YAMANA RESOURCES INC.

2003 ANNUAL REPORT

Yamana – with a new, unmatched focus on gold in Brazil.

During this year, Yamana

- Repaid all of its debt
- Secured strong partners for the exploration and development of its Argentine gold assets
- Developed a significant new focus on gold production, exploration and development in Brazil

Over the longer-term, Yamana

- Intends to become a gold producer, and the major consolidator of gold opportunities in Brazil

PRESIDENT'S MESSAGE

This is Yamana's ninth annual report since its creation in March of 1994. The improvement in gold prices that began early in 2002 has created some enthusiasm for the industry's future. However, exploration expenditures by juniors, financed by speculative investors, have yet to show significant signs of recovery. It is now the majors who are returning to grassroots exploration, somewhat usurping the junior role. Exploration expenditures in aggregate, however, continued to decline markedly from the heady levels of 1997. An evaluation, begun in October 2002, saw Yamana redirected into Brazil and culminated in the acquisition of the 1,000-square-kilometer area of Cumaru – Brazil's largest garimpeiro reserve – in the Carajas Region of Para State. This acquisition led to an equity financing of $CDN 1.3 million, which closed on February 28, 2003. Brazil is surely one of the most unexplored countries of South America. Many opportunities exist and the recent devaluation of the Brazilian real against the U.S. dollar makes working there much more economic. Yamana intends to remain focused on South America, with a strong emphasis on Brazil. Our Argentina land holdings in southeastern Patagonia continue under the joint venture with Buenaventura and Hochschild, with no financial commitment needed from Yamana until these partners spend $US 6 million. The land position has been expanded through Yamana's exploration skills and these additions turned over to its partners for detailed investigation. As part of the developing emphasis on Brazil, on April 23, 2003, Yamana announced its second move in Brazil with an agreement to acquire all of the gold properties of Santa Elina Mines Corp., a substantial Brazilian mineral company. It is of note that the greenstone terrane which makes up most of the nearly 7,500 square kilometers of land held by Santa Elina in the Santa Elina Gold Belt continues south into Paraguay. Yamana possesses a substantial database on Paraguay and we drilled the first gold ever in hard rock. It will be fascinating to tie our data to Santa Elina's and, perhaps, return to that country. Other projects and properties in Brazil are under evaluation. It is hoped that further acquisitions and the aggressive development of the gold assets already acquired from Santa Elina will see Yamana emerge in a very few years as a mid-tier gold producer with excellent exploration prospects. I am convinced that Yamana's move to Brazil, once again, places us ahead of the pack; a position we have occupied in the past and one which we relish. I intend to see that we capitalize on our contacts and opportunities and emerge from the darkness of survival to the light of value creation.

Victor H. Bradley
President and CEO

BRAZIL

PROPERTY OVERVIEW

In February, 2003, Yamana acquired Cumaru, its first gold property in Brazil. Yamana intends to focus heavily on Brazil, a country that offers many excellent opportunities for mineral explorers and developers. The political climate in Brazil is good, its taxation is equal or better than other Latin American countries, and infrastructure is above average. Geologically, the country is underlain by many largely untapped geological terranes similar to the world-class mineral deposit settings in Precambrian shield areas of Canada, Australia, and Africa. These continental shield areas – all better known and more intensely explored than Brazil – account for a high percentage of the world's past gold production and current resources.

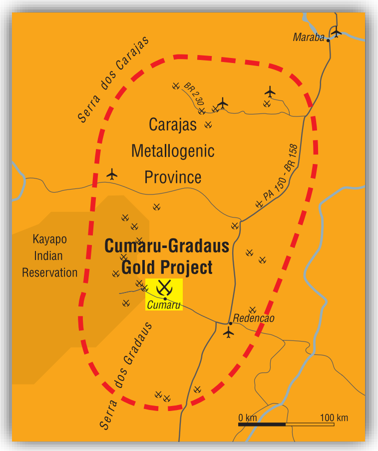
CUMARU

Yamana's Cumaru acquisition includes a famous garimpeiro gold reserve and adjoining ground totaling almost 1,000 square kilometers in the southern part of the Carajas region of Para State, one of the world's premier metallogenic provinces. Included is a 540,000-ounce gold resource with significant expansion potential and a vast tract of virtually unexplored ground with prolific old alluvial gold workings and geology favorable for a variety of large gold or copper-gold lode deposits. Once considered to be Brazil's "second Serra Pelada," the property is on trend and adjacent to ground currently being aggressively explored and drilled by major mining companies.

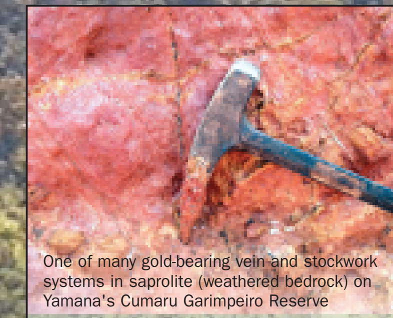
The Carajas region, historically famous for its world-class deposits of iron, nickel, manganese, and gold, has recently become one of the world's premier regions for iron oxide-copper-gold (IOCG) deposits. Since the discovery of the huge Olympic Dam deposit in Australia in the 1970's, IOCG deposits have been aggressively sought worldwide by major mining companies, with no metallogenic province to date yielding more giant discoveries than the Carajas region. Important discoveries include Salobo (784 Mt @ 0.96% Cu, 0.52 g/t Au), Crystalino (500 Mt @ 1.3% Cu, 0.3 g/t Au), Sossego (335 Mt @ 1.1% Cu, 0.28 g/t Au), and Alemao Bahia (170 Mt @ 1.5% Cu, 0.80 g/t Au). The potential of this newly recognized copper-gold region to contain many more large discoveries has caused a flurry of exploration, including intense drilling activity by Codelco (in joint venture with Barrick) on ground adjacent to Yamana's new property in the south part of the Carajas region.

Yamana's acquisition includes the 970-square kilometer Cumaru Garimpeiro Reserve and the adjoining 17-square kilometer Gradaus mining property. Gradaus consists of partially developed private ground with an active mining license and an operations camp. The adjacent and much larger Cumaru reserve is the site of widespread alluvial workings (now inactive) from which an undocumented but apparently large amount of gold (at least 2 million ounces) was extracted by more than 10,000 miners during the early-1980's. This tract has never been explored by modern methods.

CUMARU-GRADAUS GOLD PROJECT



Old Gradaus open pit gold mine with garimpos (alluvial gold workings)

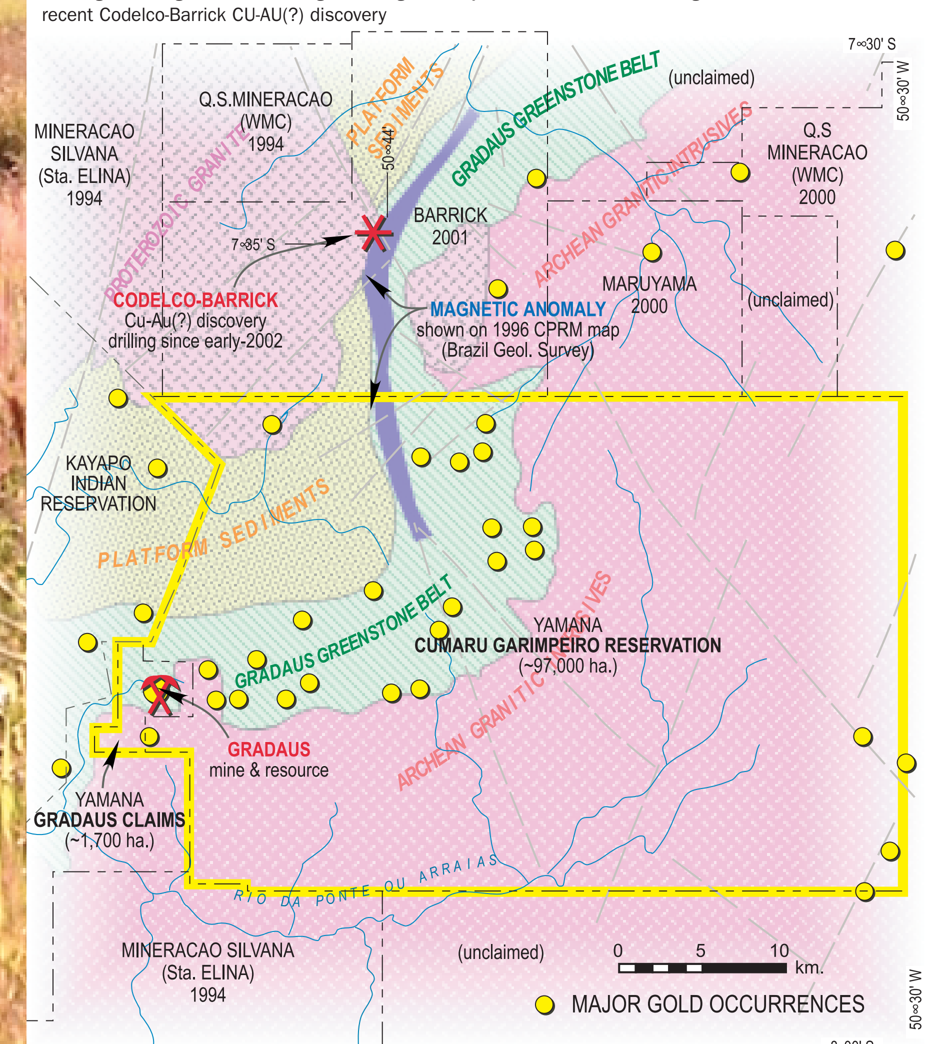


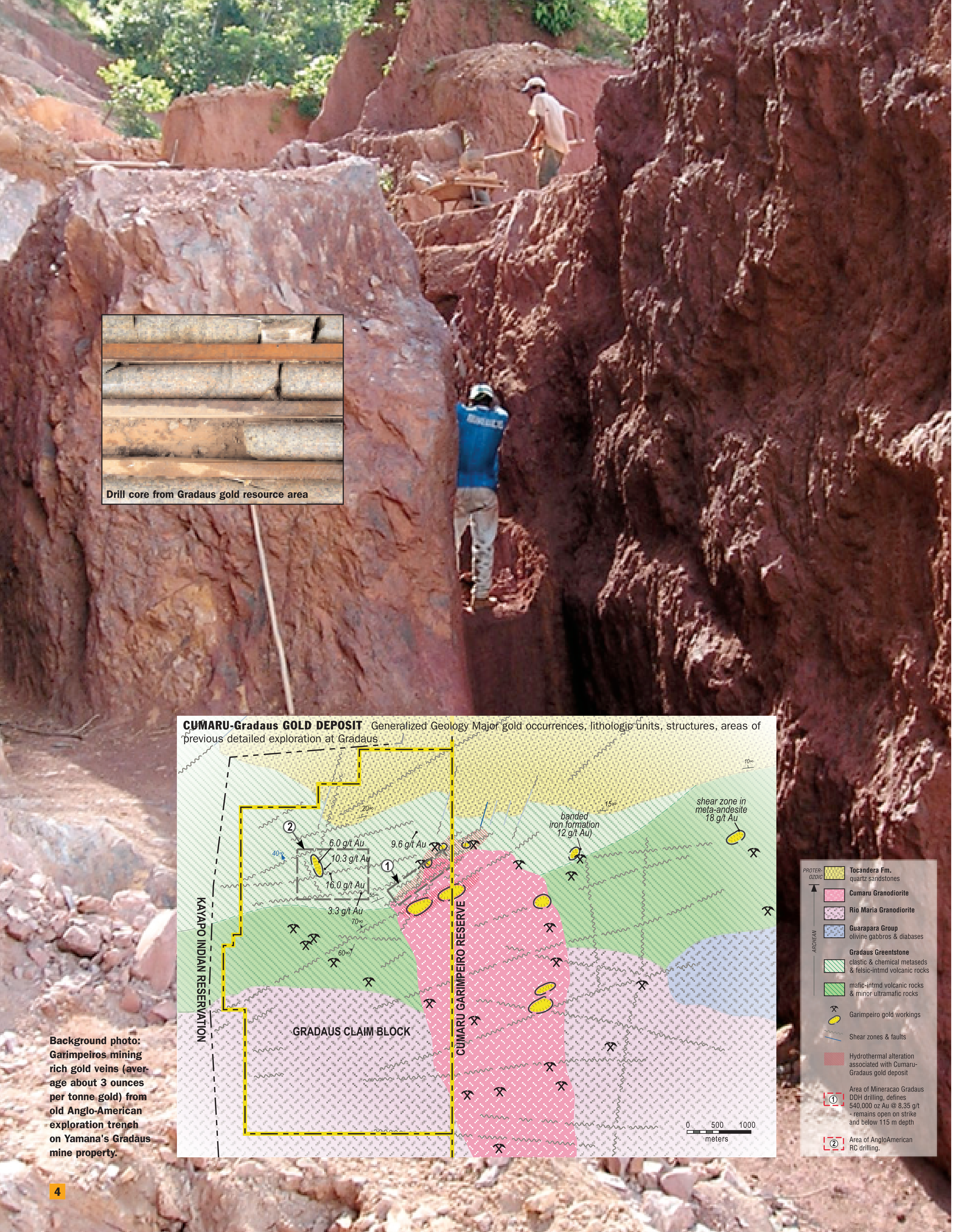
One of many gold-bearing vein and stockwork systems in saprolite (weathered bedrock) on Yamana's Cumaru Garimpeiro Reserve

Overview – Codelco-Barrick drill site near old gold garimpo just north of Yamana's Cumaru Garimpeiro Reserve

Garimpeiro (artisanal miner) gold operation at Yamana's Gradaus property

CUMARU-GRADAUS REGION GENERALIZED GEOLOGY major gold occurrences-deposits-alluvial workings, lithologies-structures-regional mag anomaly, outlines of current mining claims, location of recent Codelco-Barrick CU-AU(?) discovery

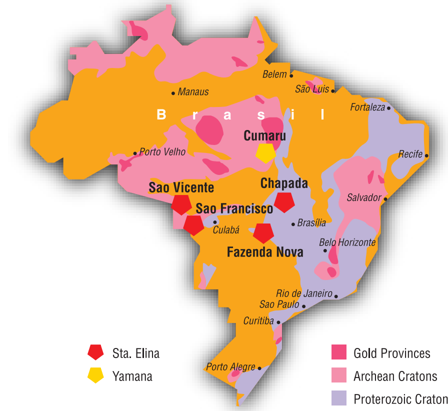




Drill core from Gradaus gold resource area

CUMARU-Gradaus GOLD DEPOSIT Generalized Geology Major gold occurrences, lithologic units, structures, areas of previous detailed exploration at Gradaus

Background photo: Garimpeiros mining rich gold veins (average about 3 ounces per tonne gold) from old Anglo-American exploration trench on Yamana's Gradaus mine property.



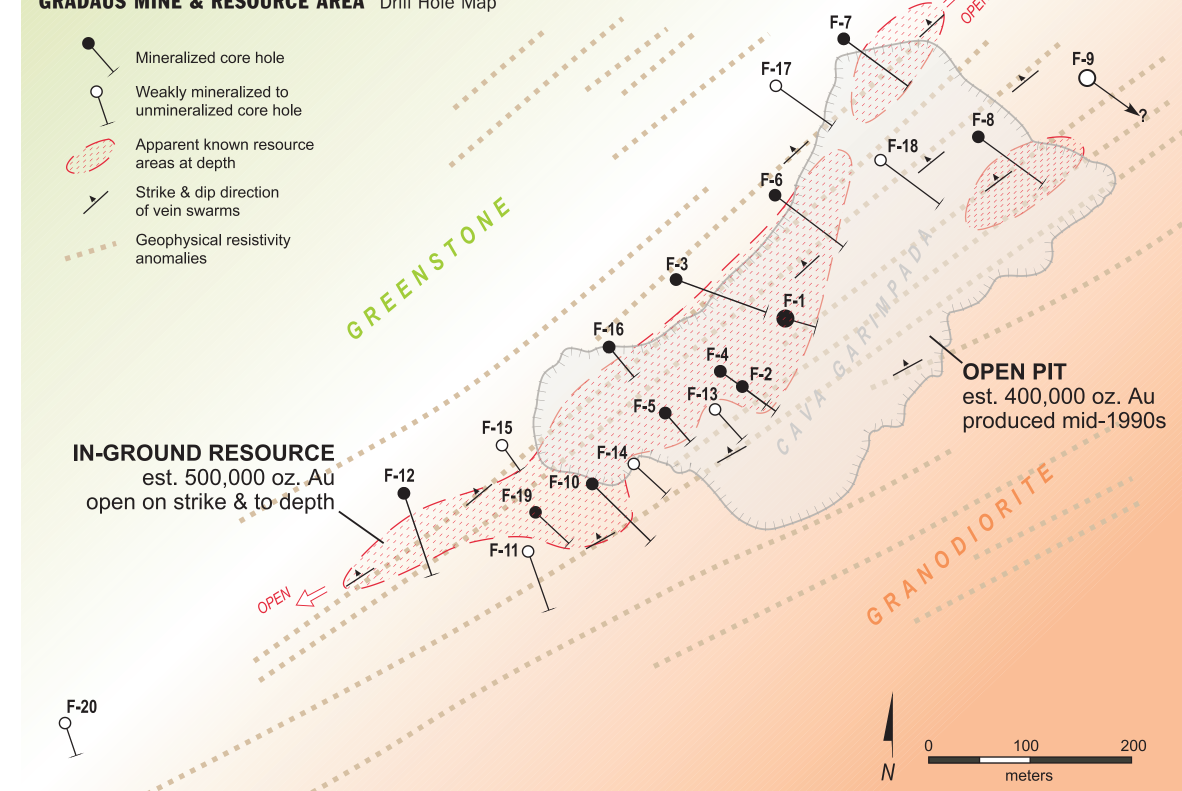
Gradaus has seen two generations of mining: illegal garimpeiro activity exploiting shallow alluvial gold in the early-1980's, and an organized mining effort by the Gradaus property owners in the early-1990's. The latter an open pit operation with a gravimetric-heap leach plant, reportedly recovered about 400,000 ounces of gold over a 4-year period from veins in oxidized bedrock beneath some old garimpeiro workings in one small part of the property. Limited exploration drilling during this period, including 2,260 meters of diamond core drilling to an average depth of 115 meters, outlined additional gold-rich oxide and primary material beneath the open pit. This unmined resource reportedly contains about 540,000 ounces of gold at a grade of 4.81 g/t.* The resource is said to remain open in both directions on strike and to depth.

**This resource information is taken from a 1996 report published by the CPRM, the national geological survey of Brazil. The resource may not be compliant with Canada's National Instrument 43-101 standards and there is no certainty that any economic resource will exist on this property.*

The Cumaru-Gradaus region is underlain by greenstones and granitic to gabbroic intrusives of Late Archean age and by platform sediments and volcanics of Early Proterozoic age. The Gradaus resource and many old alluvial gold workings occur near the top of the Cumaru stock, an elliptical granodiorite body that intrudes the Gradaus Greenstone Belt. Gold occurs as high-grade quartz veins in shear zones cutting the edge of the stock and as low-grade disseminations in the alteration envelope surrounding the stock. Much of the gold at Gradaus may be directly related to the stock, perhaps an example of porphyry-style gold deposition. An unusual number of alluvial gold workings are localized along an 8-kilometer elliptical belt that follows the margin of the stock. The only part of this belt that has been explored at depth is the 1.5-kilometer segment that includes the Gradaus mine and resource. Yamana believes the remainder of this belt could add significant resources similar to those at Gradaus.

Elsewhere in the area, gold shows and alluvial workings occur prolifically within the widespread sediments and volcanics of the greenstone assemblage and to a lesser extent in the overlying platform sequence. Gold is associated with a variety of lithologies, most importantly with bedded iron oxide-rich units ("banded iron formation" or "BIF") in the greenstone, often with copper minerals and occasionally cobalt or molybdenum. Unconfirmed sulfide-rich samples containing up to 1.6% copper and 229 g/t gold have been reported. These occurrences suggest exploration potential for a variety of lode gold targets and more importantly possible IOCG targets. The Gradaus Greenstone Belt has only recently received attention from a number of major companies searching for IOCG deposits. Yamana believes the Cumaru-Gradaus area has never been examined on the ground with IOCG targets in mind.

GRADAUS MINE & RESOURCE AREA Drill Hole Map



SANTA ELINA ACQUISITION

On April 23, 2003, Yamana announced its second major move in Brazil with an agreement to acquire all of the gold assets of Santa Elina Mines Corp., a substantial Brazilian mineral company. These assets include three advanced-stage pre-production gold projects, a number of mid-stage exploration projects, and claims or concessions covering prospective exploration areas in two of Brazil's important gold provinces. The pre-production projects – all in advanced stages of permitting and licensing – are:

Sao Vicente – A former operating mine with camp and plant facilities in western Mato Grosso state, produced 187,000 ounces of gold before being mothballed in 1997 due to declining gold prices. In the same year, the project was assessed by Mine Reserves Associates and Echo Bay Mines Technical Services (both of Denver, Colorado) using mine exposures and drill hole data – 241 holes totaling 30,000 meters, drilled at 25 m x 25 m spacings in a 1,000 m x 150 m area. The studies infer a shallow primary gold deposit containing 550,000-ounces at an average grade of 1.03 g/t Au. An insufficiently explored deeper higher-grade zone identified in 21 drill holes averaging 260 meters in depth is a priority target for future exploration. Intercepts in these deeper holes range from 2 to 20 meters with grades from 4.31 to 59.43 g/t Au.

Sao Francisco – A companion project to Sao Vicente, 50 kilometers away, with which it could share facilities. Studies done in 1997 by GeoSystems International (California), Kappes, Cassiday and Associates (Reno, Nevada), and Echo Bay Mines Technical Services (Denver, Colorado), used data from 335 holes totaling 50,000 meters in depth, drilled at 25 m x 25 m and 25 m x 50 m spacings in an 1,800 m x 150 m area, to infer a shallow primary gold deposit, open one direction on strike, containing 1.1 million ounces of gold at a grade of 0.91 g/t Au. Similar to Sao Vicente, this deposit is also underlain by an insufficiently explored deeper higher grade gold target identified in 19 drill holes averaging 200 meters in depth – intercepts range from 2 to 14 meters with grades from 1.86 to 58.0 g/t Au.

Fazenda Nova-Lavrinha – The Fazenda Nova property in central Goias state contains at least six shallow blanket-like gold deposits in saprolite (deeply weathered, oxidized bedrock). According to reports done in 1997 and 1998 by Echo Bay Mines Technical Services (Denver, Colorado), Lynn Canal Geological Services (Juneau, Alaska), and Mineracao Santa Elina (Brazil), Lavrinha is the most intensely explored of these deposits and contains a gold-bearing saprolite zone up to 50 meters thick over an area of 3 kilometers x 1.5 kilometers. The studies used data from drilling – 342 holes totaling 23,500 meters – trenching, and open pit mine exposures to infer a 191,000-ounce gold deposit averaging 0.84 g/t Au. The open pit is the relic of a small, early-1990s heap leach gold operation which processed saprolite ore without blasting or crushing. The studies also suggest potential, beneath the shallow saprolite, for a higher-grade primary gold deposit, identified tentatively in 11 holes drilled to depths of about 60 meters. Intercepts ranging from 2 to 20 meters in width with 2.0 to 8.3 g/t Au and exceptional grades up to 21.9 g/t Au.

Exploration properties being acquired cover prospective areas in two major gold regions:

Santa Elina Gold Belt – An important new gold province in Mato Grosso state in western Brazil, near the Bolivian border, with claims, concessions or mining licenses covering 7,482 square kilometers, including Sao Vicente and Sao Francisco, several other defined gold deposits, and dozens of incompletely explored gold targets.

Goias Mineral District – Detailed exploration data covering prospective ground in a 300 square kilometer region in Goias state, central Brazil, including 30 square kilometers of claimed exploration ground in the Fazenda Nova area.

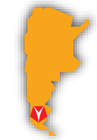
With this acquisition, Yamana will own a 100% interest in a substantial suite of gold assets in Brazil. Additionally, Yamana is pursuing other Brazil developments including the acquisition of producing assets. Yamana intends to move swiftly to become a major Brazilian gold producer and explorer.

Lavrinha – one of many advanced gold projects in Santa Elina Gold Belt

Gold-bearing quartz veins in wall of Sao Vicente open pit mine

Construction of heap leach pads at Sao Francisco gold project

Boxes of drill core at Sao Vicente mine camp



ARGENTINA

The Santa Cruz Joint Venture (SCJV), is a three-way partnership between Yamana and Compania de Minas Buenaventura S.A.A., as operator, and Mauricio Hochschild & Compania S.A.C. Under the SCJV agreement, Yamana's partners must spend US$2.85 million in exploration within three years and commit to a second three-year exploration effort in order to earn 50 percent interest in Yamana's Santa Cruz gold properties. Expenditures aggregating US$5.85 million will see this interest increase to $66\frac{2}{3}$%.

To date the SCJV has mapped and trenched in detail the vein systems of Martinetas and La Paloma. Several Martinetas vein systems have also been examined with a series of diamond drill core holes. Additionally, a continuing regional reconnaissance program has expanded Yamana's land position from 7,000 hectares to more than 16,000 hectares.

MARTINETAS

Detailed trenching, mapping, sampling, and core drilling at Martinetas focused on Coyote, Cerro Oro, and Armadillo (formerly known as T-1). Each sector is crossed by a number of gold-bearing veins containing bonanza-grade shoots. Almost 2,000 meters of new short trenches were dug, hammered, or blasted across these vein systems and 780 meters of existing exploration trenches were cleaned and deepened. High-grade targets defined by this work were subsequently tested for character and continuity at depth with 18 HQ-sized diamond core holes, totaling 2,020 meters. The drill core has been logged, sawed, and sampled, however assay results have not yet been received.

Coyote – The new detailed mapping and trenching define three important WNW vein systems in the Coyote Sector. Three new core holes were drilled to examine Coyote Norte, and one each in the Coyote Sur and Calafate vein systems. Coyote Norte, the principal system, is more than 600 meters long and has at least two known bonanza shoots. One of these shoots was discovered by Yamana in 1997. Yamana's discovery core hole, which cut 2.5 meters (true width) of 114.21 g/t gold at 30 meters depth, was offset in 1999 by a second core hole, 17.5 meters away, hitting 2.5 meters (true width) of 282.66 g/t gold, also at 30 meters in depth. All five holes drilled in the current campaign each intersected at least two significant vein intervals at depth.

Cerro Oro – Cerro Oro vein, about 500 meters south of Coyote, was tested by four new core holes (544 meters). Cerro Oro is crossed by a number of subparallel gold-rich vein sets which with few exceptions strike WNW. Trenching yields several high-grade samples including a 0.5-meter bonanza sample with 80.8 g/t gold. A nearby reverse circulation drill hole by Yamana in 1997 cut 2 meters @ 29 g/t gold at 126 meters in depth, one of the deepest known high-grade intercepts in eastern Santa Cruz Province. Each of the four new holes intersected from three to five veins up to 1.0 meters wide at depths of 49 to 115 meters. A major exception to the common WNW vein trend is a large prominent ENE vein exposed across the top of Cerro Oro hill. This anomalous structure is thought to be a possible feeder for the many WNW veins at Cerro Oro and perhaps also Coyote. Two of the four new Cerro Oro core holes were designed to test this large ENE structure as well as the WNW vein sets. The ENE structure was intersected at 15 meters in depth with a width of 21.0 meters in one hole and at 40.5 meters in depth with a width of 8.5 meters in the other hole.

Armadillo – Armadillo (formerly T-1), 1,200 meters south of Cerro Oro, contains several large and complex WNW vein systems which have now been mapped, sampled, and trenched in detail. Nine new core holes (995 meters) were drilled to test four separate vein systems - Armadillo, Choique, Mara, and Mara Norte - from 210 to 1,000 meters long. Armadillo was previously tested at depth by Yamana – first (1997) by a series of reverse circulation drill holes that stayed entirely in the footwall of the structure and later (1999) by a number of core holes drilled on the opposite side of the vein. The best two of these later holes hit 3.0 meters (true width) @ 86.53 g/t gold and 4.6 meters (true width) @ 7.80 g/t gold.

LA PALOMA

Yamana's La Paloma property, 40 kilometers northwest of Martinetas, is being extensively trenched, sampled, and mapped in preparation for a future drilling program. Activities are focused on four principal exploration sectors - San Nicolas, San Juan, San Martin, and Santa Rosa. Each sector contains several gold-rich vein systems, collectively comprising a district-sized area of 90 square kilometers containing more than 11 kilometers of veins with scattered bonanza gold shoots. To secure surface rights over this large, promising area, a lease-purchase agreement was signed in January with the landowner for the 19,000-hectare La Paloma Estancia.

The SCJV program plans 230 trenches (2,300 meters) in the current field season to examine the more promising veins in the four La Paloma exploration sectors. Surface sampling of some of these veins three years ago by a Yamana affiliate returned numerous high-grade gold assays, including several with bonanza grades over 4-to 6.6-meter widths of 23.16 to 115.0 g/t gold. Additionally, limited wide-spaced reverse circulation drilling by Newcrest in 1996 cut high-grade intercepts in several veins at depth, including 4 meters @ 15.6 g/t gold and 2 meters @ 18.6 g/t gold in separate holes. The current trenching and mapping campaign is examining the strongest of these vein systems to help define targets for a subsequent diamond core drilling.

To date, more than 70 trenches reveal that veins are significantly and consistently wider than observed in surface outcrops. One of the most prospective vein systems at this time appears to be Veta Sulfuro in the San Nicolas sector. A 600-meter segment of this 1-kilometer long vein system has been trenched and mapped in detail, showing true vein widths ranging from 1.2 to 3.4 meters. Assays for the first 13 trenches cut across this vein show high-grade gold in at least 7 of the trenches with values ranging from 3.0 to 28.2 g/t gold. Assay results for all other trenches are pending.

PARAGUAY

The prospective greenstone terrane, which underlies most of the Santa Elina properties in the Santa Elina Gold Belt of western Brazil, continues south in Paraguay, a country in which Yamana was the pioneer gold explorer. Yamana drilled the first gold ever in Paraguay history and possesses a substantial database on Paraguay – gathered through its own efforts and through its joint venture with Newmont. Eastern Paraguay is geologically a part of the Brazilian shield and is highly prospective for gold; however, it remains largely unexplored. Yamana hopes to tie its Paraguay data with Santa Elina's data and perhaps return to this little-known, underexplored country.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As the mining industry started to revive from depressed conditions, Yamana strengthened its financial position and increased its mineral property holdings.

During the year, Yamana eliminated a $1.1 million liability related to First Preference Shares and a $3.3 million loan from Northgate Exploration (BVI) Limited ("Northgate"). Failure to repay the Northgate loan would have meant the loss of all of Yamana's Argentina assets and, thus, the end of the company.

On April 2, 2002, in a three-way agreement with Coeur d'Alene Mines Corporation ("Coeur") and Northgate, Coeur acquired all of Yamana's silver properties in western Santa Cruz Province, Argentina in exchange for satisfying, in full, all amounts owing to Northgate.

Later in April 2002, Yamana entered into an agreement with Cia de Minas Buenaventura S.A.A. ("Buenaventura"), to fund a two-phase $6 million exploration program of the gold properties. Mauricio Hochschild Cia Ltd. S.A.C. ("Hochschild") also agreed to join the venture and fund 50% of the costs.

As a result of these agreements, Yamana survived and emerged owning one hundred percent of its promising Argentina gold properties with partners highly versed not only in exploration but also development and mining. As at February 2003, Buenaventura and Hochschild had funded $680,000.

In October 2002, Yamana acquired a 1,000 square kilometer area of Cumaru — Brazil's largest garimpeiro reserve — in the Carajas Region of Para State. Subsequent to year-end, Yamana announced that it had reached agreement with Santa Elina Mines Corp. ("Santa Elina") to acquire all of Santa Elina's gold assets in Brazil. The assets include three advanced-stage pre-production gold projects, a number of mid-stage exploration projects, and claims or concessions covering prospective exploration areas in two of Brazil's major gold regions.

Yamana is currently evaluating other projects in Brazil. It is hoped that the new Brazilian properties, together with further acquisitions and Yamana's Argentina assets, will give Yamana the critical mass necessary to become a mid-tier gold producer with excellent exploration prospects.

Yamana is undergoing radical changes with a new and focused emphasis upon Brazil – an under-explored country. Yamana expects to become the consolidator of gold opportunities in that country and our shareholders should be well positioned to benefit from the consequent rebuilding of Yamana in a strengthening gold market.

Operating Results

For this year, Yamana incurred a net loss of $3.4 million compared to a net loss of $11.0 million for the previous year. The decrease was mainly due to mineral property write-offs of $0.9 million and interest expense of $0.2 million in the current year against $8.2 million and $1.8 million last year, respectively. The write-offs in both years reflect, essentially, the losses on disposition of the silver assets and the write-down of tax credits in Argentina. Additionally, a provision of $1,017,000 for future income taxes related to assets transferred in the Coeur/Northgate agreement was made in the current year compared to a recovery of future income taxes of $143,650 in the prior year.

Current year revenue of $158,000 included $120,000 in option payments related to the sale of Mina Martha. Revenue from the sale of ore from Mina Martha ceased in the prior year. Total expenses in the current year, excluding interest, asset write-offs, and amortization, were $1.5 million in the current year compared to $1.2 million in the prior year. This difference was due primarily to increases in salaries and professional fees. Salaries in the current year increased in part due to a $138,000 stock bonus approved by the shareholders. Professional fees increased $106,000 due to increased activity related to the Buenaventura/Hochschild joint venture and sale of Mina Martha.

At the Annual and Special Meeting on August 30, 2002, Yamana shareholders passed a special resolution to eliminate Yamana's accumulated deficit on its consolidated balance sheet as of February 28, 2002 and, thus, reduce Yamana's stated capital by $52,644,546.

Liquidity and Capital Resources

Subsequent to the sale of Mina Martha, Yamana had no producing properties. Operations must be funded by equity financings and earn-in and joint-venture arrangements with other mining companies.

Working capital as at February 28, 2003, was a negative $372,820. However, $603,311 is represented by accounts payable which will be liquidated through the issue of Yamana common stock. Thus, the adjusted working capital was a positive $231,491.

During the year ended February 28, 2003, Yamana received $1.6 million ($1.4 million after expenses) through private placements and exercise of options and warrants. Funding to advance the Argentina properties was provided through the Buenaventura/Hochschild joint venture.

Notwithstanding the decision to provide in full against tax and export incentives of $1.2 million collectible in Argentina, Yamana intends to continue to exert strenuous efforts to collect these monies.

Subsequent Events

Yamana will acquire Santa Elina's gold assets through the issue of common shares such that existing Yamana shareholders will own 15% of Yamana going forward and Santa Elina will own 85%. As part of this acquisition, it is expected that Yamana will consolidate its common shares on a one for twelve basis, although this ratio will ultimately be dictated by financing considerations.

Completion of the acquisition is subject to a number of conditions including Toronto Stock Exchange approval, satisfactory completion of due diligence reviews, Yamana receiving the approval of its Board of Directors, approval of Yamana's shareholders and the execution of formal agreements. The transaction is also conditional upon Yamana raising a minimum of C$10 million. However, Yamana plans to target a much larger financing and expects to structure the terms for that financing in early-June based on the outcome of Yamana's other current initiatives and receipt of NI 43-101 reports.

Risks

Yamana's risks include the intensely competitive nature of the mining industry, fluctuating currencies and commodity prices, laws governing the repatriation of profits, taxation, political stability, expropriation, and environmental compliance. Currency risks are usually managed by maintaining maximum funds in U.S. dollars. To mitigate land title risks, Yamana makes no commitments and undertakes no exploration without first determining that necessary property rights are in good standing. However, land title may still be affected by undetected defects.

Outlook

The recoverability of the carrying value of Yamana's mineral properties is dependent upon the establishment of reserves, the ability to finance their development, and their future profitability. Yamana will continue to evaluate, acquire, and develop mineral properties. Such activities require significant expenditures prior to achieving commercial production, typically with many years between discovery and production. Yamana may finance future expenditures through the sale of equity, joint-venture arrangements with other mining companies, the sale of property interests, term debt, or a combination of any of these alternatives.

CORPORATE GOVERNANCE

The Toronto Stock Exchange (the "TSE") guidelines for effective corporate governance (the "TSE Guidelines") address matters such as the constitution and functions of the Board of Directors (the "Board") and its committees. The TSE requires that each listed corporation disclose its approach to corporate governance with reference to these guidelines on an annual basis.

Board Mandate

Yamana's Board supervises management and the business and affairs of Yamana and acts in the best interest of Yamana, all as required by the Canada Business Corporation Act. The Board discharges its responsibility directly and through committees that make formal recommendations to be considered by the Board. The Board meets regularly.

Composition of the Board

The Board consists of six members, four of whom are "unrelated," being independent of management and free from any interest in any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interest of Yamana, other than interests and relationships arising from shareholdings. With respect to "related" directors, Mr. Bradley is an officer of Yamana. Mr. Angus is a partner of Fasken Martineau DuMoulin, a law firm that provides legal services to Yamana. Yamana is therefore in compliance with the TSE Guidelines with respect to the requirement that at least 50 percent of the directors of the Corporation be "unrelated." The Chairman of the Board, Mr. Fletcher, is also an "unrelated" director and therefore functions independently of management of Yamana.

Board Committees

Yamana has two Board committees: the Audit Committee and the Compensation Committee.

Audit Committee

The Audit Committee consists of four directors; all being "unrelated" directors. During the fiscal year ended February 28, 2003, the Audit Committee reviewed the interim financial statements and met once to review the annual financial statements. The Audit Committee makes recommendations to the Board of Directors and, when required, meets directly with the auditors of Yamana. The Audit Committee also makes recommendations as to the implementation and operation of internal control and financial reporting systems.

Compensation Committee

The Compensation Committee consists of three directors; all are "unrelated" directors. The Compensation Committee did not meet independently during the fiscal year ended February 28, 2003; instead compensation decisions were made by the full Board of Directors. The Compensation Committee administers Yamana's executive compensation program. The Compensation Committee has primary responsibility for making recommendations for approval by the Board with respect to remuneration of executive officers of Yamana. The Compensation Committee evaluates the performance of Yamana's senior executive officers and reviews the design and competitiveness of Yamana's compensation plans.

Board and Management Assessment

The Board, in the year ended February 28, 2003, did not consider it necessary to formally assess the effectiveness of the Board. The Board does, however, assess the performance of management of Yamana on an ongoing basis.

Actions Requiring Board Approval

The Board has no formal policy setting out what specific matters must be brought to it for approval. However, there is a clear understanding between management and the Board that all transactions or matters of a material nature must be presented for approval by the Board. To date, the Board considers that it has been kept well informed as to the business and affairs of Yamana and that the matters that have been brought forward for approval have been appropriate.

Expectations of Management

The Board expects management to implement strategy and the business plan and to keep the Board apprised of its activities in connection therewith. During the year ended February 28, 2003, the Board believes that management provided sufficient and timely information in order to allow the Board to manage the business and affairs of Yamana.

Shareholder Feedback

Yamana maintains an investor relations person to respond to inquiries from shareholders and other interested parties.

Other Matters

Although neither a corporate governance committee nor a nominating committee has yet been formed, the Board and its committees had, and continue to have, responsibility for nominating new directors, reviewing the adequacy and form of compensation of directors, providing an orientation and education program for new recruits to the Board, and approving requests of directors to engage outside advisors at the expense of Yamana.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The information and representations in this Annual Report are the responsibility of and have been prepared by management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect management estimates and careful judgments. The financial information presented throughout this report is consistent with the data presented in the financial statements.

Systems of internal accounting controls are maintained whenever possible in order to assure, on a reasonable basis, the reliability of this financial information. Our independent auditors, Deloitte & Touche LLP, Chartered Accountants, whose report on their audit of the consolidated financial statements appears on this page, also review our systems of internal accounting controls in accordance with generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report, principally through its Audit Committee, consisting of a majority of outside, unrelated directors. The Audit Committee meets periodically with management and with the independent auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to discuss the financial statements and financial reporting matters.

Victor H. Bradley
President & CEO
May 2, 2003

William V. Schara
Vice President, Finance/CFO
May 2, 2003

AUDITORS' REPORT

To the Shareholders of Yamana Resources Inc.

We have audited the consolidated balance sheets of Yamana Resources Inc. as at February 28, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for each of the years then ended. 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. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2003 and 2002 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
May 2, 2003

CONSOLIDATED BALANCE SHEETS

(In U.S. Dollars)	February 28, 2003	February 28, 2002
ASSETS		
Current		
Cash and cash equivalents	$ 722,344	$ 213,575
Amounts receivable	216,330	62,933
Inventory	-	330,392
Advances and deposits	39,940	163,909
	978,614	770,809
Fixed		
Land, buildings and equipment (Note 3)	443,067	1,569,404
Mineral properties (Note 4)	5,199,125	7,017,258
Other		
Value-added tax credits recoverable	-	771,020
Deposits	-	200
Deferred financing costs	-	13,624
	$ 6,620,806	$ 10,142,315
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	$ 709,815	$ 977,523
Accrued liabilities payable in stock (Note 5)	603,311	-
Note payable (Note 8)	37,308	-
Loan and accrued interest payable (Note 6)	-	3,293,185
	1,350,434	4,270,708
Long term		
First Preference Shares, Series 1 (Note 8)	-	1,104,413
Future income tax liabilities (Note 12)	1,500,357	482,866
	2,850,791	5,857,987
Contingency – Going concern (Note 2a)		
CAPITAL SOURCES		
Capital stock		
Authorized		
Unlimited number of First Preference Shares without par value issuable in series		
Unlimited number of common shares without par value		
Issued and outstanding (Note 9)		
81,086,553 common shares at February 28, 2003 (February 28, 2002 – 55,125,444 shares)	3,515,544	54,503,414
Subscription for shares not yet issued	-	50,000
Shares to be issued (Note 8)	1,285,913	-
Equity component of First Preference Shares, Series 1 (Note 8)	-	208,091
Equity component of Convertible Notes (including accrued interest) (Note 10)	1,287,930	1,287,930
Share purchase warrants (Note 9)	1,150,366	879,439
Capital surplus	20,851	-
Deficit (Note 9)	(3,490,589)	(52,644,546)
	3,770,015	4,284,328
	$ 6,620,806	$ 10,142,315

See accompanying notes to the consolidated financial statements

Approved by the Board

Victor H. Bradley, Director

J. Edward Fletcher, Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(In U.S. Dollars)	Year ended February 28, 2003	Year ended February 28, 2002
REVENUE	$ -	$ 5,840,154
COST OF OPERATIONS	-	(3,873,713)
DEPRECIATION AND DEPLETION	-	(1,982,025)
OPERATING PROFIT	-	(15,584)
INTEREST AND OTHER INCOME	157,907	22,628
FOREIGN EXCHANGE GAIN	-	119,804
GAIN ON SALE OF FIXED ASSETS	-	22,524
	157,907	149,372
EXPENSES		
Interest expense		
Loan payable	-	1,160,393
First Preference Shares, Series 1	180,905	631,970
Mineral property and other asset write-offs (Note 4d)	894,304	8,199,509
Salaries and consulting fees	783,957	548,724
General and administrative	283,784	397,173
Professional fees	207,695	101,862
Filing and transfer agent fees	77,780	53,199
General exploration	48,819	3,328
Bank charges and foreign exchange	29,643	2,853
Federal, state and provincial taxes	10,106	11,905
Depreciation	9,858	44,769
Investor relations	5,514	20,459
Amortization of financing costs	-	145,833
	2,532,365	11,321,977
LOSS BEFORE INCOME TAXES	(2,374,458)	(11,172,605)
RECOVERY OF (PROVISION FOR) FUTURE INCOME TAXES (Note 12)	(1,017,491)	143,650
NET LOSS FOR THE YEAR	(3,391,949)	(11,028,955)
DEFICIT, BEGINNING OF THE YEAR	(52,644,546)	(41,515,689)
INTEREST ON CONVERTIBLE NOTES (Note 10)	(98,640)	(99,902)
REDUCTION OF DEFICIT (Note 9)	52,644,546	-
DEFICIT, END OF THE YEAR	$ (3,490,589)	$ (52,644,546)
BASIC AND DILUTED LOSS PER SHARE	$ (0.05)	$ (0.21)
Weighted average number of shares outstanding (in thousands)	65,374	52,647

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. Dollars)	Year ended February 28, 2003	Year ended February 28, 2002
OPERATING ACTIVITIES		
Net loss for the year	$ (3,391,949)	$ (11,028,955)
Items not involving cash		
Mineral property and other asset write-offs	894,304	8,199,509
Depreciation and depletion	9,858	2,026,794
Interest expense on First Preference Shares, Series 1	180,905	631,970
Amortization of financing costs	-	145,833
Services paid in common shares	222,653	2,535
Non cash stock-based compensation	20,851	-
Recovery of future income taxes	1,017,491	(143,650)
Gain on disposal of fixed assets	-	(22,524)
	(1,045,887)	(188,488)
Net change in non-cash working capital (Note 11)	243,566	600,219
	(802,321)	411,731
FINANCING ACTIVITIES		
Loan proceeds	-	500,000
Repayment of loan and accrued interest	-	(1,386,354)
Issue of common shares and warrants		
For cash, net of issue costs of $152,801 (2002 $68,475)	1,402,096	176,168
Subscription for shares not yet issued	-	50,000
	1,402,096	(660,186)
INVESTING ACTIVITIES		
Expenditures on mineral properties	(72,126)	(25,135)
Expenditures on Mina Martha	-	(558,586)
Purchase of equipment	-	(179,985)
Value-added tax credits recoverable	(19,080)	(370,782)
Proceeds from sale of vehicles and equipment	-	24,361
Return of deposit	200	99,800
Cash acquired on acquisition of Platero, net of cash acquisition costs	-	13,840
	(91,006)	(996,487)
INCREASE (DECREASE) IN CASH	508,769	(1,244,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	213,575	1,458,517
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 722,344	$ 213,575
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash on hand and demand deposits	$ 722,344	$ 197,215
Time deposits	-	16,360
	$ 722,344	$ 213,575

SUPPLEMENTARY INFORMATION REGARDING OTHER NON-CASH TRANSACTIONS		
Financing Activities		
Extinguishment of loan and accrued interest payable on sale of mineral properties and related assets (Note 7)	(3,293,185)	-
Issue of common shares and warrants for acquisition of Platero (Note 16)	-	965,804
Issue of common shares on conversion of First Preference Shares	31,564	87,042
Issue of common shares for interest due on convertible notes	98,640	98,640
Equity component of convertible notes		
Accrued interest charged to deficit	98,640	99,902
Payment of interest in common shares	(98,640)	(98,640)
Conversion of First Preference Shares into common shares		
Liability component of First Preference Shares	(21,879)	(60,333)
Equity component of First Preference Shares	(9,685)	(26,709)
Investing Activities		
Sale of mineral properties and related assets (Note 7)	3,293,185	-
Acquisition of Platero (Note 16)	-	(965,804)

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

The reference to "Yamana" in these consolidated financial statements refers to the Company and, where the context requires, all of its subsidiaries and its branch operation.

Yamana is engaged in the acquisition, exploration and development of mineral properties, primarily in Argentina. Yamana began production in February 2001 at Mina Martha (the Martha Mine) in Santa Cruz province, Argentina, and is in the exploration stage in all other properties. Revenue from the sale of ore from Mina Martha began in April 2001. Mina Martha was sold in April 2002 (Note 7).

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

The significant accounting policies used in these consolidated financial statements are as follows:

a. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that Yamana will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Yamana's ability to continue as a going concern is dependent upon the raising of additional financing, if, as and when required, and, ultimately, the attainment of profitable operations.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should Yamana be unable to continue as a going concern.

b. Basis of consolidation

These consolidated financial statements include the accounts of Yamana, all of its subsidiaries and its branch operation.

c. Cash and cash equivalents

Cash and cash equivalents include, from time to time, short-term money market instruments with terms to maturity, at the date of acquisition, not exceeding 90 days.

d. Inventory

Inventory, consisting of high-grade ore, is stated at the lower of the weighted average cost of production and net realizable value. High-grade ore is ore that requires no additional processing before sale to a smelter.

e. Land, buildings and equipment

Land, buildings and equipment are recorded at cost, and depreciation is provided on a straight-line basis over their estimated useful lives that currently range from three to seven years.

Yamana reviews the carrying value of its land, buildings and equipment on a regular basis and, where their carrying values are estimated to exceed their net recoverable amounts, provision is made for the decline in value.

f. Mineral properties

Acquisition costs of mineral properties, and direct exploration and development expenditures thereon, including interest, are capitalized. Costs incurred for general exploration that do not result in the acquisition of mineral properties are charged to operations. Costs relating to properties abandoned are written off when such decision is made. When production is attained, capitalized costs are amortized using the unit of production method based upon estimated reserves of mineral resources.

Yamana reviews the carrying value of each property on a regular basis. This review generally is made by reference to the timing of exploration and/or development work, work programs proposed, the exploration results achieved by Yamana and by others and, in the case of producing properties, the estimated future operating results and net cash flows. When the carrying value of a property is estimated to exceed its net recoverable amount, provision is made for the decline in value.

The ultimate recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and the ability of Yamana to obtain the necessary financing to develop the properties, to achieve future profitable production from the properties or to obtain sufficient proceeds from disposition.

g. Foreign currency translation

Yamana considers the United States dollar to be its functional currency since it is the primary economic currency of the environments in which Yamana operates. Accordingly, all amounts are reported in U.S. dollars, including the equivalents of certain Canadian dollar (C$) amounts (Notes 9, 10, and 12). Monetary items in a foreign currency are translated into U.S. dollars at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenue and expense items are translated at the appropriate monthly average rate. The resulting foreign exchange gains and losses are included in operations.

Yamana anticipates that any dividends, to the extent declared, will be paid in Canadian dollars.

h. Deferred financing costs

Costs incurred in connection with debt financings have been deferred and are being amortized over the term of the debt.

i. First Preference Shares, Series 1

The First Preference Shares, Series 1 are a compound financial instrument. Accordingly, the fair value of the conversion privilege and the common share purchase warrants forming part of the issue of units (Note 8) have been classified as part of capital sources, with the balance of the gross proceeds from the issue of the preference shares classified as a liability. The costs of issuing the shares that have been attributed to the liability component have been deferred and are being amortized over the estimated term of the liability. The balance of those costs has been charged against the equity components. The carrying amount of the liability is being accreted to the redemption amount of $1,000,000 as interest expense over the estimated term of the liability. In addition, the cumulative dividends have been accounted for on an accrual basis as an additional interest expense.

j. Convertible notes

The convertible notes which are, in substance, an equity instrument have been classified as part of capital sources. Accordingly, the costs of issuing the notes and interest expense on the notes are charged directly to the deficit as a capital transaction.

k. Revenue recognition

Revenue from the sale of ore is recognized when the risks and rewards of ownership pass to the purchaser, including delivery of the product, the selling price is fixed or determinable and collectibility is reasonably assured. Settlement adjustments, if any, are reflected in revenue when the amounts are known.

l. Income taxes

Future income tax assets and liabilities are computed based on differences in the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

m. Stock option plans

Yamana provides options to directors, officers, employees and others to buy shares of Yamana, thereby allowing them the opportunity to participate in the progress of Yamana. No compensation expense is recognized when the stock options are granted or exercised. Any consideration received by Yamana on the exercise of stock options is credited to share capital. If Yamana repurchases the stock options, the consideration paid would be charged to the deficit.

n. Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as shares issuable on conversion of the First Preference Shares and Convertible Notes, and the exercise of outstanding stock options and outstanding share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "if-converted" method is used for the assumed conversion of the First Preference Shares, Series 1 and Convertible Notes at the beginning of the year. In addition, the "treasury stock method" is used for the assumed proceeds upon the exercise of stock options and share purchase warrants that are used to purchase common shares at the average market price during the year.

o. Stock-based compensation

The Company adopted the new recommendation of the Canadian Institute of Chartered Accountants regarding Stock-Based Compensation and Other Stock-Based Payments, effective January 1, 2002. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity.

The Company adopted the intrinsic value method for stock-based awards made to employees, officers and directors whereby compensation cost is recorded for the excess, if any, of the quoted market price over the exercise price, at the date the stock options are granted.

3. Land, buildings and equipment

	Feb 28, 2003			Feb 28, 2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ -	$ -	$ -	$ 973,825
Buildings	425,636	-	425,636	237,680
Field vehicles and equipment	77,345	69,425	7,920	224,241
Exploration drill	114,655	114,655	-	112,983
Office furniture and equipment	212,911	203,400	9,511	20,675
	$ 830,547	$ 387,480	$ 443,067	$ 1,569,404

4. Mineral properties

	Feb 28, 2003	Feb 28, 2002
Argentina (Santa Cruz)		
Mina Martha	$ -	$ 1,517,473
Other	5,063,290	5,493,972
Brazil	129,228	-
Other	6,607	5,813
	$ 5,199,125	$ 7,017,258

a. Santa Cruz, Argentina

Yamana owned Mina Martha which is located within the Bacon property in the province of Santa Cruz. Production from the mine commenced in February 2001 and revenue from the sale of ore from the mine commenced in April 2001. Production was suspended in November 2001. Mina Martha and related silver properties were sold in April 2002 (Note 7).

Yamana holds certain other mineral properties and exclusive prospecting rights in the province of Santa Cruz, and has applied for the exclusive prospecting rights to certain other mineral properties which will require minimal payments to the province, should such rights be granted. Yamana owns a 100 percent interest in its Santa Cruz properties.

Royal Gold, Inc. has a 2 percent net smelter return royalty on Yamana's Paloma property and on any and all mineral production from Yamana's mineral property holdings as at November 1, 1999 in Santa Cruz province.

In April 2002, Yamana and Compania de Minas Buenaventura S.A.A. ("Buenaventura") executed a Memorandum of Understanding covering, upon completion of due diligence, the exploration and development funding of Yamana's gold properties in the eastern half of the Deseado Massif gold-silver region in Santa Cruz Province, Argentina.

Buenaventura can earn a 50% equity interest in Recursos Yamana S.A. ("RYSA"), Yamana's Argentine subsidiary, by: (1) purchasing 1.5 million Yamana common shares for $150,000 (which has been completed); (2) funding a staged three-year $2,850,000 Phase I exploration program; and (3) committing to a Phase II exploration program. In the event this commitment is not made, no equity interest will be earned by Buenaventura and Yamana will retain a 100% ownership of RYSA.

If Buenaventura elects to proceed with Phase II, it can increase its equity interest in RYSA to 66⅔% by funding an additional $3,000,000 in exploration staged over the following three years. Buenaventura has the right to withdraw from exploration funding only after the completion of any committed year.

Buenaventura will manage activities related to project exploration and development, with Yamana continuing to conduct activities related to the acquisition of new opportunities. Buenaventura has exercised its right to introduce a third party, Mauricio Hochschild Cia S.A.C. ("Hochschild"), to this arrangement such that, after the $6,000,000 in funding, each party would hold a one-third interest in RYSA. If a decision is made to develop any specific property, Yamana may maintain its fully participating one-third interest or opt for a carried 10% net proceeds interest. As at February 28, 2003, Buenaventura/Hochschild had funded $680,000.

b. Brazil

Yamana acquired a 100% interest in the 970-square kilometer Cumaru Garimpeiro Reserve and the adjoining 17-square kilometer Gradaus mining property. Gradaus consists of partially developed private ground with an active mining license and a modern operations camp.

Pursuant to the land agreement, Yamana is required to make property payments of approximately $1,600,000 as follows:

Year ended	Amount
Feb 28, 2003	$ 75,000
Feb 29, 2004	175,000
Feb 28, 2005	200,000
Feb 28, 2006	500,000
Feb 28, 2007	200,000
Feb 28, 2008	450,000
	$ 1,600,000

c. Other properties

Yamana continues to hold other property interests in Argentina and Canada that require minimal or no payments. These property interests are carried at nominal amounts.

d. Mineral property and other asset write-offs

	Feb 28, 2003	Feb 28, 2002
Mineral Properties		
Argentina (Santa Cruz)		
Mina Martha	$ 171,700	$ 1,717,324
Disposition of 10% net proceeds interest	(75,200)	-
Other	4,902	5,539,084
Chile	-	6,553
Indonesia	-	24,293
Papua New Guinea	-	2,262
Paraguay	-	41,704
Total mineral properties	101,402	7,331,220
IVA Credits		
Argentina - Mina Martha	771,020	816,378
Argentina - Other	19,080	-
Paraguay	-	18,894
Chile	-	1,962
Total IVA credits	790,100	837,234
Other Assets		
Other	2,802	31,055
Total other assets	2,802	31,055
Total mineral property and asset write-offs	$ 894,304	$ 8,199,509

The write-offs of mineral property costs resulted from either management's assessment of a decline in value as a result of the sales thereof (Note 7), management's conclusion of the unlikelihood of securing exploration funding or management's decision to abandon the property.

5. Accrued liabilities payable in stock

Accrued liabilities payable in stock consist of payables for bonuses, legal fees and accrued payroll. As at February 28, 2003, the issuance of 5,978,274 shares, valued at $414,552, had received necessary shareholder and regulatory approval and the issuance of 3,235,800 shares, valued at $188,759, was pending shareholder approval.

6. Loan payable

Yamana secured a two-year $4,500,000 (originally $4,000,000) loan facility from Northgate Exploration (BVI) Limited ("Northgate"), for development of Mina Martha in Santa Cruz province, Argentina. This facility bore interest at the rate of thirty percent per annum compounded annually and was to mature on December 23, 2001. In April 2002, Yamana sold Mina Martha and the loan was repaid (Note 7).

Interest expense related to the loan was capitalized until production began in February 2001 and was expensed thereafter. As at February 28, 2002, Yamana had incurred interest expense of approximately $1,802,372 on this loan, of which $558,586 was capitalized in 2001 to mineral properties and $1,160,393 in 2002 and $83,393 in 2001 was expensed.

7. Sale of silver properties

In April 2002, Coeur d'Alene Mines Corporation ("Coeur") acquired from Northgate Exploration (BVI) Limited ("Northgate") the outstanding balance on the loan and accrued interest payable.

As a result of this agreement, Coeur also acquired all of Yamana's silver properties and related assets in the western part of the province of Santa Cruz, Argentina, in satisfaction of the loan and accrued interest payable. Yamana retained its gold properties and government refunds of value added tax related to Mina Martha exports, and a 10% net proceeds interest in all of the silver properties outside of the immediate 42 hectare Mina Martha area.

The carrying values of the assets sold were as follows:

Mineral properties	
Mina Martha	$ 1,517,473
Other	247,786
Land, buildings and equipment	1,115,947
Inventory	330,392
Accounts receivable	56,748
Other assets	24,839
	$ 3,293,185

In January 2003, Yamana surrendered its 10% net proceeds interest in the silver properties to Coeur for settlement of all residual closure liabilities and $75,200 in cash.

8. First Preference Shares, Series 1

a. First Preference Shares, Series 1, issued and outstanding:

	Preferred shares outstanding	Amount: Liability Portion	Amount: Equity Portion
Balance at February 28, 2001	8,000,000	$ 573,640	$ 234,800
Converted into common shares	(910,000)	(60,333)	(26,709)
Amortization of discount on issue	-	310,776	-
Accrued dividends	-	280,330	-
Balance at February 28, 2002	7,090,000	1,104,413	208,091
Converted into common shares	(330,000)	(21,879)	(9,685)
Amortization of discount on issue	-	90,730	-
Accrued dividends	-	76,551	-
Surrendered for 2% NSR (Note 8b)	(1,000,000)	(129,781)	(29,350)
Purchase of Preference shares and dividends	(5,560,000)	(1,081,770)	(163,186)
Converted into note payable (unsecured; interest charged at 15% per annum; due October 1, 2003)	(200,000)	(38,264)	(5,870)
Balance at February 28, 2003	-	$ -	$ -

Interest expense of $180,905 in 2003 and $631,970 in 2002 relating to this financial liability includes $13,624 in 2003 and $40,864 in 2002 for the amortization of issue costs.

b. During the year ended February 28, 2003, Yamana agreed to purchase 5,560,000 Preference shares and the rights to dividends in exchange for 10,822,411 Yamana common shares. The Preference shares were converted into common shares on the basis of 1.28205 common shares for each Preference share and one common share for each $0.0975 of accrued dividends. Yamana also agreed to grant a 2% NSR on La Paloma, a Yamana gold property in Santa Cruz province, Argentina for the surrender of 1,000,000 Preference shares. Yamana issued the common shares subsequent to February 28, 2003.

Warrants that were originally issued with the Preference shares that were purchased or surrendered were amended such that the expiration date was extended from February 9, 2004 to December 31, 2004 and the exercise price was reduced from $0.15 to $0.125 per share.

9. Capital stock

a. Common shares issued and outstanding:

	Number of Common Shares	Amount
Balance at February 28, 2001	45,303,396	$ 53,519,202
Private placement, net of warrants and issue costs	1,820,000	79,464
Acquisition of Platero (Note 16)	5,616,000	716,531
Issued on conversion of First Preference Shares	910,000	87,042
Issued for payment of services	50,000	2,535
Issued for payment of interest on convertible notes	1,426,048	98,640
Balance at February 28, 2002	55,125,444	54,503,414
Capital reduction	-	(52,644,546)
Issued for cash (net of warrants and issue costs)		
Private Placement	14,932,374	848,461
Exercise of options	200,000	13,628
Exercise of warrants	5,000,000	345,000
Issued on conversion of First Preference Shares	330,000	31,564
Issued for payment of services	4,329,167	319,383
Issued for payment of interest on convertible notes	1,169,568	98,640
Balance at February 28, 2003	81,086,553	$ 3,515,544

b. The shareholders of the Company approved the elimination of the deficit at February 28, 2002 of $52,644,546 on August 30, 2002 by way of a corresponding reduction to capital stock.

c. Yamana closed a private placement with Coeur of 5,000,000 units for gross proceeds of $255,000. Each unit consisted of one common share and one common share purchase warrant of Yamana exercisable for five years from the closing date at an exercise price of $0.069. Coeur exercised 50% of the warrants in September 2002 and its remaining warrants in December 2002 for total gross proceeds of $345,000. Coeur received the right to nominate one director to Yamana's Board of Directors.

d. Yamana closed an additional private placement for $150,000 as further explained in Note 4 above.

e. Yamana closed a private placement financing of 8,006,374 units at a price of C$0.15 per unit on February 28, 2003. Each unit consisted of one common share of Yamana and one common share purchase warrant of Yamana exercisable for three years from the closing date at an exercise price of C$0.20. Yamana also issued 800,637 underwriter's warrants exercisable up to 2 years from the closing date at an exercise price of C$0.19. Subsequent to February 28, 2003, in an over-allotment option related to the same private placement, Yamana additionally placed 200,000 units and issued 20,000 underwriter's warrants under the same terms.

f. Transactions concerning share purchase warrants are summarized as follows:

	Number of Warrants	Amount
Outstanding, February 28, 2001	14,050,000	$ 533,462
Issued	4,901,000	345,977
Expired	(2,350,000)	-
Outstanding, February 28, 2002	16,601,000	879,439
Issued	10,062,611	270,927
Expired	(1,500,000)	-
Outstanding, February 28, 2003	25,163,611	$ 1,150,366

Share purchase warrants outstanding at February 28, 2003 as a result of private placements or other agreements were as follows:

Number of Common Shares	Exercise Price Per Share	Expiry Date
2,000,000	$0.20 (C$0.30)	September 15, 2003
1,240,000	$0.15 (C$0.24)	February 9, 2004
200,000	$0.15 (C$0.24)	February 9, 2004
2,808,000	$0.15 (C$0.24)	March 14, 2004
1,820,000	$0.16 (C$0.26)	July 25, 2004
1,000,000	$0.10 (C$0.15)	August 2, 2004
6,760,000	$0.125 (C$0.20)	December 31, 2004
255,600	$0.125 (C$0.20)	September 4, 2005
800,637	$0.13 (C$0.19)	February 28, 2005
273,000	$0.125 (C$0.20)	July 25, 2005
8,006,374	$0.13 (C$0.20)	February 28, 2006

As at February 28, 2003, 1,000,000 of these warrants with an exercise price of $0.10 expiring on August 2, 2004 had been granted, but not issued.

g. From time to time, Yamana grants stock options to directors, officers, employees and others, to purchase shares at the quoted market value on the day preceding the date of the grant. The options have no vesting period and expire after ten years. Transactions concerning stock options, all of which are exercisable, are summarized as follows:

	Number of Shares	Weighted Average Exercise Price in C$
Outstanding, February 28, 2001	4,117,750	$ 0.40
Granted	4,599,000	0.27
Expired	(834,000)	0.57
Outstanding, February 28, 2002	7,882,750	0.30
Granted	750,000	0.15
Exercised	(200,000)	0.105
Expired	(140,000)	0.35
Outstanding, February 28, 2003	8,292,750	$ 0.11

As a result of stock options granted to non-employees, the Company recognized $20,851 as stock-based compensation expense and included this amount in contributed surplus. The stock based compensation expense is classified in general and administrative expense.

When stock-based compensation awards are granted to employees, no compensation cost is recognized when their exercise price exceeds or equals the fair value of the Company's common shares at the date of grant. Had the compensation cost for the Company's stock-based compensation plan been determined based on the fair value method of accounting for awards granted to employees on or after January 1, 2002, the Company's net loss would have been increased to the pro forma amounts indicated below:

	For the year ended February 28, 2003
Net Loss	
As reported	$ 3,490,589
Pro forma	$ 3,507,054

The pro forma loss per share for the year would be the same amount reported on the consolidated statements of loss and deficit.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the year ended February 28, 2003: no dividends are to be paid, volatility of 102%, risk-free interest rate of 5% and expected life of 10 years.

The following table summarizes information concerning stock options outstanding as at February 28, 2003:

	Options outstanding and exercisable	
Exercise Price in C$	Number of Shares	Weighted Average Remaining Contractual Life (months)
$0.20	250,000	119.00
$0.13	300,000	55.00
$0.12	200,000	53.00
$0.105	7,542,750	81.13
	8,292,750	

At February 28, 2002, 7,882,750 stock options were exercisable at a weighted average exercise price of C$0.30. During the year ended February 28, 2003, Yamana repriced certain of these stock options.

10. Convertible notes

In 1998, Yamana completed the sale of $4,800,000 principal amount of 8% Senior Secured Convertible Notes (the "Notes") of Yamana maturing July 17, 2003. As of February 28, 2003 and 2002, convertible notes of $1,233,000 and accrued interest of $54,930 were outstanding.

The Notes were originally secured and senior in rank to all other indebtedness of Yamana. In November 1999, the noteholders approved a resolution that the Notes shall no longer be secured and shall rank parri passu with all other unsecured debt of Yamana. The resolution also changed, among other things, the conversion price to $0.375 (C$0.54) per share (which is subject to downward adjustment in certain circumstances). Yamana has the option in certain circumstances to require conversion of all of the Notes.

Yamana has the right in certain circumstances to redeem the Notes in cash prior to maturity. Yamana also has the right to repay the Notes at maturity, and to pay interest on the Notes, in cash or by the issue of common shares of Yamana. Accordingly, the Notes have been accounted for as an equity instrument for accounting purposes.

11. Net change in non-cash working capital

	Year ended Feb 28, 2003	Year ended Feb 28, 2002
Net decrease (increase) in		
Accounts receivable	$ (153,397)	$ (72,896)
Advances and deposits	123,969	151,000
Inventory	-	275,104
Net increase in		
Accounts payable and other accrued liabilities	272,994	150,865
Accrued interest payable	-	96,146
	$ 243,566	$ 600,219

12. Income taxes

Net future income tax liabilities as at February 28, 2003 and 2002 consisted of the following:

	Year ended Feb 28, 2003	Year ended Feb 28, 2002
Future income tax assets:		
Resource properties and other fixed assets	$ 1,858,031	$ 1,376,217
Loss carry-forwards in Canada and United States	6,119,699	6,325,053
Financing costs	107,990	70,886
	8,085,720	7,772,156
Less: Valuation allowance	(8,085,720)	(7,772,156)
	-	-
Future income tax liabilities:		
Resource properties	1,500,357	482,866
Net future income tax liabilities	$ 1,500,357	$ 482,866

A reconciliation of the provision for recovery of income taxes is as follows:

	Year ended Feb 28, 2003	Year ended Feb 28, 2002
Statutory tax rates	37.80%	41.30%
Provision for recovery of income taxes computed at statutory tax rates	897,546	4,614,287
Effect of lower tax rates of foreign jurisdictions	(338,824)	(1,030,079)
Tax benefits not recognized in period that loss arose	(654,244)	(3,510,098)
Change in tax basis of mineral properties on reorganization	(1,017,491)	-
Other	95,522	69,540
(Increase) decrease in future tax liabilities	$ (1,017,491)	$ 143,650

At February 28, 2003, Yamana had the following loss carry-forwards for tax purposes:

	Local currency	U.S. Dollar equivalent	Expiry date
Canada	C$ 22,393,000	$ 15,090,000	2004 to 2010
U.S.	US$ 1,188,000	$ 1,188,000	2012 to 2023

Yamana also has tax loss carry-forwards in certain other foreign jurisdictions, the amounts of which are unlikely to be utilized.

13. Related party transactions

Related party transactions during the years ended February 28, 2003 and 2002 were as follows:

	Year ended Feb 28, 2003	Year ended Feb 28, 2002
Directors fees and consulting fees to associates thereof	$ 17,319	$ 35,722
Legal fees to a law firm that had partners who are either a director or an officer of Yamana	26,497	116,813
	$ 43,816	$ 152,535

14. Segmented information

Yamana considers its business to consist of one reportable operating segment (Note 1). Capital assets referred to below consist of land, buildings and equipment, and mineral properties.

	Year ended Feb 28, 2003	Year ended Feb 28, 2002
Revenue		
Mina Martha, Argentina	$ -	$ 5,840,154
Capital assets at the end of the year		
Argentina	$ 5,496,847	$ 8,561,308
Brazil	129,228	-
Other	16,117	25,354
	$ 5,642,192	$ 8,586,662

15. Disclosures regarding financial instruments

The fair value of Yamana's cash and cash equivalents, amounts receivable, advances and deposits, accounts payable and other accrued liabilities as at February 28, 2003 and 2002 was estimated to approximate their carrying value.

Yamana did not have First Preference Shares, Series 1 as at February 28, 2003 and their fair value was not determinable as at February 28, 2002.

16. Platero acquisition

In March 2001, Yamana acquired Platero Resources Inc. ("Platero"), a private Yukon Territory-incorporated exploration company with properties located in proximity to Yamana's Mina Martha and Martinetas property in Santa Cruz province, Argentina.

Yamana issued for each of the approximately 5.6 million common shares of Platero outstanding, one common share of Yamana and one-half of one common share purchase warrant. Each whole warrant is exercisable for one additional common share of Yamana at a price of $0.15 per share and is exercisable at any time up to February 8, 2004. The fair value of the common shares, based on the closing price of Yamana's common shares for a period before and after the acquisition date, was $716,531. The fair value of the warrants, based on a Black-Scholes Model, was $249,273.

The acquisition has been accounted for using the purchase method of accounting. The fair value of the net assets acquired was as follows:

Current assets (including cash of $67,943)	$ 84,803
Mining property and equipment	1,556,475
Other assets	7,630
Current liabilities	(2,485)
Future income tax liabilities	(626,516)
	$ 1,019,907
Consideration comprised of:	
5,616,000 common shares of Yamana with a fair value of $0.1632 per share	$ 716,531
2,808,000 share purchase warrants with a fair value of $0.0888 per warrant	249,273
Transaction costs	54,103
	$ 1,019,907

17. Subsequent events

In April 2003, Yamana announced that it had reached agreement with Santa Elina Mines Corp. ("Santa Elina") to acquire all of Santa Elina's gold assets in Brazil. The assets include three advanced-stage pre-production gold projects, a number of mid-stage exploration projects, and claims or concessions covering prospective exploration areas in two of Brazil's major gold regions.

Yamana will acquire Santa Elina's gold assets through the issue of common shares such that existing Yamana shareholders will own 15% of Yamana going forward and Santa Elina will own 85%. As part of this acquisition, it is expected that Yamana will consolidate its common shares on a one for twelve basis. Yamana is also in discussion with certain persons who might take on senior management roles upon completion of this acquisition, including the role of Chief Executive Officer.

Completion of the acquisition is subject to a number of conditions including Toronto Stock Exchange approval, satisfactory completion of due diligence reviews, Yamana receiving the approval of its Board of Directors, approval of Yamana's shareholders and the execution of formal agreements. The transaction is also conditional upon Yamana raising a minimum of C$10 million. However, Yamana plans to target a much larger financing and expects to structure the terms for that financing in early-June based on the outcome of Yamana's other current initiatives and receipt of NI 43-101 reports.

CORPORATE DATA

DIRECTORS & OFFICERS

R. Stuart Angus
Director

Victor H. Bradley
President/CEO & Director

J. Edward Fletcher
Chairman of the Board of Directors

Dieter A. Krewedl
Director

Hugh M. Hamilton
Vice President, Corporate Affairs

Melvin L. Klohn
Vice President, Exploration

Patrick J. Mars
Director

William V. Schara
Vice President, Finance/CFO

Lance S. Tigert
Director

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CAPITALIZATION

81,086,553 common shares issued as of February 28, 2003

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AUDITORS

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LEGAL COUNSEL

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Vancouver, Canada

SHARES LISTING

Symbol: YRI
Toronto Stock Exchange

INFORMATION CONTACT

Victor H. Bradley

ANNUAL & SPECIAL MEETING

11:00 a.m., July 15, 2003
Design Exchange
Third Floor South
Patty Watt Room
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