $3.8 million to share capital in respect of RSU that have vested during the year and granted 802,000 RSU with a weighted average grant value of Cdn$10.20 (2008: $13.47). The expense of $4.6 million (2008—$2.0 million) is included in general and administrative expenses.

19. NON-CONTROLLING INTEREST

		2009		2008
Agua De La Falda S.A.	$	46,800	$	46,800

The Company holds a 56.7% interest in Agua De La Falda ("ADLF") project along with its joint venture partner, Corporación Nacional del Cobre de Chile ("Codelco"). The ADLF project is an exploration project, located in Northern Chile, which includes the Jeronimo Deposit.

Due to the fact that the equity investment at risk may not be sufficient to permit ADLF to finance its activities without additional subordinated support from equity holders, ADLF meets the classification under AcG-15 as a variable interest entity. ADLF has been consolidated in the financial statements of the Company since its acquisition date and the non-controlling interest for the interest of the Company's partner is recorded at the estimated fair value at the date of acquisition. As of December 31, 2009, the Company is not the guarantor of any significant debt of ADLF.

20. INTEREST AND FINANCING EXPENSES

During the year, the Company expensed the following:

		2009		2008		2007
Interest expense on long-term debt	$	13,756	$	22,746	$	7,960
Interest on derivative options		–		1,856		3,294
Expenses due to debt repayment and extinguishment		8,301		785		1,957
Financial fees and taxes		7,459		12,314		6,030
Bank fees and interest		5,037		6,777		2,793
	$	34,553	$	44,478	$	22,034

21. INCOME TAXES

(a) Income tax expense

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

		2009		2008		2007
Earnings from continuing operations before income taxes	$	317,257	$	479,321	$	193,749
Canadian statutory tax rate		33.0%		33.5%		36.1%
Expected income tax expense		104,695		160,616		69,982
Impact of lower foreign tax rates		(43,373)		(41,089)		(10,274)
Impact of changes in tax rates		28,128		2,594		(8,723)
Permanent differences		5,183		(44,948)		4,848
Non-taxable items		–		92		–
Change in valuation allowance		27,720		36,819		(10,217)
Unrealized foreign exchange		19,420		(96,901)		10,209
Losses not benefited		–		7		5,387
Other		(5,214)		8,537		1,377
Income tax expense	$	136,559	$	25,727	$	62,589
Represented by:						
Current income tax expense		82,124		63,519		76,169
Future income tax expense (recovery)		54,435		(37,792)		(13,580)
Net income tax expense	$	136,559	$	25,727	$	62,589

(b) Future income taxes

The temporary differences and losses that give rise to future income tax assets and liabilities are presented below:

Future Income Tax Assets	2009	2008
Deductible temporary differences	$ 20,528	$ 22,753
Amounts related to tax losses	228,940	140,115
Financing costs	6,829	9,605
Asset retirement obligation	16,876	13,365
Derivative liability	3,518	10,928
Mineral properties and property, plant and equipment	21,986	47,094
Unrealized foreign exchange losses	–	33,844
Available-for-sale securities	1,250	13,378
Other	7,151	–
Gross future income tax assets	$ 307,078	$ 291,082
Less: Valuation allowance	(176,474)	(139,789)
Future income tax assets	$ 130,604	$ 151,293

Future Income Tax Liabilities	2009	2008
Accounts receivable	$ –	(1,731)
Mineral properties and property, plant and equipment	(1,717,195)	(1,705,731)
Unrealized foreign exchange gains	(33,782)	(1,399)
Derivative asset	(1,947)	(29,404)
Other	–	(817)
Future income tax liabilities	$ (1,752,924)	$ (1,739,082)
Net future income tax liabilities	$ (1,622,320)	$ (1,587,789)

The net future income tax assets (liabilities) are classified as follows:	2009	2008
Future income tax assets—current	$ 14,552	$ 24,460
Future income tax assets—long-term	135,454	124,021
Future income tax liabilities—current	(3,427)	(25,977)
Future income tax liabilities—long-term	(1,768,899)	(1,710,293)
	$ (1,622,320)	$ (1,587,789)

The Company has entered into foreign investment contracts under Chilean Decree Law 600 ("DL600"). The Company is committed to an election to be subject to a maximum 4% rate for the Chilean mining royalty tax and tax stabilization through 2017 at a maximum 35% tax rate, in return for ceasing to use accelerated depreciation for tax purposes beginning in 2008. The Company is not accruing Category II tax for Chile based on management's intent to permanently reinvest the earnings.

The Company is subject to a separate DL600 contract, related to Minera Florida Limitada, a wholly-owned subsidiary that owns the Minera Florida Mine, which also provides for a maximum 35% tax rate.

(c) Non-capital losses

The Company has non-capital losses of approximately $678.2 million (December 31, 2008—$426.4 million) available to apply against future taxable income. Approximately $377.5 million (December 31, 2008—$273.9 million) of these losses are subject to a valuation allowance.

Loss carryforwards at December 31, 2009 will expire as follows:

	Canada	United States	Brazil	Chile	Argentina	Other	Total
2010	$ 1	$ 109	$ –	$ –	$ 946	$ 58	$ 1,114
2011	2	78	–	–	1,081	283	1,444
2012	–	6,356	–	–	905	312	7,573
2013	–	1,750	–	–	994	102	2,846
2014	4,246	10,165	–	–	167,266	98	181,775
2015 and onwards	62,062	170,512	–	–	–	3,084	235,658
Unlimited	18	–	200,986	31,367	–	15,416	247,787
	$ 66,329	$ 188,970	$ 200,986	$ 31,367	$ 171,192	$ 19,353	$ 678,197

22. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Non-cash investing and financing transactions:

	2009	2008	2007
Issue of shares on exercise of warrants	38	226,029	4,905
Accrued interest capitalized to assets under construction	19,413	13,756	–
Common shares received as consideration for assets sold during the year (*Note 10*)	23,168	511	4,234
Value of expired warrants transferred to contributed surplus	–	667	–
Other	–	560	287
Shares issued on business acquisitions (*Note 10*)	–	–	3,749,307
Share purchase warrants recognized on the issue of warrants on business acquisitions	–	–	202,707
Issue of shares on acquisition of mineral properties	–	–	10,976
Issue of shares to be issued on exercise of options and warrants	–	–	19,486
Shares issued on business acquisition completed in prior year	–	–	23,006
Contributed surplus recognized on the issue of stock options on business acquisitions	–	–	52,166
Proceeds on conversion of long-term debt to United States Dollars	–	–	598,301
Repayment of long-term debt on conversion to United States Dollars	–	–	571,339

(b) Interest and income tax paid:

	2009	2008	2007
Interest paid during the year	$ 41,136	$ 38,876	$ 18,357
Income taxes paid during the year	$ 75,488	$ 110,252	$ 39,504

(c) Net change in non-cash operating working capital, net of acquisitions:

	2009	2008	2007
Net (increase) decrease in:			
Accounts receivable	$ (40,802)	$ 30,845	$ (70,208)
Inventory	(33,313)	(37,137)	(16,780)
Other assets	(37,696)	30,950	(50,999)
Net increase (decrease) in:			
Accounts payable and accrued liabilities	94,202	(141,436)	66,539
Income taxes payable	47,803	(55,777)	52,497
Other current liabilities	2,213	(1,231)	17,492
	$ 32,407	$ (173,786)	$ (1,459)

Changes in non-cash working capital items are net of items related to assets under construction and items acquired or disposed of during the period.

23. SEGMENTED INFORMATION

Reporting segments for the Company consist of geographical segments for which decisions in resource allocation, performance assessment and operating results are reviewed by the chief operating decision makers. The Company's operating segments are Brazil, Chile, Argentina, Central America and Other, and Canada (which is solely comprised of corporate and administrative activities).

Mineral interests referred to below consist of land, buildings, equipment, mineral properties, exploration costs, assets under construction and equity investment.

2009	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Mineral assets	$ 1,404,285	$ 4,606,155	$ 2,518,393	$ 43,957	$ 3,571	$ 8,576,361
Goodwill	55,000	–	–	–	–	55,000
Long-lived assets	1,556,890	4,644,017	2,599,578	67,894	122,192	8,990,571
Total assets	1,844,663	4,752,653	2,614,903	142,153	165,194	9,519,566
Capital expenditures	205,117	146,384	125,928	18,302	3,026	$ 498,757

2008	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Mineral assets	$ 1,242,720	$ 4,540,348	$ 2,474,555	$ 71,230	$ 1,032	$ 8,329,885
Goodwill	55,000	–	–	–	–	55,000
Long-lived assets	1,395,853	4,578,361	2,509,865	70,482	69,423	8,623,984
Total assets	1,572,026	4,683,398	2,523,440	56,181	246,085	9,081,130
Capital expenditures	151,252	125,676	195,011	23,060	1,784	$ 496,783

2007	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Mineral assets	$ 1,083,467	$ 5,158,547	$ 2,362,223	$ 136,270	$ 1,385	$ 8,741,892
Goodwill	55,000	–	–	–	–	55,000
Long-lived assets	1,267,746	5,078,370	2,376,224	150,489	180,111	9,052,940
Total assets	1,519,992	5,296,083	2,391,909	136,252	319,264	9,663,500
Capital expenditures	130,155	22,763	72,244	6,437	921	$ 232,520

(i) Balances exclude discontinued operations.

(ii) Includes $213.8 million (December 31, 2008—$234.2 million; December 31, 2007—$240.6 million) related to the Company's equity interest in Minera Alumbrera Ltd.

Segment Operating Earnings

						2009
	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Revenues	$ 647,322	$ 447,123	$ 88,869	$ –	$ –	$ 1,183,314
Cost of sales	(270,610)	(176,990)	(32,247)	–	–	(479,847)
Depreciation, amortization and depletion	(73,129)	(140,339)	(20,219)	–	–	(233,687)
Accretion of asset retirement obligations	(803)	(862)	(617)	–	–	(2,282)
Mine operating earnings	$ 302,780	$ 128,932	$ 35,786	–	–	$ 467,498
Equity earnings	$ –	$ –	$ 31,073	$ –	$ –	$ 31,073

						2008
	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Revenues	$ 559,507	$ 387,933	$ –	$ 1,922	$ –	$ 949,362
Cost of sales	(259,327)	(153,408)	–	(900)	–	(413,635)
Depreciation, amortization and depletion	(54,449)	(121,426)	–	(32)	–	(175,907)
Accretion of asset retirement obligation	(948)	(728)	–	(158)	–	(1,834)
Mine operating earnings	$ 244,783	$ 112,371	$ –	$ 832	$ –	$ 357,986
Equity earnings	$ –	$ –	$ 25,763	$ –	$ –	$ 25,763

						2007
	Brazil (*i*)	Chile	Argentina (*ii*)	Central America and Other (*i*)	Canada	Total
Revenues	$ 558,691	$ 77,912	$ –	$ 2,762	$ –	$ 639,365
Cost of sales	(192,531)	(28,649)	–	(1,228)	–	(222,408)
Depreciation, amortization and depletion	(40,682)	(15,640)	–	(2,614)	–	(58,936)
Accretion of asset retirement obligation	(1,222)	(163)	–	–	–	(1,385)
Mine operating earnings	$ 324,256	$ 33,460	$ –	$ (1,080)	$ –	$ 356,636
Equity earnings	$ –	$ –	$ 3,820	$ –	$ –	$ 3,820

(i) Excludes operating results of discontinued operations (*Note 10*).

(ii) Includes Gualcamayo which the Company commissioned on July 1, 2009.

24. CONTRACTUAL COMMITMENTS

In addition to commitments otherwise reported in these financial statements, the Company is contractually committed to the following as at December 31, 2009:

Year	2010	2011	2012	2013	2014	Thereafter	Total
Operating/construction and service contracts:							
Brazil	$ 94,687	$ 60,689	$ 26,260	$ 11,402	$ 8,658	$ –	$ 201,696
Chile	62,035	44,359	29,580	29,220	29,188	24,000	218,382
Argentina	10,807	4,601	–	–	–	–	15,408
Central America and Other	4,198	–	–	–	–	–	4,198
Canada	894	894	894	894	894	1,117	5,587
	$ 172,621	$ 110,543	$ 56,734	$ 41,516	$ 38,740	$ 25,117	$ 445,271

25. 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.

During 2009, the Company refinanced its revolving facility by increasing its credit limit and renegotiating some of its terms (*Note 12(a)*). The resulting externally imposed financial covenants are as follows:

(a) Tangible net worth of at least $2.3 billion.
(b) Maximum net total debt (debt less cash) to tangible net worth of 0.75.
(c) Leverage ratio (net total debt/EBITDA) to be less than or equal to 3.5:1.

Not meeting these capital requirements will result in a condition of default by the Company. As at December 31, 2009, the Company has met all of the externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

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

There were no material differences between the carrying value and fair value of long-term assets and liabilities except for the long-term debt, which has a carrying value of $529.5 million (December 31, 2008—$556.0 million), comprised of a revolving facility and senior debt notes with fair values of $278.3 million and $303.1 million, respectively (December 31, 2008—$572.5 million). The fair value was calculated by discounting the future cash flows by a discount factor based on an interest rate of 5% which reflects the Company's own credit risk. Fair values of long-term investments 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 December 31, 2009, 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.

The following table summarizes the fair value hierarchy:

Fair Value Measurements at December 31, 2009		Level 1 Input		Level 2 Input		Level 3 Input		Aggregate Fair Value
Assets:								
Available for sale securities	$	46,239	$	–	$	–	$	46,239
Derivative-related assets (*i*)		–		14,277		–		14,277
Long-term investments (*ii*)		–		–		10,127		10,127
Long-term receivable		–		25,971		–		25,971
	$	46,239	$	40,248	$	10,127	$	96,614
Liabilities:								
Derivative-related liabilities (*iii*)		–		15,346		–		15,346
	$	–	$	15,346	$	–	$	15,346

(i) Includes current portion of derivative-related assets of $14.1 million and non-current portion of derivative-related assets of $0.2 million.

(ii) Long-term investments include Master Asset Vehicle II (“MAV II”) notes and Auction Rate Securities (“ARS”) (*Note 7(b)*).

(iii) Includes current portion of derivative-related liabilities of $12.1 million and non-current portion of derivative-related liabilities of $3.2 million.

Fair Value Measurements Using Level 3 Input		Long–term Investments
Balance, beginning of the year	$	9,161
Foreign exchange gain (*i*)		966
Balance, end of year	$	10,127

(i) Includes foreign exchange adjustment on the Canadian-dollar-denominated MAV II notes.

Valuation Techniques

Available-for-Sale Securities

The fair value of available-for-sale securities is determined based on a market approach reflecting the closing price of each particular security at the balance sheet date. The closing price is a quoted market price obtained from the exchange, that is, the principal active market for the particular security, and therefore available-for-sale securities are classified within Level 1 of the fair value hierarchy.

Derivative Instruments

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company continues to monitor the potential impact of the recent instability of the financial markets, and will adjust its derivative contracts for credit risk based upon the credit default swap spread for each of the counterparties as warranted.

Long-term Investments

Long-term investments include third-party sponsored Master Asset Vehicle notes (“MAV II”) and Auction Rate Securities (“ARS”), which were acquired by the Company through its acquisitions of Meridian and Northern Orion. Due to liquidity problems experienced by the markets of these securities since the third quarter of 2007, there have been no active market activities to provide observable inputs for these assets (*Note 7*). Therefore, the Company’s investment in MAV II and ARS are classified within Level 3 of the fair value hierarchy.

Normal Gold Sales Contracts and Metal Concentrate Sales Contracts

Normal 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:

		December 31, 2009		December 31, 2008
Currency Contracts				
Forward contracts	$	14,277	$	–
Commodity Contracts				
Forward contracts		–		88,848
		14,277		88,848
Less: Current portion		(14,110)		(82,677)
Long-term portion	$	167	$	6,171

The following table summarizes the components of derivative-related liabilities:

	December 31, 2009	December 31, 2008
Currency Contracts		
Forward contracts	$ –	$ (14,831)
Commodity Contracts		
Forward contracts and options	(5,230)	–
	$ (5,230)	$ (14,831)
Interest Rate Contracts		
Interest rate swaps	(10,116)	(21,889)
	$ (15,346)	$ (36,720)
Less: Current portion	12,105	25,897
Long-term portion	$ (3,241)	$ (10,823)

The following table summarizes unrealized derivative (losses) gains:

	2009	2008	2007
Non-hedge derivatives			
Commodity contracts	$ (94,072)	$ 160,436	$ (27,305)
Share purchase warrants held	–	(98)	(576)
	(94,072)	160,338	(27,881)
Hedge ineffectiveness			
Currency contracts	(900)	5,823	(455)
Interest rate contracts	(10,456)	55	(55)
	$ (105,428)	$ 166,216	$ (28,391)

The following table summarizes realized derivative gains (losses):

	2009	2008	2007
Commodity contracts	$ 18,659	$ (10,048)	$ (17,082)

Additionally, included in cost of sales are realized gains in the amount of $10.1 million (December 31, 2008—$14.4 million; December 31, 2007—$6 million) with respect to currency derivative contracts, and included in interest and financing expenses are realized losses in the amount of $16.2 million (December 31, 2008—5.1million; December 31, 2007—$nil) in respect to the interest rate swaps.

The Company estimates that approximately $12.3 million net gain is expected to be reclassified from accumulated other comprehensive income to earnings in respect of cash flow currency hedges over the next 12 months.

The following table summarizes cash flow currency and interest rate hedge gains (losses) in OCI (*Note 16*):

	2009	2008	2007
Effective portion of change in fair value of hedging instruments:	$	$	$
Currency contracts	40,955	(46,483)	8,006
Interest rate contracts	22,228	(13,621)	2,613
Future income tax	(17,207)	19,333	(3,668)
	$ 45,976	$ (40,771)	$ 6,951

(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 significant 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.

During prior years, 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 191.4 million Reais at an average rate of 2.2144 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 2009 through to April 2011. Of this, 171.4 million Reais is hedged for 2010 and approximately 20.0 million Reais for 2011. 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. Subsequent to the end of 2009, the Company entered into additional forward contracts to hedge approximately 560.1 million Reais at an average rate of 2.1313. As part of the new contracts, an additional 63.8 million Reais is hedged for 2010, approximately 238.2 million Reais for 2011 and approximately 258.1 million Reais for 2012.

A 10% change in the United States Dollar exchange rate on financial assets and liabilities for the year compared with the above currencies, with all other variables held constant, would impact the Company's after-tax net earnings as shown below.

	2009	
(on 10% change in United States Dollar exchange rate)	Effect on Net Earnings, Net of Tax	Effect on Other Comprehensive Income, Net of Tax
Brazilian Real	$ 11,307	$ 6,714
Argentine Peso (*i*)	$ 45,089	$ –
Canadian Dollar	$ 421	$ –
Chilean Peso	$ 4,078	$ –

(i) The sensitivity to the Argentine Peso is attributable to a large future income tax liability from a business acquisition.

(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. As of December 31, 2009, the value of the 8 million lbs of copper contacts unsettled represent an unrealized loss of $5.2 million, which will become realized in early 2010.

A 10% change in the average commodity prices for the year, with all other variables held constant, would result in the following impact to the Company's after-tax earnings:

	2009
(10% change in price)	Effect on Net Earnings, Net of Tax
Gold	$ 45,244
Copper	$ 32,085
Silver	$ 8,655

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 December 31, 2009, the Company has a total of $231.6 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 OCI until the forecast interest expense impacts earnings. The ineffective portion of changes in the fair value of the interest rate swaps have been recorded in current earnings.

At December 31, 2009, the Company's long-term debt was at fixed rates; hence there is no market risk arising from fluctuations in floating interest rate.

(e) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties while 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, accounts receivable, income taxes recoverable, derivative-related assets, long-term investments, 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 accounts receivables is also considered to be negligible. For long-term investments, credit risk represents the par value of the instruments (*Note 7(b)*). 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, there is a reasonable measure of credit risk.

The Company's maximum credit exposure to credit risk at December 31, 2009 is as follows:

	2009	2008
Cash and cash equivalents	$ 170,070	$ 167,765
Accounts receivable	102,126	24,076
Income taxes recoverable	12,323	12,717
Derivative-related assets	14,277	88,848
Long-term investments	56,366	12,493
Restricted cash	13,844	13,868
Long-term note receivable	25,971	–
Long-term tax credits	107,177	74,771
	$ 502,154	$ 394,538

(f) Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an offsetting 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 maintaining adequate lines of credit. In addition, the Company addresses the capital management process as described in *Note 25*. Contractual maturities relating to contractual commitments are included in *Note 24* and those relating to long-term debt are included in *Note 12*.

27. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

In 2004, a former director of Northern Orion commenced proceedings in Argentina against Northern Orion claiming damages in the amount of $177.0 million for alleged breaches of agreements entered into by the plaintiff. The plaintiff alleged that the agreements entitled him to a pre-emption right to participate in acquisitions by Northern Orion in Argentina and claimed damages in connection with the acquisition by Northern Orion of its 12.5% equity interest in the Alumbrera project. On August 22, 2008, the National Commercial Court No. 8 of the City of Buenos Aires issued a first-instance 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.

28. SUBSEQUENT EVENTS

Business Acquisition

On January 5, 2010 the Company signed an agreement with Gardilcic Construction S.A ("Gardilcic") whereby the Company will acquire all of the physical assets and employment agreements relating to its servicing contract at El Peñón mine for a total purchase price of $48.0 million to be paid in cash.

29. SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN CANADIAN GAAP AND UNITED STATES GAAP

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Material variations in the accounting principles, practices and methods used in preparing these consolidated financial statements from principles, practices and methods accepted by United States of America generally accepted accounting principles ("US GAAP") are described and quantified below. On July 1, 2009, the Financial Accounting Standards Board (FASB) launched the Accounting Standards Codification ("ASC") as the sole source of authoritative non-governmental US GAAP. The ASC has not intended to change US GAAP, but rather reorganized existing guidance by accounting topic to allow easier identification of accounting standards. New accounting pronouncements issued by the FASB are called Accounting Standards Updates ("ASU"). The Company has updated references to US GAAP to reflect the ASC (refer to *Section xvi* for additional information).

The impact of US GAAP on the consolidated income statements is as follows:

	2009	2008	2007
OPERATIONS			
Earnings from continuing operations under Canadian GAAP	$ 211,771	$ 479,357	$ 132,963
Adjustment for depreciation, amortization and depletion *(i)*	(45,235)	(27,521)	(17,057)
Write-off of mineral property costs *(i)*	(37,832)	(68,761)	(30,077)
Pre-operating costs *(ii)*	13,266	856	(549)
Stripping costs in mine operating earnings *(v)*	(14,272)	–	–
Stripping costs in equity earnings *(v)*	(1,522)	(3,354)	(950)
Mark-to-market adjustment for warrants *(viii)*	(2,764)	–	–
Adjustment for unrecognized tax benefits *(vi)*	(1,581)	(1,935)	–
	121,831	378,642	84,330
Tax effect of reconciling items *(iii)*	20,667	15,566	9,149
Earnings attributable to continuing operations under US GAAP	$ 142,498	$ 394,208	$ 93,479
Earnings from discontinued operations under US GAAP (*Note 10*)	(17,782)	(49,044)	16,822
Net earnings under US GAAP	$ 124,716	$ 345,164	$ 110,301
Earnings from continuing operations under US GAAP			
Basic earnings	$ 0.19	$ 0.57	$ 0.23
Diluted earnings	$ 0.19	$ 0.56	$ 0.22
Earnings (loss) from discontinued operations under US GAAP			
Basic earnings	$ (0.02)	$ (0.07)	$ 0.04
Diluted earnings	$ (0.02)	$ (0.07)	$ 0.04
Net earnings per share under US GAAP			
Basic earnings	$ 0.17	$ 0.50	$ 0.27
Diluted earnings	$ 0.17	$ 0.49	$ 0.26
Basic weighted average number of shares outstanding under US GAAP	733,093	691,536	415,232
Diluted weighted average number of shares outstanding under US GAAP	734,235	701,685	431,917

The impact of US GAAP on the consolidated balance sheets is as follows:

	2009	2008	2007
ASSETS			
Total assets under Canadian GAAP	$ 9,707,260	$ 9,337,354	$ 9,895,924
Write-off of mineral property costs (*i*)	(168,802)	(130,971)	(62,209)
Adjustment to mineral properties (*i*) and (*ii*)	(83,792)	(40,855)	(22,187)
Adjustment to inventory (*i*)	(13,568)	(10,264)	(2,267)
Future employee benefit adjustment on acquisition of Mineral Properties (*vii*)	2,478	2,478	3,494
Future income tax assets related to adjustments (*iii*)	56,272	35,605	20,039
Adjustment to equity investment (*v*)	(5,826)	(4,304)	(950)
Discontinued operations adjustments (*Note 10*)	(17,782)	(21,008)	(16,548)
Total assets under US GAAP	$ 9,476,240	$ 9,168,035	$ 9,815,296
LIABILITIES			
Total liabilities under Canadian GAAP	$ 2,911,742	$ 2,780,435	$ 3,942,293
Future employee benefit liability adjustment (*vii*)	3,902	3,902	4,475
Other long-term liabilities—adjusted for unrecognized tax benefit (*vi*)	5,009	3,429	1,493
Future income tax liabilities related to adjustments (*iii*)	(2,922)	(2,922)	(2,922)
Warrants adjustment—reclassification from equity (*viii*)	9,053	–	–
Total liabilities under US GAAP	$ 2,926,784	$ 2,784,844	$ 3,945,339
Non-controlling interest under US GAAP	$ 46,800	$ 46,800	$ 46,810
Shareholders' equity under Canadian GAAP	6,748,718	6,510,119	5,906,821
Write-off of mineral property costs (*i*)	(183,075)	(130,971)	(62,209)
Adjustment for depreciation, amortization and depletion (*i*)	(96,769)	(51,534)	(24,013)
Unrecognized tax benefits (*vi*)	(5,009)	(3,428)	(1,493)
Future employee benefit adjustment to Other Comprehensive Income (*vii*)	(1,424)	(1,424)	(981)
Write-off of pre-operating costs (*ii*)	13,682	414	(441)
Adjustment to equity investment (*v*)	(5,826)	(4,304)	(950)
Future income taxes (*iii*)	59,194	38,527	22,961
Warrants adjustment—reclassification to liabilities (*viii*)	(9,053)	–	–
Discontinued operations adjustments (*Note 10*)	(17,782)	(21,008)	(16,548)
Shareholders' equity under US GAAP	$ 6,502,656	$ 6,336,391	$ 5,823,147
Total liabilities and shareholders' equity under US GAAP	$ 9,476,240	$ 9,168,035	$ 9,815,296

The components of shareholders' equity under US GAAP would be as follows:

	2009	2008	2007
SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Common shares	$ 6,063,410	$ 6,055,892	$ 5,502,518
Share purchase warrants	–	44,109	270,805
Additional paid-in capital	26,942	26,587	77,393
Accumulated other comprehensive income (loss)	25,228	(42,075)	(4,836)
Retained earnings	387,076	251,878	(22,733)
Total shareholders' equity	$ 6,502,656	$ 6,336,391	$ 5,823,147

CASH FLOWS	2009	2008	2007
Cash flows from operating activities per Canadian GAAP	$ 551,593	$ 328,675	$ 281,130
Write-off of mineral property costs (*i*)	(37,832)	(68,762)	(30,076)
Cash flows from operating activities per US GAAP	513,761	259,913	251,054
Cash flows (to) from financing activities per Canadian and US GAAP	(64,957)	131,579	614,344
Cash flows to investing activities per Canadian GAAP	(495,856)	(559,715)	(689,848)
Write-off of mineral property costs (*i*)	37,832	68,762	30,076
Cash flows to investing activities per US GAAP	$ (458,024)	$ (490,953)	$ (659,772)

(i) Mineral properties

Under Canadian GAAP, resource property acquisition costs and exploration costs may be deferred and amortized to the extent that they meet certain criteria. Capitalized costs under Canadian GAAP are amortized on a unit-of-production basis based on proven, probable and the portion of mineralization expected to be classified as reserves.

Under US GAAP, exploration costs must be expensed as incurred unless the resource properties have proven and probable reserves, at which time costs incurred to bring the mine into production are capitalized as development costs. Drilling and related costs in delineating an orebody and converting mineral resources to mineral reserves are expensed as exploration costs under US GAAP. Capitalized costs are then amortized on a unit-of-production basis based on proven and probable reserves rather than over the proven, probable reserves of the mine and the applicable portion of resources expected to ultimately be mined. This additional depletion and exploration expense is required to be recognized under US GAAP. For the purposes of the consolidated statements of cash flows, the exploration costs are classified as cash used in investing activities under Canadian GAAP and cash used in operations under US GAAP.

(ii) Pre-operating costs

US GAAP requires pre-operating costs to be expensed as incurred. Canadian GAAP allows certain pre-operating costs included in the cost of an item of property, plant and equipment to be capitalized until commercial production is established and then amortized on the unit-of-production basis.

(iii) Income taxes

Under Canadian GAAP, future income taxes are calculated based on enacted or substantively enacted tax rates applicable to future years. Under US GAAP, only enacted rates are used in the calculation of future income taxes. This difference in GAAP did not result in a difference in the financial position, results of operations or cash flows of the Company for the years ended December 31, 2009, 2008 or 2007.

(iv) Stock-based compensation

Effective January 1, 2006, the Company adopted FAS 123(R), now known as Accounting Standards Codification 718 (ASC 718). The adoption of this standard had no impact on the Company.

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the 2009 fiscal year-end and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all the option holders exercised their options on December 31, 2009.

The following is a summary for stock options:

As at December 31, 2009	2009	2008
Outstanding stock options (in millions)	5.8	5.1
Exercisable stock options (in millions)	4.9	5.1
Aggregate intrinsic value of options outstanding (in millions of United States Dollars)	$ 15.0	$ 2.0
Weighted average contractual term (in years)	2.42	2.92

For the year ended December 31, 2009 *(in millions of United States Dollars)*	2009	2008	2007
Aggregate intrinsic value of options exercised	$ 1.1	$ 92.4	$ 68.4
Cash received from exercise of stock options *(i)*	$ 1.1	$ 53.5	$ 34.4

(i) There is no tax impact on the above.

(v) Stripping costs incurred during production

Under Canadian GAAP, certain stripping costs incurred during production may be capitalized if the stripping activity provides access to sources of reserves that will be produced in future periods. Per EITF 04-6 now known as ASC 930-330-25-1, under US GAAP, these costs should be included in the costs of the inventory produced (that is, extracted) during the period that the stripping costs are incurred and consequently expensed as the inventory is sold.

(vi) Accounting for uncertainty in income taxes

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") effective January 1, 2007. FIN 48 is now known as ASC 740. As a result of this adoption in 2007, the Company recognized, as a cumulative effect of change in accounting principle, a $1.5 million increase in liabilities for unrecognized taxable benefits, and a $1.5 million decrease in retained earnings. In 2008, the Company recorded an additional $1.9 million with respect to this adjustment for a cumulative total of $3.4 million accrued in the Consolidated Balance Sheet.

A reconciliation of the beginning and ending amount of unrecognized taxable benefits is as follows:

	2009	2008	2007
Balance at January 1,	$ 26,214	$ 4,639	$ 4,639
Additions based on tax positions related to the current year	1,762	–	–
Additions related to tax positions of prior years	5,235	21,575	–
Balance at December 31,	$ 33,211	$ 26,214	$ 4,639

These liabilities are primarily included as a component of other long-term liabilities in the Company's Consolidated Balance Sheet because the Company generally does not anticipate that any of the liabilities will be settled within the next 12 months. As of December 31, 2009, $33.7 million (December 31, 2008—$26.2 million; December 31, 2007—$4.6 million) of unrecognized taxable benefits, if recognized in future periods, would impact the Company's effective tax rate. The Company does not have any unrecognized taxable benefits that will significantly increase or decrease within the next 12 months.

The company recognized interest and penalties related to unrecognized tax benefits in interest expense. During the year ended December 31, 2009, the Company recognized $1.6 million of interest and penalties (December 31, 2008—$2.9 million; December 31, 2007—nil). The Company had $5.0 million of interest and penalties accrued at December 31, 2009 (December 31, 2008—$3.4 million; December 31, 2007—nil).

The following is a summary of the tax years that remain subject to examination by major jurisdiction:

Jurisdiction	Years
Canada	2000–2009
United States	1999–2009
Brazil	2004–2009
Chile	2005–2009
Argentina	2007–2009

(vii) Defined benefit pension

In September 2006, FASB issued FAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (now known as ASC 715-20), which requires the recognition in the Company's financial statements of the funding status of a benefit plan and that the plan assets and benefit obligations be measured as of the date of the employer's fiscal year-end statement of financial position. Under ASC 715-20 the Company is required to recognize unamortized actuarial gains and losses, prior service cost and remaining transitional amounts not recognized under Canadian GAAP, with the offset to comprehensive income. This difference in accounting standards resulted in $1.4 million being recognized as a charge in comprehensive income and a $2.5 million increase to total assets for an overfunded plan and $3.9 million increase to total liabilities for underfunded plans for US GAAP purposes. As at December 31, 2009, the difference relating to ASC 715-20 is not significant. The pension plan is frozen as of December 15, 2008 and currently in the process of being formally closed with the assets being liquidated.

(viii) Reclassification of Warrants

In late June 2008, FASB released EITF 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" (now known as ASC 815-40), which provides further guidance on the accounting treatment for certain equity instruments with elements of foreign currency risk.

The Company's functional currency is the United States Dollar and it has issued and outstanding warrants that have an exercise price that is denominated in Canadian Dollars. The Company has determined that such warrants with an exercise price that is different from the entity's functional currency cannot be classified as equity based on the evaluation of the warrant's settlement provisions. As a result, these instruments are treated as derivatives and recorded as liabilities carried at their fair value for US GAAP purposes. Any changes in the fair value from period to period are recorded as a gain or loss in the statement of operations. Accordingly, for US GAAP purposes, the Company assessed the fair value of these warrants as of January 1, 2009, and recorded a reduction in share purchase warrants of $44.1 million, a decrease in opening shareholders' equity of $32.2 million and an $11.9 million increase in Liabilities. For the year ended December 31, 2009, the Company has assessed the fair value of the warrants and reclassified $44.1 million warrants previously recorded in share purchase warrants, recorded a liability of $9.1 million and a mark-to-market adjustment for the year of $2.8 million.

There were no share purchase warrants issued during 2008 and 2009. The fair value of the warrants issued in 2007 was valued using a Black-Scholes option pricing model. These values were determined on an option pricing model with the following assumptions:

	2007
Dividend yield	0.33%
Expected volatility	35%
Risk-free interest rate	3.06%–4.66%
Expected life	1–3 years
Forfeitures	nil

(ix) Entity consolidated using the equity method

The Company has a 12.5% indirect interest in Minera Alumbrera Ltd. ("Alumbrera") and based on the Company's ability to exercise significant influence, the investment has been accounted for using the equity method. Earnings of Alumbrera have been included in the earnings of the Company from October 13, 2007, the date of acquisition.

The following is summarized financial information for Alumbrera:

Summary of operating information			
For the years ended December 31	2009	2008	2007
Revenues	$ 1,321,284	$ 1,248,947	$ 1,558,400
Cost of sales	(538,456)	(563,029)	(405,145)
Operating expenses	(271,376)	(254,616)	(418,698)
Income tax	(182,297)	(130,991)	(221,227)
Net income	$ 329,155	$ 300,311	$ 513,330
Summary of balance sheet information			
At December 31	2009	2008	
Assets			
Current assets	$ 545,385	$ 364,387	
Property, plant and equipment	507,337	547,789	
Other assets	184,640	177,698	
	$ 1,237,362	$ 1,089,874	
Liabilities			
Current liabilities	$ 278,212	$ 57,725	
Long-term loan	162,000	162,000	
Future income tax liabilities	116,369	123,447	
Asset retirement obligations	63,678	55,803	
Other liabilities	–	(70)	
	$ 620,259	$ 398,905	
Summary of cash flow information			
For the years ended December 31	2009	2008	2007
Operating activities	$ 478,265	$ 297,382	$ 115,433
Investing activities	(33,626)	(60,335)	(34,102)
Financing activities	(411,875)	(271,908)	(630,000)
Increase/(decrease) in cash and cash equivalents during the year	$ 32,764	$ (34,861)	$ (548,669)

(x) Joint venture

The Rossi joint venture is an entity that operates the Rossi mineral properties located in Elko County, Nevada. Under the contractual arrangement, the significant financial operating policies of the entity are jointly controlled by the parties having an equity interest in the entity. On October 31, 2008, the Company sold its interest to Barrick Gold for total gross cash proceeds of $29.2 million and a total gain of $2.3 million.

Under Canadian GAAP, the accounts of all incorporated and unincorporated joint ventures and partnerships are proportionately consolidated according to the Company's ownership interest. Under US GAAP, the equity method of accounting is applied in circumstances where a proportionately consolidated joint venture's significant financial and operating policies are, by contractual arrangement, jointly controlled by all parties having an equity interest in the entity. United States regulations do not require, for the purposes of this reconciliation, adjustment to equity account for the joint ventures. The presentation of the Company's joint venture up to the date of sale does not require adjustments to the equity method.

The following details the Company's share of statement of operations, cash flows and balance sheets in the Rossi joint venture which has been proportionately consolidated up to the date of sale:

	Year Ended 2008	Year Ended 2007
Proportionate Statements of Joint Venture Operation		
Revenues	$ 5,465	$ 2,761
Cost of sales	(4,101)	(1,768)
Depreciation, amortization and depletion	(510)	(878)
Other expenses	(249)	(105)
Net income	$ 605	$ 10
Proportionate Joint Venture Balance Sheet		
Current assets	$ –	$ 2,534
Capital assets	–	52,344
	$ –	$ 54,878
Current liabilities	$ –	$ 640
Long-term liabilities	–	256
Company's investment carrying value	–	53,982
	$ –	$ 54,878
Proportionate Statements of Joint Venture Cash Flows		
Operating activities	$ (99)	$ 329
Investing activities	99	(329)
Financing activities	–	–

(xi) Comprehensive income (loss)

In May 1993, the FASB issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", now known as ASC 320. Under ASC 320, management determines the appropriate classification of investments in debt and equity securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Under ASC 320, equity securities and long-term investments are classified as available-for-sale securities and, accordingly, the Company is required to include the net unrealized holding gain on these securities in other comprehensive income. This difference in accounting standard resulted in an increase in comprehensive loss for 2007 of $4.5 million. There was no US GAAP adjustment for the years ended December 31, 2009 and December 31, 2008 with the adoption of Section 1530, "Comprehensive Income", of the CICA. ASC 220, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components (revenue, expenses, gains and losses) in a full set of general purpose financial statements.

(xii) Fair value measurements

In first quarter 2008, the Company adopted FAS 157, now known as ASC 820, for financial assets and liabilities that are measured at fair value on a recurring basis. ASC 820 defines fair value, establishes a framework for measuring fair value under US GAAP, and requires expanded disclosures about fair value measurements. The primary assets and liabilities affected were available-for-sale securities and derivative instruments. The adoption of ASC 820 did not change the valuation techniques that the Company uses to value these assets and liabilities. In 2009, the Company began to apply ASC 820 to non-financial assets and liabilities that it periodically measures at fair value under US GAAP. The principal assets and liabilities that will be affected are impaired long-lived tangible assets, impaired intangible assets, goodwill and asset retirement obligations.

(xiii) The Fair Value Options for Financial Assets and Financial Liabilities

In February 2007, FASB issued FAS 159, now known as ASC 825, which allows an irrevocable option, the Fair Value Option ("FVO"), to carry eligible financial assets and liabilities at fair value, with the election made on an instrument-by-instrument basis. Changes in fair value for these instruments would be recorded in earnings. The objective of ASC 825 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

The standard was effective for the Company beginning in first quarter 2008 and was applied prospectively. We have not adopted the FVO for any of our eligible financial instruments, which primarily include available-for-sale securities, equity-method investments and long-term debt.

(xiv) The Fair Value Measurement of Liabilities

In August 2009, FASB issued ASU 2009-05 "Measuring Liabilities at Fair Value", which provides amendments to Subtopic 820-10, "Fair Value Measurements and Disclosures—Overall" and is effective prospectively for interim periods beginning after October 1, 2009 for the Company. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one of the valuation techniques that uses (a) the quoted price of the identical liability when traded as asset; (b) quoted prices for similar liabilities when traded as assets; or another valuation technique that is consistent with the principles of Topic 820, "Fair Value Measurements and Disclosures". Therefore, the fair value of the liability shall reflect non-performance risk including, but not limited to, a reporting entity's own credit risk. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of liability. The Company adopted ASU 2009-05 in the fourth quarter of 2009 and did not have a material difference as a result of the application of the amendments. Refer to *Note 26* for related disclosures.

(xv) Subsequent events

In May 2009, FASB issued Statement No. 165, "Subsequent Events". This Statement established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this Statement set forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and 3) the disclosures that an entity should make about events or transactions that occur after the balance sheet date. The Company did not have a material difference as a result of the application of this standard.

(xvi) Impact of Recent United States Accounting Pronouncements

Recently issued United States accounting pronouncements are outlined below.

(a) In June 2009, FASB issued Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles", a replacement of FASB Statement 162. This statement is now known as ASC 105.

FASB Accounting Standards Codification™ (Codification) is the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

(b) In June 2009, FASB issued Statement No. 166, "Accounting of Transfers of Financial Assets" an amendment of FASB No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement is now known as ASC 860.

This Statement improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (1) practices that have developed since the issuance of FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is assessing the impact of the new standard.

(c) In June 2009, FASB issued Statement No. 167, "Amendment to FASB Interpretation No.46(R)". This statement is now known as ASC 810.

This Statement improves financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities", as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, "Accounting for Transfers of Financial Assets", and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is assessing the impact of the new standard.

Yamana's Mineral Reserve and Mineral Resource Estimates

As at December 31, 2009

MINERAL RESERVES *(PROVEN AND PROBABLE)*

	Proven Reserves			Probable Reserves			Total Proven & Probable Reserves		
Gold	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
Alhué/Minera Florida	1,504	4.27	207	2,148	5.97	412	3,652	5.27	619
Alumbrera (12.5%)	38,750	0.40	498	1,250	0.29	12	40,000	0.40	510
Chapada	166,312	0.22	1,166	153,102	0.20	992	319,414	0.21	2,158
C1 Santa Luz	13,452	1.63	706	10,336	1.44	479	23,788	1.55	1,184
El Peñón	1,142	5.60	206	7,374	7.27	1,724	8,516	7.05	1,930
Ernesto/Pau-a-Pique	2,279	3.86	283	4,827	2.75	427	7,106	3.11	710
Fazenda Brasileiro	1,864	2.64	158	291	2.87	27	2,155	2.67	185
Gualcamayo	16,792	0.86	464	51,155	1.14	1,868	67,947	1.07	2,332
Jacobina	12,695	1.99	811	9,733	2.33	731	22,428	2.14	1,542
Mercedes	–	–	–	3,445	5.63	624	3,445	5.63	624
Sub Total Gold Mineral Reserves	254,790	0.55	4,498	243,661	0.93	7,296	498,451	0.74	11,794
Agua Rica	347,831	0.25	2,818	449,892	0.21	2,965	797,723	0.23	5,783
Total Gold Mineral Reserves	602,621	0.38	7,316	693,553	0.46	10,261	1,296,174	0.42	17,577

	Proven Reserves			Probable Reserves			Total Proven & Probable Reserves		
Silver	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
Alhué/Minera Florida	1,504	22.69	1,097	2,148	50.22	3,467	3,652	38.88	4,564
El Peñón	1,142	273.79	10,053	7,374	200.50	47,530	8,516	210.33	57,583
Mercedes	–	–	–	3,445	62.36	6,908	3,445	62.36	6,908
Sub Total Silver Mineral Reserves	2,646	131.07	11,150	12,967	138.90	57,905	15,613	137.57	69,055
Agua Rica	347,831	3.83	42,775	449,892	3.46	49,989	797,723	3.62	92,767
Total Silver Mineral Reserves	350,477	4.79	53,925	462,859	7.25	107,894	813,336	6.19	161,822

	Proven Reserves			Probable Reserves			Total Proven & Probable Reserves		
Copper	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	38,750	0.39	333	1,250	0.32%	9	40,000	0.39	341
Chapada	166,312	0.33	1,192	153,102	0.30%	1,014	319,414	0.31	2,206
Sub Total Copper Mineral Reserves	205,062	0.33	1,525	154,352	0.30%	1,023	359,414	0.32	2,547
Agua Rica	347,831	0.57	4,386	449,892	0.43%	4,285	797,723	0.49	8,670
Total Copper Mineral Reserves	552,893	0.48	5,911	604,244	0.40%	5,308	1,157,137	0.44	11,217

	Proven Reserves			Probable Reserves			Total Proven & Probable Reserves		
Zinc	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alhué/Minera Florida	1,504	1.39	46	2,148	1.62%	77	3,652	1.52	123
Total Zinc Mineral Reserves	1,504	1.39	46	2,148	1.62%	77	3,652	1.52	123

	Proven Reserves			Probable Reserves			Total Proven & Probable Reserves		
Molybdenum	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alumbrera (12.5%)	38,750	0.013	11	1,250	0.015	0.4	40,000	0.013	11
Sub Total Moly Mineral Reserves	38,750	0.013	11	1,250	0.015	–	40,000	0.013	11
Agua Rica	347,831	0.035	268	449,892	0.033	327	797,723	0.034	596
Total Moly Mineral Reserves	386,581	0.033	279	451,142	0.033	328	837,723	0.033	607

MINERAL RESOURCES *(MEASURED, INDICATED AND INFERRED)*

	Measured Resources			Indicated Resources			Total Measured & Indicated Resources		
Gold	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
Alhué/Minera Florida	882	5.48	155	1,247	5.28	212	2,129	5.37	367
Amancaya	–	–	–	–	–	–	–	–	–
C1 Santa Luz	10,498	1.65	557	11,534	1.50	555	22,032	1.57	1,112
Chapada	45,710	0.14	206	139,672	0.12	539	185,382	0.13	745
El Peñón	613	12.23	241	3,046	7.73	757	3,659	8.48	998
Ernesto/Pau-a-Pique	204	6.28	41	1,793	1.44	83	1,997	1.93	124
Esquel	–	–	–	4,700	15.00	2,286	4,700	15.00	2,286
Fazenda Brasileiro	481	2.31	36	1,303	2.94	123	1,784	2.77	159
Gualcamayo	5,967	1.30	249	14,630	1.18	553	20,597	1.21	802
Jacobina	7,995	2.20	565	8,259	3.27	867	16,254	2.74	1,433
Jeronimo (57.3%)	–	–	–	636	7.97	163	636	7.97	163
La Pepa	15,750	0.61	308	133,682	0.57	2,452	149,432	0.57	2,760
Mercedes	–	–	–	1,056	3.77	128	1,056	3.77	128
Pilar de Goias (Jordino) (75%)	–	–	–	1,337	4.95	213	1,337	4.95	213
Pilar de Goias (Ogo, Tres Buracas) (75%)	–	–	–	–	–	–	–	–	–
Subtotal Gold Mineral Resources	88,100	0.83	2,358	322,895	0.86	8,931	410,955	0.85	11,290
Agua Rica	64,169	0.17	361	248,108	0.16	1,299	312,277	0.17	1,660
Total Gold Mineral Resources	152,269	0.56	2,719	571,002	0.56	10,229	723,272	0.56	12,950

	Measured Resources			Indicated Resources			Total Measured & Indicated Resources		
Silver	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)	Tonnes (000's)	Grade (g/t)	Contained oz (000's)
Alhué/Minera Florida	882	18.17	515	1,247	28.24	1,132	2,129	24.07	1,647
Amancaya	–	–	–	–	–	–	–	–	–
El Peñón	613	300.96	5,928	3,046	205.99	20,172	3,659	221.89	26,100
Esquel	–	–	–	4,700	23.00	3,523	4,700	23.00	3,523
Mercedes	–	–	–	1,056	49.80	1,690	1,056	49.80	1,690
Subtotal Silver Mineral Resources	1,495	134.05	6,443	10,049	82.07	26,517	11,554	88.81	32,960
Agua Rica	64,169	2.38	4,911	248,108	2.74	21,823	312,277	2.66	26,734
Total Silver Mineral Resources	65,664	5.38	11,354	258,157	5.82	48,340	323,821	5.73	59,694

	Measured Resources			Indicated Resources			Total Measured & Indicated Resources		
Copper	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Chapada	45,710	0.18	181	139,672	0.20	616	185,383	0.20	797
Subtotal Copper Mineral Resources	45,710	0.18	181	139,672	0.20	616	185,383	0.20	797
Agua Rica	64,169	0.49	700	248,108	0.40	2,178	312,277	0.42	2,878
Total Copper Mineral Resources	109,879	0.36	881	387,780	0.33	2,794	497,660	0.34	3,675

	Measured Resources			Indicated Resources			Total Measured & Indicated Resources		
Zinc	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Alhué/Minera Florida	882	1.3	27	1,247	1.50	41	2,129	1.45	68
Total Zinc Mineral Resources	882	1.3	27	1,247	1.50	41	2,129	1.45	68

	Measured Resources			Indicated Resources			Total Measured & Indicated Resources		
Molybdenum	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)	Tonnes (000's)	Grade (%)	Contained lbs (mm)
Agua Rica	64,169	0.01	40	248,108	0.01	165	312,277	0.01	206
Total Moly Mineral Resources	64,169	0.01	40	248,108	0.01	165	312,277	0.01	206

Inferred Resources		
Tonnes (000's)	Grade (g/t)	Contained oz (000's)
2,746	6.12	541
1,390	7.90	351
4,830	1.40	217
186,801	0.11	661
3,846	8.42	1,040
4,459	1.79	257
900	9.90	274
1,862	3.48	208
20,826	0.92	615
16,480	2.36	1,252
1,776	7.10	401
37,900	0.50	620
1,827	6.11	359
4,106	5.56	734
3,675	1.38	164
293,425	0.82	7,695
651,000	0.12	2,512
944,425	0.34	10,207

Inferred Resources		
Tonnes (000's)	Grade (g/t)	Contained oz (000's)
2,746	55.11	4,865
1,390	73.00	3,270
3,846	257.84	31,880
900	21.00	575
1,827	58.46	3,435
10,709	127,87	44,025
651,000	2.30	48,139
661,709	4.33	92,164

Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)
186,801	0.20	823
186,801	0.20	823
651,000	0.34	4,880
837,801	0.31	5,703

Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)
2,745	1.51	92
2,745	1.51	92

Inferred Resources		
Tonnes (000's)	Grade (%)	Contained lbs (mm)
651,000	0.03	488
651,000	0.03	488

MINERAL RESERVE AND MINERAL RESOURCE REPORTING NOTES:

1. Metal Prices and Cut-off Grades:

Mine	Mineral Reserves	Mineral Resources
Alhué/Minera Florida	$825 Au, $14.00 Ag, $0.75 lb Zn	2.5 g/t Au cut-off
Alumbrera (12.5%)	$919 Au, $1.80 Cu, $12.00 Mo, 0.22% Cu EQ cut-off	N/A
Amancaya	N/A	1.0 g/t Au EQ OP, 3.4 g/t Au EQ UG cut-off
Chapada	$825 Au, $2.25 Cu, $3.62 NSR cut-off	0.17% Cu EQ cut-off
C1 Santa Luz	$750 Au, 0.5 g/t Au cut-off	0.5 g/t Au cut-off
El Peñón	$825 Au, $14.00 Ag, variable cut-off	3.9 or 5.0 g/t Au EQ cut-off
Ernesto/Pau-a-Pique	$825 Au, 1.0 g/t UG, 0.3 g/t Au OP cut-off	0.3 g/t OP, 1.0 g/t IG cut-off
Fazenda Brasileiro	$776 Au, 1.5 g/t Au cut-off	1.5 g/t cut-off
Gualcamayo	$825 Au, QDD 0.15 g/t Au, AIM 0.5 g/t Au QDDLW 1.0 g/t Au cut-off	QDD 0.15 g/t Au, AIM 0.5 g/t Au, QDD LW 1.0 g/t Au cut-off
Jacobina	$825 Au; 1.1 g/t Au cut-off	0.5 g/t Au cut-off
Jeronimo (57.3%)	N/A	5.0 g/t Au cut-off
La Pepa	N/A	0.3 g/t Au cut-off
Mercedes	$825 Au, $14.00 Ag; 3.0 g/t Au EQ cut-off	2.0 g/t Au EQ cut-off
Pilar (75%)	N/A	2.0 g/t Au cut-off
Agua Rica	$425 Au, $1.10 Cu; 0.2% Cu and $3.74 cut-off	0.2% Cu cut-off

2. All mineral reserves and mineral resources have been calculated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101, other than the estimates for the Alumbrera mine which have been calculated in accordance with the JORC Code which is accepted under NI 43-101.
3. All mineral resources are reported exclusive of mineral reserves.
4. Mineral resources which are not mineral reserves do not have demonstrated economic viability.
5. Mineral reserves and mineral resources are reported as of December 31, 2009.
6. For the qualified persons responsible for the mineral reserve and mineral resource estimates, see the qualified persons chart below:

Property	Qualified Persons for Mineral Reserves	Qualified Persons for Mineral Resources
Alhué/ Minera Florida	Stuart Collins, P.E., Scott Wilson Roscoe Postle Associates Inc.	Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc.
Alumbrera	Julio Bruna Novillo, AusIMM, Xstrata Plc	Julio Bruna Novillo, AusIMM, Xstrata Plc
Amancaya	N/A	Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc.
Chapada	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.
C-1 Santa Luz	Enrique Munoz Gonzalez, MAusIMM, Metalica Consultores S.A.	Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.
El Peñón	Stuart Collins, P.E., Scott Wilson Roscoe Postle Associates Inc.	Chester M. Moore, P.Eng., Scott Wilson Roscoe Postle Associates Inc.
Ernesto/ Pau-a-Pique	Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
Esquel	N/A	Robin J. Young, P. Geo., Western Services Engineering, Inc.
Fazenda Brasileiro	Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
Gualcamayo	Renato Petter, P. Eng., Director of Technical Services, Yamana Gold Inc.	Ronald G. Simpson, P. Geo., GeoSim Services Inc. and Marco Antonio Alfaro Sironvalle, MAusIMM, Corporate Manager, Reserves, Yamana Gold Inc.
Jacobina	Renato Petter, P. Eng., Technical Services Director, Yamana Gold Inc.	Rogerio Moreno, MAusIMM, Principal Geologist, MCB Servicos e Mineracao Ltda.
Jeronimo	N/A	Chester M. Moore, P. Eng., Scott Wilson Roscoe Postle Associates Inc.
La Pepa	N/A	Chester M. Moore, P. Eng., Scott Wilson Roscoe Postle Associates Inc.
Mercedes	David Sprott, B.Sc, M.Sc., P.Eng., Associate and Senior Mine Engineer, Golder Associates Ltd.	Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc.
Pilar	N/A	Greg Walker, P.Geo., Senior Manager, Resources Estimation, Yamana Gold Inc. and Pamela L. De Mark, P.Geo., Senior Consultant, Snowden Mining Industry Consultants Inc.
Agua Rica	Renato Petter, P. Eng., Director of Technical Services, Yamana Gold Inc.	Evandro Cintra, Ph.D., P. Geo., Senior Vice President, Technical Services, Yamana Gold Inc.

Corporate Governance and Committees of The Board

CORPORATE GOVERNANCE

Yamana and the Board recognize the importance of corporate governance to the effective management of the Company and to the protection of its employees and shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that Yamana's business and affairs are effectively managed so as to enhance shareholder value.

The Company's corporate governance practices have been designed to be in compliance with applicable Canadian, United States and United Kingdom legal requirements and best practices. The Company continues to monitor developments in Canada, the United States, and the United Kingdom with a view to keeping its governance policies and practices current.

Although, as a regulatory matter, the majority of the corporate governance listing standards of the New York Stock Exchange are not applicable to the Company, Yamana has corporate governance practices that comply with such standards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations in all jurisdictions in which the Company conducts business; providing guidance to directors, officers and employees to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

Yamana has established a toll-free compliance hotline and website to allow for anonymous reporting of any suspected Code violations, including concerns regarding accounting, internal controls over financial reporting or other auditing matters.

COMMITTEES OF THE BOARD

The Board has the following four standing committees:

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community. The external auditors of the Company report directly to the Audit Committee.

Compensation Committee

The Compensation Committee, which is composed entirely of independent directors, among other things, may determine appropriate compensation for the Company's directors, officers and employees. The process by which appropriate compensation is determined is through periodic and annual reports from the Compensation Committee on the Company's overall compensation and benefits philosophies.

Corporate Governance and Nominating Committee

This committee is responsible to annually review the Board's relationship with management to ensure that the Board is able to and, in fact, does function independently of management; develop and recommend to the Board for approval a long-term plan for Board composition that takes into consideration the independence of directors, competencies and skills for the Board as a whole; retirement dates, the appropriate size of the Board with a view to facilitate effective decision making and strategic direction of the Company; develop and implement a process to handle any director nominees who are recommended by security holders; periodically review the Board Manual by which the Board will operate and the terms of reference for the Board; and annually review the directors' compensation program and make any recommendations to the Board for approval.

Sustainability Committee

The Board also has a Sustainability Committee to assist in oversight of sustainability environmental, health and safety matters, including monitoring the implementation and management of the Company's policies, procedures and practices relating to sustainability, environmental, health and safety matters.

To view Yamana's Board and committee charters, ethics policy, corporate governance practices as well as how they compare to the NYSE standards, please visit www.yamana.com/Governance. More information can also be found in Yamana's Management Information Circular.

Shareholder Information

SHARE LISTINGS

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

CAPITALIZATION (as at December 31, 2009)

Common Shares (basic): 733.4 million
Common Shares (fully diluted): 753.7 million
Warrants: 14.5 million
Options: 5.8 million

2009 COMMON SHARE TRADING INFORMATION

Stock Exchange	Ticker	Closing Price	High	Low	Total Volume
TSX	YRI	C$12.00	15.00	7.29	1,561,702,485
NYSE	AUY	US$11.38	14.37	5.80	4,040,111,799
LSE	YAU	£702.50	850	400	1,387,553

DIVIDENDS

Yamana currently pays a quarterly dividend of $0.01 per share.

2009 Dividend Schedule		Anticipated 2010 Dividend Schedule*	
Record Date	Payment Date	Record Date	Payment Date
March 31 2009	April 14 2009	March 31 2010	April 14 2010
June 30 2009	July 14 2009	June 30 2010	July 14 2010
September 30 2009	October 14 2009	September 30 2010	October 14 2010
December 31 2009	January 14 2010	December 31 2010	January 14 2011

* Subject to approval by the Board of Directors

ELECTRONIC DELIVERY OF SHAREHOLDER DOCUMENT

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

TRANSFER AGENT

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

CIBC Mellon Trust Company
320 Bay Street, Box 1
Toronto, Ontario, Canada M5H 4A6

Phone: 1-800-387-0825 (toll free in North America)
1-416-643-5500 (outside North America)
Email: inquiries@cibcmellon.com

INVESTOR INFORMATION CONTACT

For additional financial information, industry developments, latest news and corporate updates:
Phone: (416) 815-0220
Email: investor@yamana.com

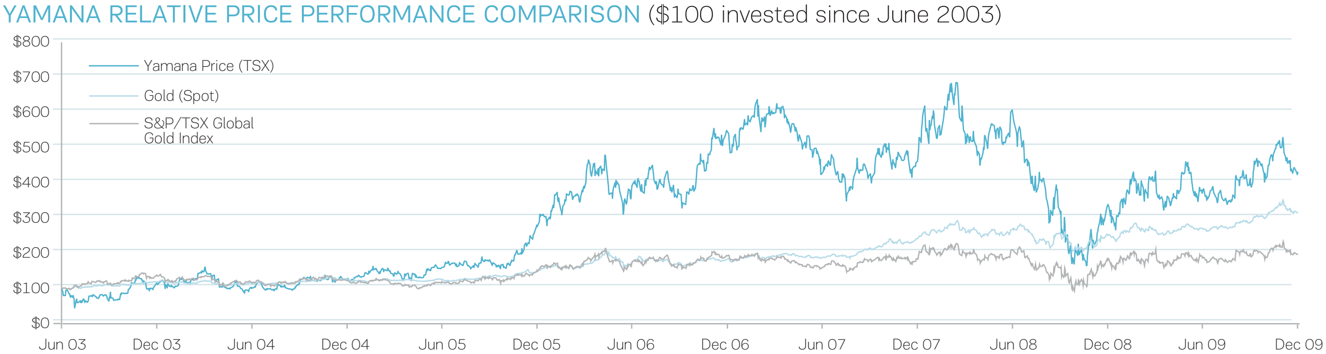
AUDITORS

Deloitte & Touche LLP

LEGAL COUNSEL

Cassels, Brock & Blackwell LLP
Shearman & Sterling LLP

YAMANA RELATIVE PRICE PERFORMANCE COMPARISON ($100 invested since June 2003)



Corporate Information

BOARD OF DIRECTORS

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

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

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

Alex Davidson
Company Director

Richard Graff (1)
Consultant

Robert Horn (4)(2)
Company Director

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

Juvenal Mesquita (3)
Company Director

Carl Renzoni (1)(3)
Company Director

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

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

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

SENIOR MANAGEMENT

Peter Marrone
Chairman and Chief Executive Officer

Ludovico Costa
President and Chief Operating Officer

Charles Main
Executive Vice President, Finance and Chief Financial Officer

Greg McKnight
Senior Vice President, Business Development

Darcy Marud
Senior Vice President, Exploration

Evandro Cintra
Senior Vice President, Technical Services

Nelson Munhoz
Vice President, Operations, Brazil

Ricardo Palma
Vice President, Country Manager, Chile

Arão Portugal
Vice President, Administration and Country Manager, Brazil

Hernan Vera
Vice President, Country Manager, Argentina

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

Betty Soares
Vice President, Corporate Controller

Sofia Tsakos
Vice President, Corporate Counsel and Corporate Secretary

Jason LeBlanc
Vice President, Finance and Treasurer

Mark Bennett
Assistant Corporate Secretary

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Annual General Meeting

Wednesday, May 5, 2010
11:00 a.m. Eastern Time

Four Seasons Centre
for the Performing Arts
145 Queen Street West
Toronto, Ontario, Canada

Live webcast available at:
www.yamana.com