YAMANA
GOLD INC.

Yamana Gold Inc.'s management team

www.yamana.com

VALUE and GROWTH

YAMANA
GOLD INC.

Value

Annual Report
2004

Yamana Gold Inc.
Corporate Profile

Gold bar from Fazenda Brasileiro.

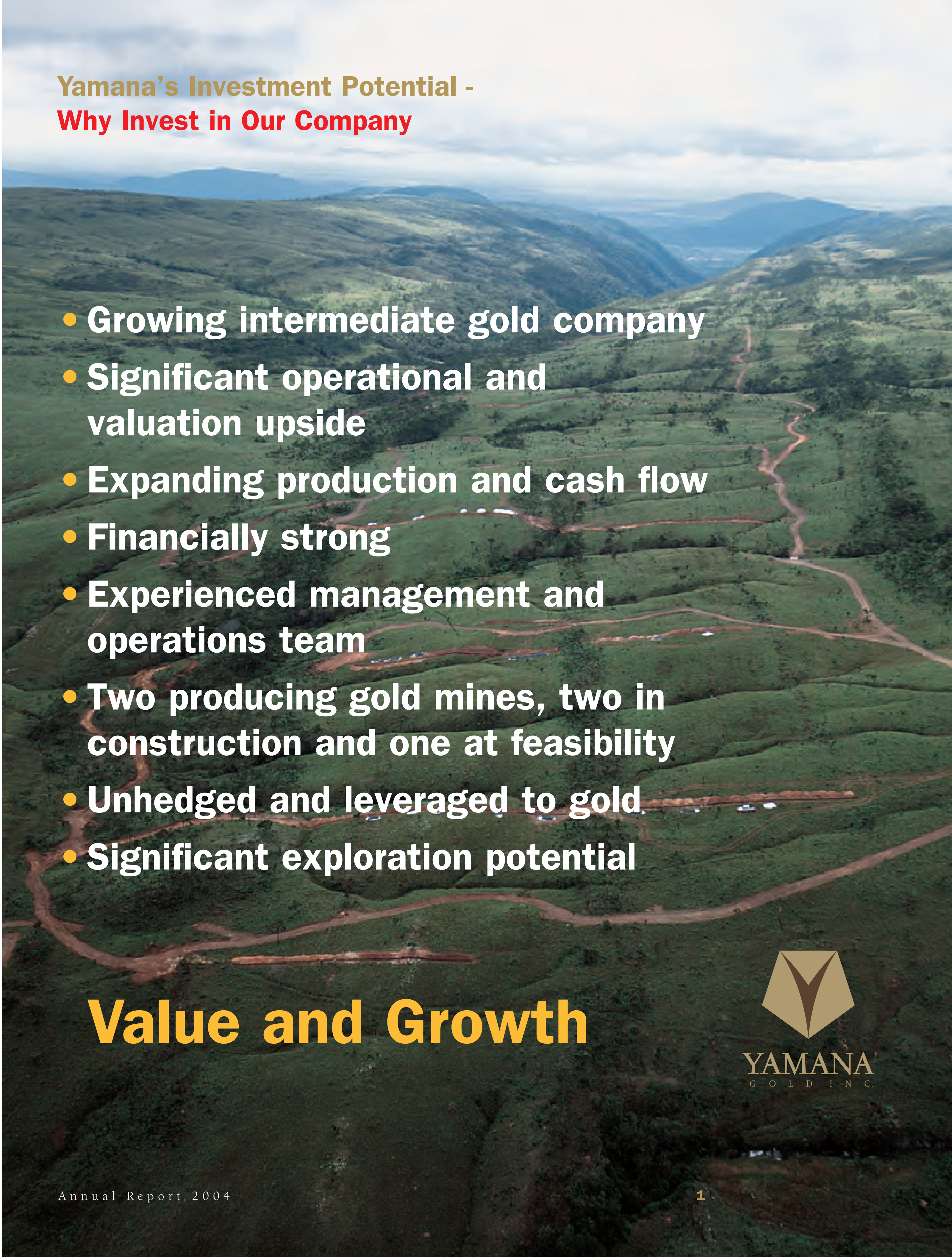
Yamana Gold Inc. is a Canadian gold mining company with a diversified portfolio of gold mining operations along with construction and exploration stage properties located in Brazil.

Yamana is listed on the Toronto Stock Exchange (“YRI”), the American Stock Exchange (“AUY”) and the London Stock Exchange Alternative Investment Market (“YAU”).

- **Latin American-focused gold producer**
- **Two operating mines in Brazil producing at a combined annual rate of approximately 130,000 ounces of gold**
- **Two fully financed projects under construction**
  - **will generate over 50% annual production rate increases with over 410,000 ounces of gold production projected for 2007**
- **Significant copper production to begin in 2007**
- **Fourth largest land position in Brazil with close to 1 million hectares of exploration concessions**
- **Strong South American presence**
- **Commitment to exploration**

All figures in US dollars unless otherwise indicated.

Contents



Yamana's Investment Potential -
Why Invest in Our Company

- Growing intermediate gold company
- Significant operational and valuation upside
- Expanding production and cash flow
- Financially strong
- Experienced management and operations team
- Two producing gold mines, two in construction and one at feasibility
- Unhedged and leveraged to gold
- Significant exploration potential

Value and Growth

YAMANA
GOLD INC.

Our 2004 Achievements
Creating a Foundation for Growth

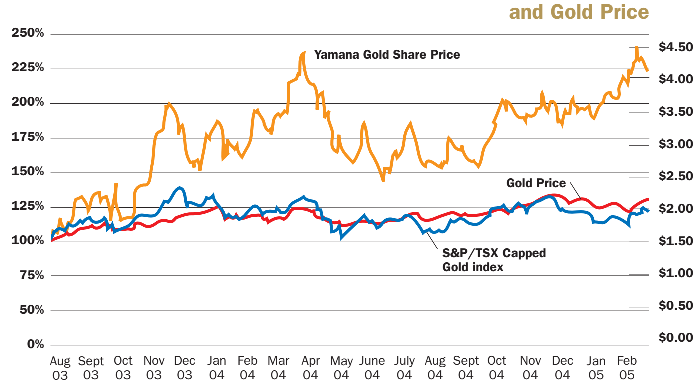
Hoist at Fazenda Brasileiro.

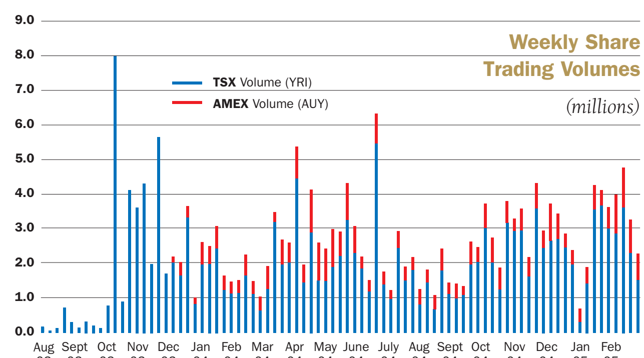
- **Achieved annual production of 101,295 ounces with commercial production cash costs of $218 per ounce**
- **Added 86,200 more gold ounces to resources at Fazenda Brasileiro than ounces mined since February 29, 2004 year end**
- **Completed construction and started producing gold at Fazenda Nova**
- **Established a 20% higher reserve at São Francisco**
- **Completed positive feasibility studies for Chapada and São Francisco**
- **Entered into commercial agreements for Chapada including off-take agreements for concentrate and a final EPCM contract**
- **Completed a $100 million debt financing for Chapada**
- **Raised approximately C$120 million in two equity financings**
- **Started construction at São Francisco and Chapada**

Achievements relate to the calendar year. During the year, Yamana changed its year end from February 28th to December 31st. Accordingly, the fiscal year results are for the 10 month period ending December 31, 2004. Proforma information is also provided herein on a 12 month calendar basis.

2004

Yamana Gold Share Price History versus S&P/TSX Capped Gold Index and Gold Price





Near-term Goals
Building on Our Success

- **Complete construction of São Francisco and Chapada**
- **Establish new reserves and resources at Fazenda Brasileiro to support additional mine life**
- **Complete reserve and mine plan update for São Vicente**
- **Begin construction of São Vicente**
- **Define a stand alone resource on the Rio Itapicuru Greenstone Belt from one or more deposits**
- **Define a stand alone resource on the Santa Elina Gold Belt**
- **Aggressively advance our extensive exploration portfolio**

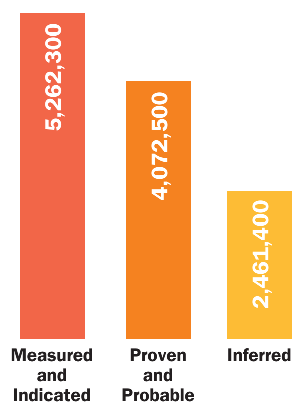
Shovel clearing land at Chapada.

From left to right: Antenor Silva, COO, Paulo Peruzzo, Mine Manager at Fazenda Brasileiro and Peter Marrone, President & CEO.

GOALS

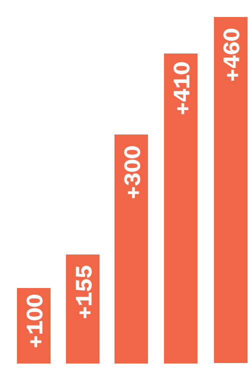
Gold Reserves and Resources

(Ozs Au)
(Dec 31, 2004)



Gold Production Targets[1]

(000's ozs)



[1] includes expected production from São Vicente for 2006, 2007 and 2008

Message to Shareholders
Delivering Value and Growth

Dear Shareholders

In last year's message to shareholders, I spoke about growth. We have been unwavering in our commitment to growth and that commitment will continue this year. In the past year, we have built a solid foundation from which we can deliver on the significant growth targets that we have set. While we are pleased with the success of Fazenda Brasileiro and Fazenda Nova, our two producing mines, our goal is to continue delivering growth for our shareholders through the development of our Chapada and São Francisco projects, which are under construction, by assessing the feasibility of our São Vicente project and through an aggressive exploration plan. Add to this the prospect for acquisition of undervalued assets or companies, and we have all the ingredients to deliver a sustainable and unique growth profile. Our objective, as stated in last year's annual report, has evolved: we plan to have four mines in production by 2006 and five mines in production by 2007 with combined production exceeding 410,000 ounces of gold and over 100 million pounds of copper.

This year, we are adding a further commitment. We are committing the delivery of significant value to shareholders from our operations. Growth alone without value would not define what we intend to achieve. Clearly, we have projects with robust rates of return. As we develop these projects, we believe that there will be compelling reasons for our Company to be recognized as one of the best value propositions in the marketplace.

Growth must go hand in hand with value. To that end, we remain committed to operating and building mines efficiently and on budget. We remain committed to the guidance that we provided on our production targets and operating costs with the objective of more than 410,000 ounces of gold at cash costs of less than $190 per ounce in 2007. We remain committed to determining the true benefit of the coarse gold effect at São Francisco and São Vicente and how that will affect, we believe positively, our production and operating costs. We remain committed to developing Chapada, our copper-gold project, and ensuring that we take advantage of strong copper and gold prices as soon as possible, given in particular that at current copper prices, the payback on that mine will be well below two years. We remain committed to an extensive exploration program on roughly one million hectares of mineral concessions on two gold belts with known gold occurrences. And, we remain committed to financial prudence and responsibility. With our current cash position, cash flow from operations and a committed credit facility negotiated last year, we are fully financed to deliver on our growth commitments. All of these factors, when added together, have created a solid platform for substantial value for our shareholders which we will begin to recognize in 2005.

"We have been unwavering in our commitment to growth and that commitment will continue this year."

Peter Marrone

Fazenda Brasileiro and Fazenda Nova will provide near-term sustainable production and cash flow. Our next developing mines will be São Francisco and São Vicente. Production from São Francisco is expected to begin during late 2005 and we are now evaluating our prospects for São Vicente, which we expect to be better than previous projections. Our fifth mine, Chapada, underwent a feasibility study last year and a decision to proceed with construction was taken. Production from this mine is expected to begin in early 2007.

The value proposition that I referred to above must include a discussion about Brazil. Simply put, Brazil is a great country in which to own and operate mines and mineral properties. In a recent forum of mining companies, it became apparent that the potential for this exceptional country is largely unrecognized. While it is significantly industrialized, Brazil is still characterized as a developing nation. Brazil is maintaining a strong fiscal and monetary policy. It has the confidence of international financial markets, business leaders and labourers. One cannot deny that it is assertive in its trade negotiations. It is crop rich, commodity rich, petroleum rich and has a large industrial base, much of which is committed to mining. More importantly, it is a country with a deep mining culture, skilled and high quality mining workers and a strong support for mining. Vibrant economy, mining commitment, highly industrialized, relatively inexpensive cost structure – all of the benefits of a developed nation with many of the benefits of a developing nation.

We are proud to be operating in Brazil. However, we also recognize that we have to return the favour. None of what we do would be meaningful without our commitment to return benefits to the community. We are a major employer in areas in which we operate. We encourage further education of our personnel. We subsidize schooling for their children. We are committed to the highest standards for safety and environmental compliance. We take on these tasks with the knowledge that our greatest asset is, and will remain, our people.

Clearly, as with any mining company, we have our challenges and risks. However, our dedication remains on minimizing these risks wherever we can and continuing to deliver value to shareholders while at the same time continuing with our commitment to the people who work with us and to their communities.

Sincerely,

Peter Marrone
President and Chief Executive Officer
March, 2005

Yamana's Brazilian Assets

Fazenda Brasileiro Mine
- producing underground gold mine with production in the range of 90,000 to 105,000 ounces per year
- 17 year underground mining history

Fazenda Nova Mine
- open pit heap leach gold mine with total projected production in excess of 140,000 ounces of gold

São Francisco Project
- open pit, gravity/heap leach gold project in construction
- projected production of 815,000 ounces over 7.5 years to begin late 2005

São Vicente Project
- adjacent to São Francisco with current reserves of 161,100 ounces
- update to reserves and mine plan in progress

Chapada Project
- construction stage copper-gold project with total projected production of 2.0 billion pounds of copper and 1.3 million ounces of gold over a 19-year mine life

Exploration Assets
- more than 1 million hectares of prospective mineral concessions primarily in Brazil

Why Brazil?

As well as being blessed with abundant and yet relatively under-explored geological potential, Brazil has many other qualities which attract the mining industry.

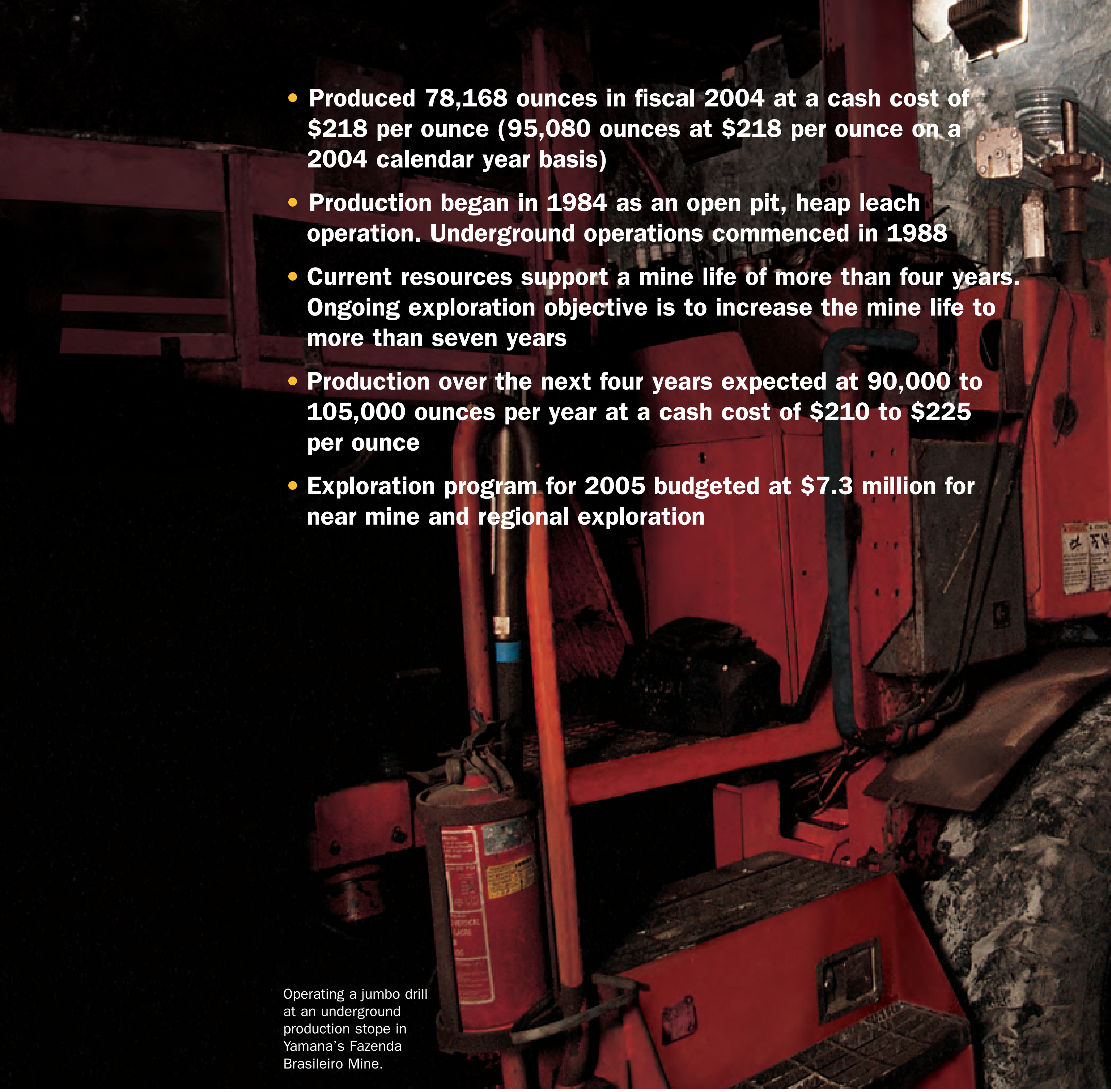
- Brazil has many of the social economic benefits of a developed nation and yet maintains the cost structure of a developing nation
- Brazil has attractive, well-developed infrastructure including abundant hydroelectric power generation capabilities and transportation networks as well as a diversified industrial base
- Brazil has ample and experienced mining labour
- Much of the necessary mining equipment is manufactured locally
- Brazil is mining friendly with a long history of mining, which has led to a well-developed mining culture

Brazil is a land of significant opportunity for Yamana. It is a country with a deep mining culture, skilled and high quality mining workers and a strong support for mining.

BRAZIL

BRAZIL IS ONE OF THE TEN LARGEST ECONOMIES IN THE WORLD. IT HAS ATTRACTIVE INFRASTRUCTURE: POWER, TRANSPORTATION AND INDUSTRY. IT ENJOYS POSITIVE SUPPLY/DEMAND FUNDAMENTALS FOR POWER, EFFICIENT TRANSPORTATION AND LOGISTICS ALTERNATIVES, LOCALLY MANUFACTURED MINING EQUIPMENT AND GOOD ACCESS TO EXPERIENCED MINING LABOUR.

IT IS MINING FRIENDLY AND HAS AN ESTABLISHED MINING CULTURE ENABLING AN EFFICIENT AND TIMELY PERMITTING PROCESS.



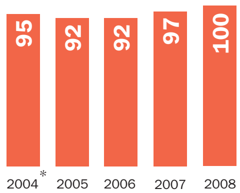
- Produced 78,168 ounces in fiscal 2004 at a cash cost of $218 per ounce (95,080 ounces at $218 per ounce on a 2004 calendar year basis)
- Production began in 1984 as an open pit, heap leach operation. Underground operations commenced in 1988
- Current resources support a mine life of more than four years. Ongoing exploration objective is to increase the mine life to more than seven years
- Production over the next four years expected at 90,000 to 105,000 ounces per year at a cash cost of $210 to $225 per ounce
- Exploration program for 2005 budgeted at $7.3 million for near mine and regional exploration

Operating a jumbo drill at an underground production stope in Yamana's Fazenda Brasileiro Mine.

Operations

Production Profile Forecast

(000's ozs)



*For calendar year 2004

FAZENDA BRASILEIRO

FAZENDA BRASILEIRO, YAMANA'S FIRST PRODUCING GOLD MINE, IS SITUATED 220 KM NORTHWEST OF THE BAHIA STATE CAPITAL OF SALVADOR. THE OPERATION BEGAN IN 1984 AS AN OPEN PIT, HEAP LEACH MINE AND A SUBSEQUENT UNDERGROUND OPERATION BEGAN IN 1988. BY 2005, FAZENDA BRASILEIRO HAD AN ACCUMULATED PRODUCTION OF MORE THAN 2.2 MILLION OUNCES. YAMANA ACQUIRED THE UNDERGROUND AND OPEN PIT PROJECT FROM COMPANHIA VALE DO RIO DOCE (CVRD) IN AUGUST 2003.

“Going forward, Fazenda Brazileiro is expected to produce 90,000 to 105,000 ounces per year at a cash cost in the range of $210 to $225 per ounce.”

Far left: Portal entrance at Fazenda Brasileiro.

Left: Truck loading at a Fazenda Brasileiro open pit operation.

Opposite page: Planning the drill pattern underground at Fazenda Brasileiro.

This past year was one filled with challenges that were met by the experienced underground operating team at Fazenda Brasileiro. Production was slightly lower than first anticipated at the end of 2003 but this is balanced with the tangible positive results from the exploration of high grade zones below current underground workings.

In fiscal 2004, Fazenda Brasileiro produced 78,168 ounces of gold at a cash cost of $218 per ounce on a year-to-date basis (10 months). Production totalled 95,080 ounces at a cash cost of $218 per ounce on a calendar year basis. Ore grades averaged 3.13 g/t gold and recovery rates averaged 91.9%. Throughput for the 12 months ended, December 31, 2004 was approximately 1.02 million tonnes of which 195,000 tonnes came from the open pit and the remainder from the underground mine. On a go-forward-basis, mill throughput is targeted at between 75,000 and 85,000 tonnes per month and efforts will continue to focus on operating costs reductions.

Currently, reserves stand at 2.6 million tonnes grading 2.8 g/t gold or 232,900 ounces while total measured and indicated resources (including reserves) are 4.9 million tonnes averaging 2.6 g/t gold. The reserves lie within the C, D, F, G and Canto orebodies. Reserves and resources are currently expected to support the operation for an additional four years, producing between 90,000 and 105,000 ounces annually at a cash cost in the range of $210 to $225 per ounce. Management anticipates that through additional near mine exploration, the mine life could be increased to at least seven years.

"$2.8 million has been budgeted for mine and near-mine exploration with the goal of ultimately increasing mine life to more than seven years."

Far left: Underground drilling at Fazenda Brasileiro.

Left: Gold pour at Fazenda Brasileiro.

Opposite page: Mill at Fazenda Brasileiro has the capacity to treat 85,000 tonnes of ore per month.

By year-end, Yamana had completed more than 126,000 metres of drilling from 2,585 holes for mine development and near-mine target evaluation purposes. At year-end, total resources had increased by 86,200 ounces from levels as at February 29, 2004. Taking into consideration the 78,168 ounces mined, Yamana added a total of 164,368 ounces in the 10 months to December 31, 2004 through its mine and near-mine exploration efforts.

On a go-forward-basis, we are encouraged about the prospect to add reserves from a number of areas and targets. Some of the more advanced targets include Pau-a-pique, Canto, Rufino, F, and E-Deep orebodies. E-Deep is 200 metres below current underground workings and has the potential to significantly increase the mining head grade.

For 2005, Yamana forecasts production of between 90,000 and 95,000 ounces of gold. As mentioned above, going forward, Fazenda Brasileiro is expected to produce 90,000 to 105,000 ounces per year at a cash cost of between $210 and $225 per ounce. This, however, does not take into account any potential increase in reserve head grade resulting from the development of higher grade mine exploration targets. Our objective in 2005 will be to define and gain access for mining higher grade deposits beneath the areas of our existing mine workings. The area known as E-Deep is particularly promising with grades that would return production levels to historical levels in excess of 100,000 ounces per year. Currently, we do not have the access required to drill or mine this area but as we mine through lower grade material in 2005, we will ramp down to levels that allow us that access.

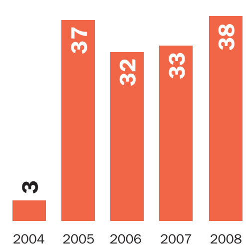
- Commercial production expected to be declared in early 2005 with projected production for 2005 of approximately 35,000 ounces
- A shallow open pit, heap leach operation
- Production over next four years is estimated at 140,000 ounces at an average cash cost of approximately $175 per ounce
- Potential for increased life of mine

Heap leach pads and system of conveyors at Yamana's Fazenda Nova Mine.

Operations

Production Profile Forecast

(000's ozs)



FAZENDA NOVA

THE FAZENDA NOVA MINE IS AN OPEN PIT HEAP LEACH GOLD PROJECT LOCATED IN THE CENTRE OF THE STATE OF GOIAS. IT IS 10 KM WEST OF THE TOWN OF FAZENDA NOVA, AND APPROXIMATELY 225 KM WEST OF THE STATE CAPITAL OF GOIANIA. GOIAS OFFERS EXCELLENT INFRASTRUCTURE AND HOSTS MANY OTHER MINING OPERATIONS INCLUDING CRIXÁS (gold), SAMA (asbestos), CATALÃO (phosphate-niobium), FOSFERTIL (phosphate) AND BARRO ALTO (nickel).

“Fazenda Nova was constructed in about six months at a cost of approximately $6.5 million.”

Far left: Conveyor belt loading the leach pads at Fazenda Nova.

Left: Carbon-in-Pulp processing tanks at Fazenda Nova.

Opposite page: Open pit at Fazenda Nova will not be deeper than 60 metres.

Commercial production at the Fazenda Nova mine is expected to begin in early 2005. Production comes from the Lavrinha and Vital deposits but the five concessions totaling 3,100 hectares hold several additional gold zones and exploration targets. A feasibility study was completed for Fazenda Nova in 2003, permitting was completed by early 2004 and the mine began leaching in September of 2004.

Located 225 km west of Goiania in the central state of Goias, the Fazenda Nova mine is a shallow, open pit, heap leach mine which was constructed in about six months at a cost of approximately $6.5 million. The first gold from the operation was poured on September 30, 2004.

Infrastructure for the new mine is excellent with water, electricity and skilled labour readily available. The project has also benefited from community as well as municipal and state governmental support.

As at December 31, 2004, measured and indicated resources totalled 6.1 million tonnes grading 0.87 g/t or 168,500 ounces of gold. Included in this figure are proven and probable reserves of 5.0 million tonnes grading 0.91 g/t gold or 146,600 ounces of gold. From ore already loaded on the pads and remaining reserves, Fazenda Nova is expected to produce approximately 140,000 ounces of gold over the next four years. Approximately 3,000 ounces were produced in 2004. Life-of-mine cash costs originally contemplated in the feasibility study were $186 per ounce. However, arrangements with cement manufacturers have led to reductions in cement costs and cash costs are now expected to approximate $175 per ounce (including royalties) on the assumption that the current and intermediate term cement costs are sustainable.

“Life-of-mine cash costs were originally estimated at $186 per ounce but are now projected at $175 per ounce.”

Far left: Processing plant at Fazenda Nova.

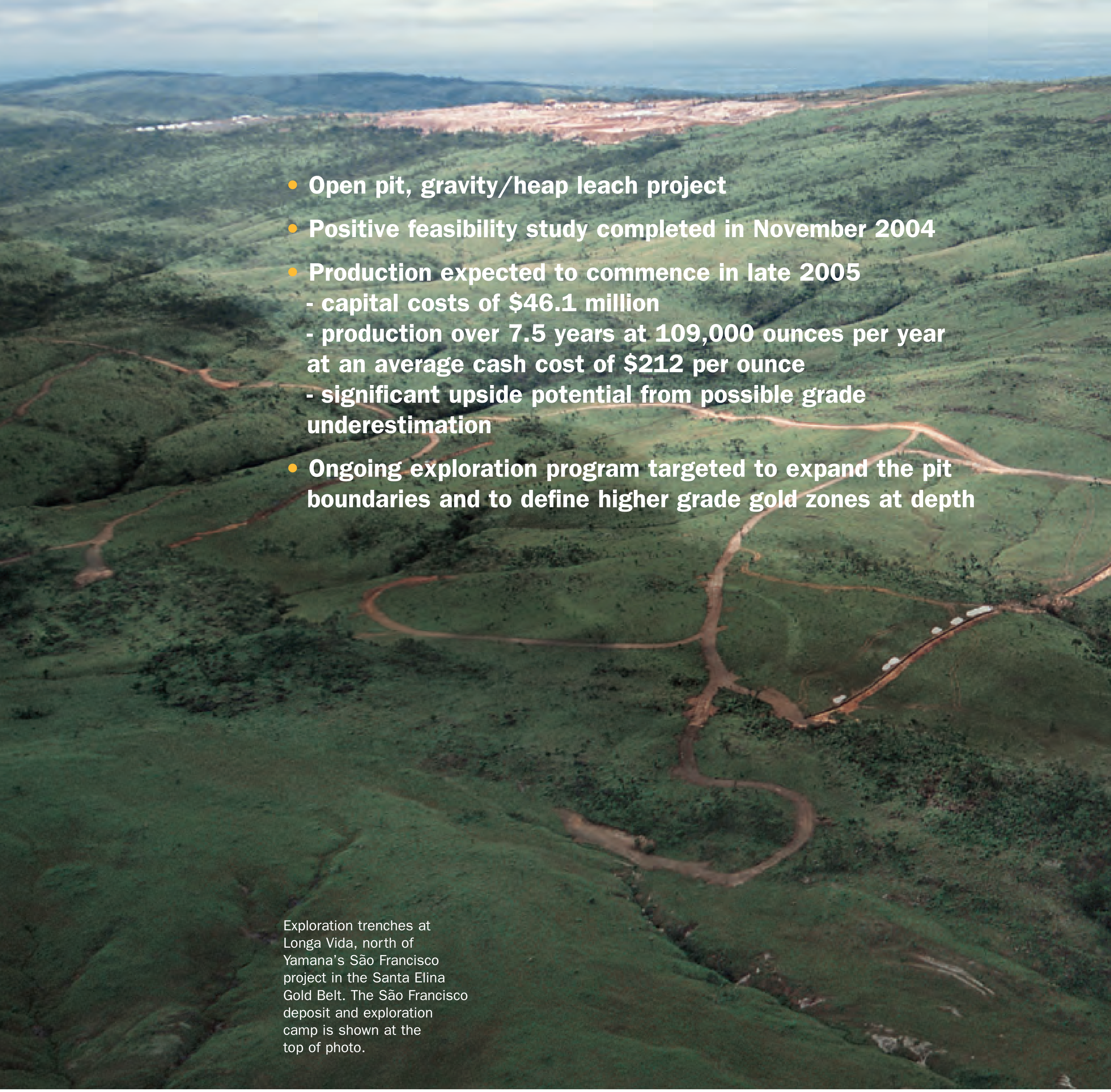
Left: Pregnant solution sampling at Fazenda Nova.

Opposite page: Dumping ore into the one-stage crushing circuit at Fazenda Nova.

Exploration to increase the reserve base is being completed on both regional and near-mine targets. Previous exploration along a 40 km long trend has identified several soil geochemical anomalies and Yamana is planning to drill four near-mine soil geochemical anomalies. Furthermore, there is potential for sulphide mineralization beneath the existing oxide reserves at levels of about 50 to 60 metres. Some deeper drilling to investigate this potential is planned.

In 2004, approximately 344,000 tonnes of ore (approximately 40% of the planned 830,000 tonnes) was placed on the pads and gold production amounted to 2,849 ounces. Delays in achieving commercial production at Fazenda Nova resulted from heavy rains and problems related to the start-up of operations. Rain slowed the delivery of ore to the pads and also led to clogging in the hoppers and chutes. Certain process modifications to improve the efficiency of the operation and to accommodate heavier rainfalls have now been made.

For 2005, Yamana forecasts production between 35,000 and 37,000 ounces of gold from Fazenda Nova.



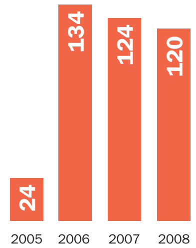
- Open pit, gravity/heap leach project
- Positive feasibility study completed in November 2004
- Production expected to commence in late 2005
  - capital costs of $46.1 million
  - production over 7.5 years at 109,000 ounces per year at an average cash cost of $212 per ounce
  - significant upside potential from possible grade underestimation
- Ongoing exploration program targeted to expand the pit boundaries and to define higher grade gold zones at depth

Exploration trenches at Longa Vida, north of Yamana's São Francisco project in the Santa Elina Gold Belt. The São Francisco deposit and exploration camp is shown at the top of photo.

Project

Production Profile Forecast

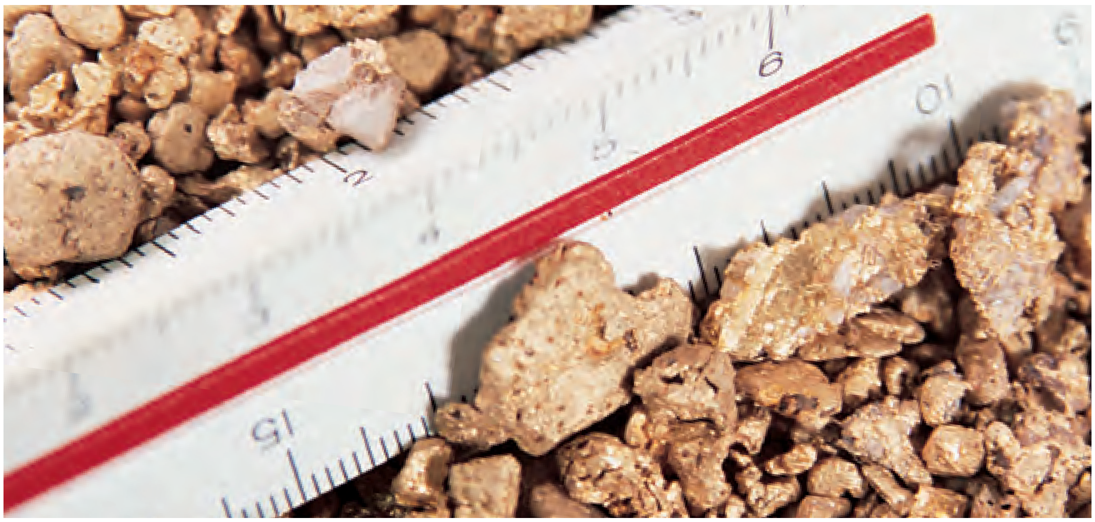
(000's ozs)



SÃO FRANCISCO

THE SÃO FRANCISCO PROJECT IN THE STATE OF MATO GROSSO IN WEST CENTRAL BRAZIL IS LOCATED NEAR THE BRAZILIAN BORDER WITH BOLIVIA. THE PROJECT IS ABOUT 560 KM WEST OF THE STATE CAPITAL OF CUIABA. IT IS PART OF THE SANTA ELINA GOLD BELT IN WHICH YAMANA HOLDS APPROXIMATELY 750,000 HECTARES OF MINERAL CONCESSIONS.

"São Francisco reserves increased by approximately 20% in the feasibility study dated November 2004. Given the coarse gold nature of the deposit, further increases in reserve grade are possible."



Left: São Francisco produces a significant number of attractive nuggets given the coarse gold nature of the deposit.

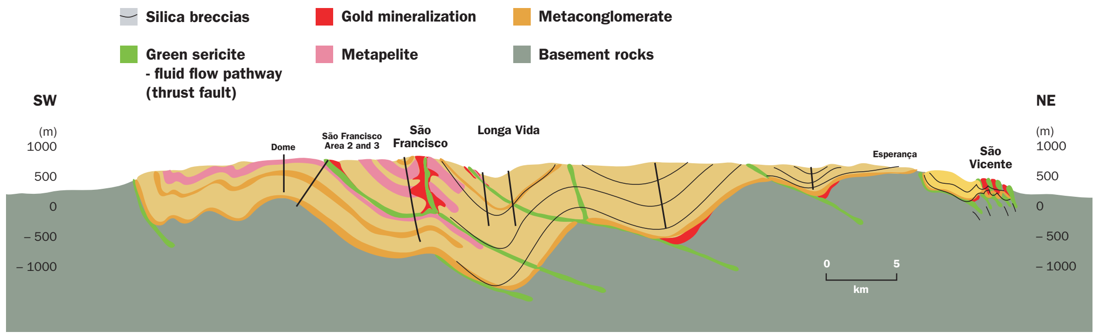
Opposite page: São Francisco bulk testing pilot plant is expected to produce upwards of 5,000 ounces of gold in 2005 from the processing of bulk samples alone.

The São Francisco Project is currently under construction and the first gold production is expected in late 2005. The Project is located in the western portion of Mato Grosso State near the Bolivian border. The region was originally discovered and worked by Portuguese colonists more than 200 years ago and has reported historic production of more than 2 million ounces. More recently, drilling efforts defined the existing deposit at São Francisco. Before being acquired by Yamana, the deposit underwent various studies and evaluations including resource evaluations, metallurgical studies and a pre-feasibility study.

Kappes Cassidy completed an updated feasibility study of the São Francisco deposit for Yamana in late 2004. Main ore will be crushed and processed through a gravity circuit prior to being heap leached. Run-of-mine (ROM) ore will be loaded directly on dedicated heaps for processing without any crushing. According to the report, main reserves at São Francisco, calculated by Independent Mining Consultants Inc., now stand at 27.7 million tonnes averaging 1.0 g/t gold or 887,700 ounces of gold. ROM ore reserves stand at 20.2 million tonnes averaging 0.23 g/t gold for 150,700 ounces. Total measured and indicated resources, including the reserves stated above, are 68.3 million tonnes averaging 0.63 g/t gold or 1,386,800 ounces of gold (main and ROM) while inferred resources stand at 64.9 million tonnes averaging 0.387 g/t gold.

Over its 7.5 year mine life, São Francisco is expected to produce 815,000 ounces of gold, or an average of 109,000 ounces per year, at an average cash cost of $212 per ounce. Capital costs are projected at $46.1 million and life-of-mine total operating costs are expected to be $3.58 per tonne of ore. Projected recoveries are approximately 80% for the high grade and average grade ores and 71% for ROM ore.

Interpreted Geological Cross Section for São Francisco-São Vicente Ridge



Nuggets processed from Yamana's Pilot Plant at São Francisco.

Upside Potential

There is significant potential for increased production and/or lowered costs at São Francisco resulting primarily from three sources:

1. Higher than budgeted mining head grades due to coarse gold effect
2. Increased reserves from resource upgrades
3. Increased resources and reserves from outside the planned pit and beneath the area of the planned pit where a higher grade deposit is under review.

Coarse gold effect

The São Francisco deposit contains significant coarse gold, thus there is potential that drilling may be underestimating the grade. Based both on work completed by Yamana and conclusions drawn by independent consultants, there is significant potential for the actual mined grade of the ore to exceed the reserve grade contained in the feasibility study.

Bulk sampling was completed in several large trenches across the strike of São Francisco as well as in a vertical, 2-metre diameter shaft sunk near the centre of the deposit, which reached a depth of 150 metres. The trenches each measured 4 metres wide by 2.5 metres deep and approximately 100 metres long and provided 1,000 to 2,000 tonne samples for gravity processing and assaying. Four to six drill core samples were taken per trench. These trench sample assays were compared to the drill sample assays. Grades from drill samples continually report lower and less representative values when compared with the trench assays. Similarly, the 2-metre diameter vertical shaft through the São Francisco deposit also provides higher and more representative assay values when compared with the 56 millimetre diameter pilot hole. For a list of comparison values, please view the tables on the following page.

The bulk sample results show grades of between 20% to more than 300% higher than drill indicated grades. GeoSystems International, who was responsible for the resource estimation, is quoted in the feasibility study as follows: "for higher grade zones, the grade could be twice what is currently predicted. There is less information about the lower grade zones, although it is reasonable to expect similar biases." A modest 20% increase in the grade of the São Francisco deposit would lead to a significant production increase for São Francisco and further improve costs. However, this will be known only once mining has begun.

Summary Comparison of Bulk Sample Grades to Drill Core Grades

Source	Location	Tonnes	Drilling grade *g/t Au*	Bulk Sample grade *g/t Au*	Variation Bulk vs Drill
Trench #1 Saprolite	600 N	1,809	0.13	0.73	5.62 x
Trench #1 Laterite	600 N	265	0.31	0.98	3.16 x
Trench #2	200 S	963	0.66	1.39	2.11 x
Trench #3	475 S	2,208	0.35	1.06	3.03 x
Shaft	300 S	1,016	0.37	1.21	3.24 x
Trench Hi-Grade	200 S	357	0.97	1.17	1.21 x
Trench Low-Grade	475 S	222	0.42	0.68	1.62 x

Comparison of Trench Bulk Sample Grades to Drill Core Sample Grades

	Trench 1 Laterite		Trench 1 Bedrock		Trench 2 Bedrock		Trench 3 Bedrock	
	Drill-predicted grade (1 hole) *g/t Au*	Bulk sample grade *g/t Au*	Drill-predicted grade (4 holes) *g/t Au*	Bulk sample grade *g/t Au*	Drill-predicted grade (6 holes) *g/t Au*	Bulk sample grade *g/t Au*	Drill-predicted grade (4 holes) *g/t Au*	Bulk sample grade *g/t Au*
Coarse gold	0.05	0.40	0.02	0.37	0.30	0.93	0.07	0.46
Fine gold	0.26	0.58	0.11	0.36	0.36	0.46	0.28	0.60
Total gold	0.31	0.98	0.13	0.73	0.66	1.39	0.35	1.06
Sample size	8 kg	265 t	64 kg	1809 t	96 kg	963 t	64 kg	2208 t

Field geologists review pit design at São Francisco.

Comparison of Bulk Samples from Vertical Shaft versus Pilot Hole Core Samples

	Pilot Hole NQ-Core Samples		Shaft Bulk Samples	
Depth interval *m*	sample size *kg*	grade *g/t Au*	sample size *tonnes*	grade *g/t Au*
0.0 - 9.1	36.4	0.20	77	0.33
9.1 - 25.0	63.6	0.02	135	0.22
25.0 - 41.0	64	0.11	127	0.18
41.0 - 57.0	64	0.65	142	1.28
57.0 - 73.0	64	0.13	136	0.26
73.0 - 103.0	120	0.03	258	0.07
103.0 - 124.0	84	0.14	176	0.47
124.0 - 150.0	104	0.94	223	3.88
	wtd. avg (*):	0.37	wtd. avg (*):	1.21

(*) Excludes the waste interval between 73 and 103 metres.

Upgrading existing resources to reserves and finding new resources outside the proposed pit

Most of the inferred resource at São Francisco is found either below or along the northern or southern extensions of the proposed open pit. Approximately 435,000 ounces of resources lie below the lowest level of the planned pit. Furthermore, a high grade zone 400 metres below the planned pit contains 119,000 ounces of mineralization which could further enhance reserves and production at São Francisco.

In order to better investigate these targets, Yamana completed a 15,000 metre drill program of infill and step out drilling. Almost half of the holes intersected quartz-sulphide veins with visible gold, and assays for 9 of the first 12 holes returned high grade values of between 6.0 and 56.7 g/t gold over 2-metre intervals. Most of the high grade mineralization is either enclosed or associated with wider zones of lower grade material. Because of the visible gold present in the zone, there is a significant probability that lower grades may not be representative of the true assay value.

Other near-mine exploration targets at São Francisco include the Longa Vida and Buriti zones. For 2005, Yamana intends to complete additional infill drilling and bulk sampling of these advanced targets.

- Adjacent to São Francisco with reserves of 161,100 ounces as at February 29, 2004
- Update to reserves and mine plan in progress
  - potential for increased life of mine and "stand alone" status
- Ongoing exploration programs targeted to define new higher grade underground targets at Deep South

SÃO VICENTE

Project

THE SÃO VICENTE PROJECT IS AN OPEN PIT, HEAP LEACH DEPOSIT LOCATED APPROXIMATELY 50 KM NORTH OF SÃO FRANCISCO. IT WAS ORIGINALLY VIEWED ON A COMBINED BASIS WITH SÃO FRANCISCO, BUT IS NOW BEING CONSIDERED AS A STAND ALONE PROJECT. AN UPDATE TO ITS FEASIBILITY STUDY IS CURRENTLY IN PROGRESS.

> **“An 850 metre exploration drift in Deep South at São Vicente is targeting a new deposit underground.”**

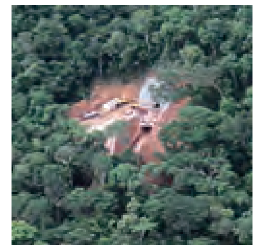
Once contemplated as an operation to supplement mill feed for the São Francisco mine, the São Vicente operation is being examined for its potential as a stand alone gold mining operation. Subsequent to the year-end, a feasibility study was initiated to determine this potential. At the time of writing, this feasibility study update was still in progress. Infrastructure at the project includes a 1,250 metre airstrip which services a village of 60 homes with schools and other basic facilities.

As at February 29, 2004, probable reserves stood at 5.2 million tonnes grading 0.96 g/t gold for 161,100 ounces. Additional inferred resources were 11.4 million tonnes grading 0.81 g/t gold. Based on knowledge gained through work on São Francisco, Yamana commissioned studies to update the reserve estimate and feasibility study for São Vicente. The results from these studies should be known before the end of March 2005 with a production decision to follow shortly thereafter.

In addition to planned production from the proposed open pit, exploration suggests additional increases in reserves and production could come from below the planned pit and from the Deep South high grade target.

Deep South has been tested with 21 drill holes averaging 250 metres in depth. The drill intersected 20 mineralized intercepts ranging from 2 to 10 metres in width and from 4.3 to 59.4 g/t gold. The orebody is 300 metres in length and remains open. Furthermore, there is evidence of a continuation of the high grade mineralization into the basement rocks as shown by an intersection of 59.4 g/t gold over 2 metres within a deep drill hole.

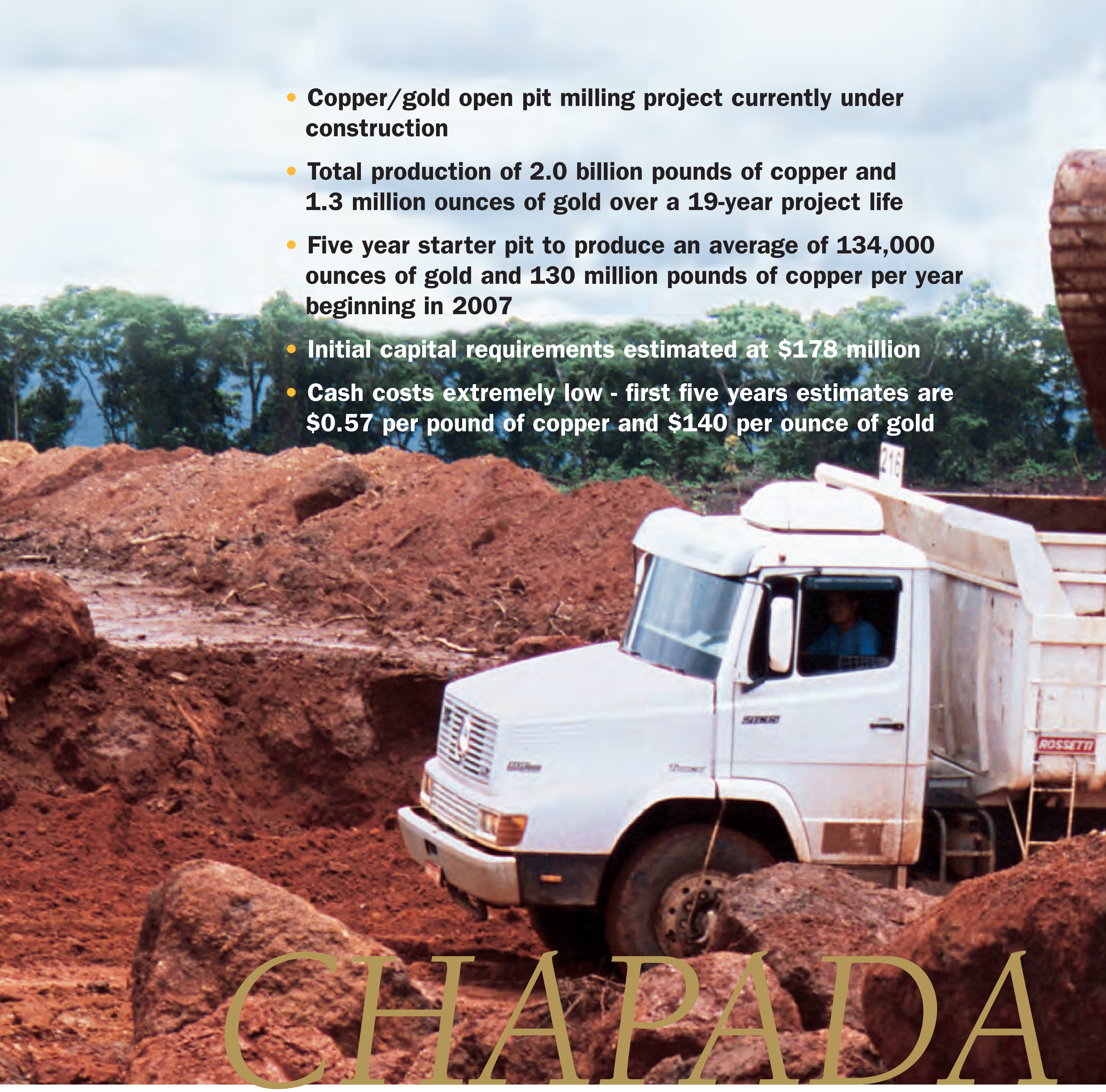
In order to provide access to evaluate the Deep South basement target, Yamana is excavating an 850 metre long exploration drift. Once completed, a bulk sampling and a 10-hole, 4,500 metre drill program will be completed.



Top: São Vicente Deep South exploration drift portal.

Opposite page: Yamana geologists study the mineralization in the São Vicente Deep South exploration drift.

- Copper/gold open pit milling project currently under construction
- Total production of 2.0 billion pounds of copper and 1.3 million ounces of gold over a 19-year project life
- Five year starter pit to produce an average of 134,000 ounces of gold and 130 million pounds of copper per year beginning in 2007
- Initial capital requirements estimated at $178 million
- Cash costs extremely low - first five years estimates are $0.57 per pound of copper and $140 per ounce of gold



CHAPADA

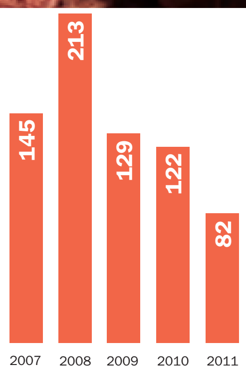
Project

THE CHAPADA PROJECT IS IN THE NORTHERN PORTION OF THE STATE OF GOIAS, APPROXIMATELY 320 KM NORTH OF THE STATE CAPITAL OF GOIANIA AND 270 KM NORTHWEST OF THE NATIONAL CAPITAL OF BRASÍLIA. THE PROJECT IS ACCESSIBLE BY PAVED NATIONAL ROADS AND HAS AN AIRSTRIP SUITABLE FOR SMALL AIRCRAFT.

Early pre-stripping at Chapada with contracted equipment.

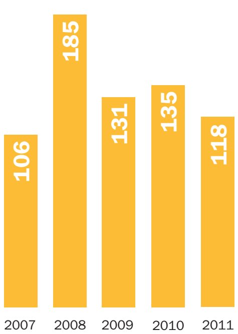
Gold Production Profile Forecast

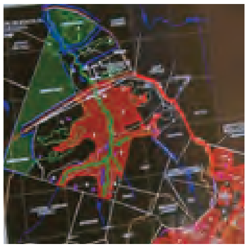
(000's ozs)



Copper Production Profile Forecast

(m lbs)





Computer modelling
at Chapada.

Chapada is our copper-gold project situated in the state of Goias approximately 270 km northwest of Brasília. The flat-lying deposit was drill tested by several groups between 1976 and 1996 with 856 holes totaling more than 67,000 metres of drilling. Proven and probable reserves reflect 2.5 million contained ounces of gold and 2.3 billion contained pounds of copper. All permits necessary for the development of Chapada are in place and the project has state and municipal government support, abundant sources of water and power and paved road access.

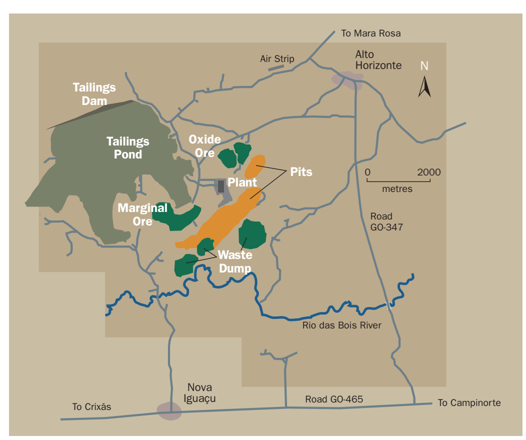
During 2004, Yamana contracted Hatch to complete a final feasibility update for Chapada. Results from the studies, completed in June, confirmed the robust economics of the project. The conclusion of the feasibility study is that the capital payback is expected within two years on an after-tax basis.

The open pits will be mined using trucks and shovels. Life-of-mine average mill throughput will be 16 million tonnes per year to produce an average of approximately 172,000 tonnes of copper-gold concentrate per year. Off-take agreements for the treatment of the concentrate have been arranged for 150,000 tonnes, or approximately 80% of the planned concentrate.

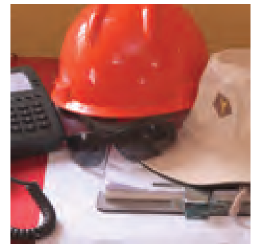
In its 19-year mine life, Chapada is expected to produce 2 billion pounds of copper and 1.3 million ounces of gold at an operating cost of $0.53 per pound copper after gold credits. During the life-of-mine, copper and gold recoveries are expected to be 88.8% and 54.6%, respectively.

The feasibility study indicates that mining costs are expected to be approximately $0.45 per tonne of material or $0.76 per tonne of ore while processing costs are expected to be $1.68 per tonne of ore. Mining operations will begin at a higher grade starter pit for the first five years of production. On a co-product-basis, using reasonable assumptions for cost allocations, Chapada can be viewed as an operation with an average cash cost of $140 per ounce gold and $0.57 per pound copper for its first five years of operation.

Chapada Site Layout



"Chapada's construction is well underway with targeted start-up by 2007."



Left: New and cost-effective truck fleet starting with 32 35–tonne Randon mining trucks has been ordered for Chapada.

The high grade starter pit, with a head grade of 0.459% copper and 0.428 g/t gold, is expected to produce approximately 220,000 tonnes of concentrate averaging 28% copper and 20 g/t gold annually. This translates into approximately more than 130 million pounds of copper and 134,000 ounces of gold annually over the first five years. In the first two years, production levels will total more than 355,000 ounces of gold and 290 million pounds of copper.

The feasibility study for Chapada estimates that capital requirements for the development at Chapada will be $178 million. Initial working capital is expected to be $11.0 million during the first year of production and is expected to be funded from operating cash flow. During 2004, Yamana obtained a $100 million loan facility for the project and formal documentation relating to the loan has now been signed. The financing is in the form of a six-year secured credit facility with a one-time payment on maturity. Additional capital required for the development of Chapada will be funded from Yamana's treasury. Draw-down on the full amount of the financing is anticipated during the first quarter of 2005.

The engineering, procurement and construction management (EPCM) contract has been awarded to Hatch and they are providing assistance in defining the specifications of the project. Construction at Chapada began in November 2004 and construction and procurement contracts for the development are on schedule. Contracts for delivery of the fleet of 32 mining trucks, four mine excavators and two blast-hole drill rigs have been awarded as have the land clearing and access road construction contracts. In addition, detailed engineering at the project is advancing and negotiations for the SAG and ball mills are in advanced stages.

EXPLORATION

Exploration

"Efforts are underway in all the major project regions to refine existing exploration models and define new targets."

IN ADDITION TO EVALUATING EXPLORATION TARGETS WITHIN ITS EXISTING OPERATIONS, YAMANA PLANS TO SPEND APPROXIMATELY $14 MILLION PER YEAR FOR THE NEXT THREE YEARS TO FIND SATELLITE DEPOSITS OR STAND ALONE OPERATIONS. EFFORTS ARE FOCUSED ON THE RIO ITAPICURU GREENSTONE BELT, PARTICULARLY NEAR THE FAZENDA BRASILEIRO MINE, AND ON THE SANTA ELINA GOLD BELT, CLOSE TO THE SÃO FRANCISCO AND SÃO VICENTE MINES. THE COMPANY ALSO HOLDS EXPLORATION PROPERTIES IN ARGENTINA.

In the trenches for value and growth.

Rio Itapicuru Greenstone Belt (RIGB)

During 2004, Yamana spent approximately $1.5 million on exploration and doubled the size of its land holdings to 150,000 hectares in the RIGB. Exploration included 375 drill holes totaling more than 15,000 metres and the excavation of 70 trenches totaling more than 24,123 metres. This work has led to the discovery of eight high priority targets, the Mandacaru, Sapateira, Serra Branca, Ambrosio, Rio do Peixe-Treado, Encantado, Mari and Bom Sucesso. Some of the more advanced targets are discussed below.

Mandacaru

At Mandacaru, a large 17 km-long geochemical anomaly, which is underlain by a metadiorite in contact with clastic volcanics and pelitic and chemical sediments, has been discovered. Trenches dug on the northern portion of the anomaly have uncovered quartz veinlets within a coarse-grained metadiorite and samples have returned high grade assays of up to 381 g/t gold over 1 metre. RAB drilling near the trenches show repetition of the high grade mineralization. The program of mapping, soil sampling, trenching and RAB drilling is continuing and efforts will focus on delineating mineralization along the southeastern strike of the anomaly as well as at depth.

Corporate Exploration Expenditures

($ millions)

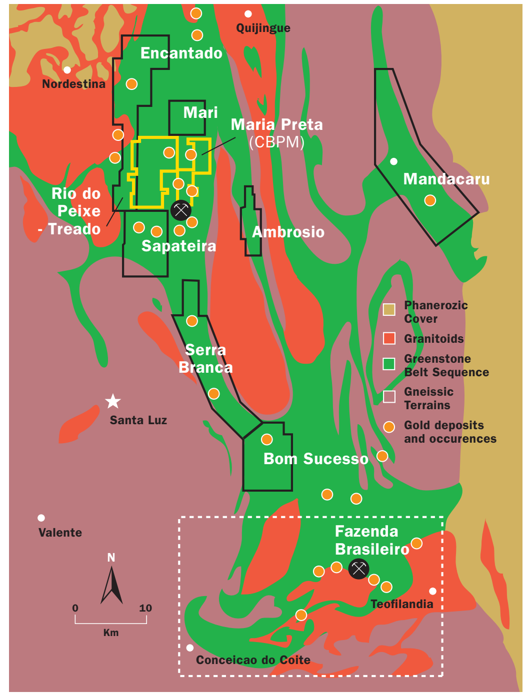
Sapateira

Five diamond drill holes totaling almost 300 metres have been completed to test the Sapateira target with no significant assays having yet been received. Our drilling results to date are inconclusive due to the strong presence of coarse gold and its impact upon assay results. Larger volume chip samples on surface have shown improved grades as compared to smaller volume samples. To address the coarse grain effect, Yamana will complete larger diameter hole diamond drilling and collect larger sample volumes. Geological mapping and soil and chip sampling is underway to the south of the Sapateira zone.

Above: Exploration drift at São Vicente Deep South targeting new high grade underground deposit.

Right: Quartz outcrop at São Francisco.

Geological Map of Rio Itapicuru Greenstone Belt Showing Exploration Targets



Serra Branca

The Serra Branca target was initially defined by a large arsenic and gold anomaly discovered through a geochemical stream and soil sampling program. Values obtained were as high as 7.1 g/t gold. The first trench at Serra Branca uncovered two gold-rich intervals of 1.66 g/t gold over 6 metres and 1.77 g/t gold over 7 metres. A second trench, 200 metres away from the first, uncovered an interval that assayed 8.45 g/t gold over 5 metres. A series of parallel trenches, which have been excavated 60 to 200 metres apart along strike, have exposed a 25 metre-wide by 250 metre-long zone of strong quartz veining, some of which contain visible gold. An initial drilling program with 40 diamond drill holes on 281 shallow RAB drill holes was performed in 2004 to delineate the orebody, returning positive results such as 3.0 g/t gold over 17 metres and higher grade intercepts such as 9.6 g/t gold over 5 metres. The drilling is continuing to the north to investigate the extension of the orebody. Geologically, Serra Branca resembles the Fazenda Brasileiro mine and geochemical data suggest the current target is only a small part of the anomaly.

"Records show that more than 2 million ounces of gold were produced from the São Francisco region of the Santa Elina Gold Belt in the mid 1700's to mid 1800's."

Santa Elina Gold Belt

The Santa Elina Gold Belt is a major crustal shear zone which extends for approximately 600 km in western Brazil and eastern Bolivia. There are some 38 known gold deposits along a 200 km section of the belt which reportedly have historic production totalling more than 2.2 million ounces. Yamana holds approximately 750,000 hectares in the belt and efforts are currently focused in the area between its two operating mines particularly at our Longa Vida, Buriti, São Vicente Deep South conglomerate and São Francisco Deep targets.

Gold-bearing drill core from São Vicente.

Longa Vida

The Longa Vida target, just 800 metres from the São Francisco mine, is a 2 km-long zone that includes a 1 km-long zone with coarse gold-bearing quartz veins. Initial chip samples ranged up to 600 g/t gold and several veins with visible gold were observed. A second chip sampling program included 182 samples over a 1.25 km-section of the zone and assayed up to 46 g/t gold. Plans for Longa Vida include excavating 12 trenches to total approximately 2,000 metres and bulk sampling to better define the grade of the mineralization. A 2,400 metre diamond drill program to fully define the extent of the zone is also planned.

Other Exploration Projects

Cumaru

Yamana also controls approximately 100,000 hectares of exploration concessions in the Cumaru region of central Brazil. These properties are at an early stage of evaluation but have historic production and an existing inferred resource.

Argentina

In Argentina, Yamana has 100,000 hectares of exploration properties including the Martinetas, la Paloma and Estrelle projects. These projects are considered to be non core.

- Low accident rate
- ISO 14001 environmental accreditation well underway
- Commitment to international best practices

ENVIRONMENTAL, HEALTH & SAFETY

YAMANA GOLD INC. IS COMMITTED TO SUSTAINABLE GROWTH AND SUPPORT OF LOCAL COMMUNITIES. TO THESE ENDS, THE COMPANY HAS ADOPTED CODES OF CONDUCT THAT ARE DESIGNED TO ENSURE THE HEALTH AND SAFETY OF ITS PERSONNEL AND PEOPLE IN LOCAL COMMUNITIES AND THE PROTECTION OF THE ENVIRONMENT.

The Company has adopted and adheres to the following environmental, health and safety principles:

1. **To continuously employ in its activities and products, environmental advancements that reduce pollution, environmental, health and safety risks while adhering to applicable environmental, health and safety laws and legislation.**
2. **To prioritize the development of more efficient, safer and pollution minimizing technology, and adopt technology that improves its processes, products and the services of its suppliers and contractors so as to maximize environmental protection.**
3. **To train, educate and motivate employees and contractors to execute their tasks and duties in a safe and environmentally responsible manner.**
4. **To foster a healthy and safe working environment, in which maintenance and support of this environment is the responsibility of all employees and consultants in accordance with their functions and activities.**
5. **To establish environmental, health and safety objectives and goals, and take care that they are periodically reviewed and improved, and to work with interested parties and the general public to establish these goals.**
6. **To make recommendations to our suppliers and contractors in the management of environmental, health and safety policies, and to consider the expectations of interested parties, such as clients, employees, shareholders and the community.**
7. **To build and operate facilities according to applicable international standards for environmental compliance.**

All personnel undergo training to ensure prevention rather than compliance only. On health and safety issues, training includes initial training when an employee is hired and periodic peer review. Performance measures include health and safety compliance and regular simulations of various health and safety related events to ensure that standards are met and to improve our protocols.

Our objective is to adhere to best practices on health and safety, and to that end, we intend to begin the certification program for ISO 18000 as they relate to international best practices for health and safety. While this is not a requirement by law in the areas in which we operate, our voluntary compliance is consistent with our philosophy of best practices for the health and safety of our personnel.

In the most recently completed year, we had a health and safety record showing a modest six lost-time accidents, all of which were minor and required minimal medical attention. Having said that, we regret these events and are continuing to determine ways to improve our record.

We have a strict environmental compliance policy and recently undertook a certificate program for ISO 14001. Again, this is voluntary for us. However, ISO 14001 is an international best practice program for environmental compliance that exceeds the environmental compliance laws of most countries. We have retained an external consultant to advise us on improvements needed to gain certification and we have undertaken the changes recommended. We expect to be ISO 14001 compliant and gain certification before this summer.

"...we adhere to and exceed local best practices relating to environmental protection..."

Upper left: School at Fazenda Brasileiro funded by the Company.

Above: Recycling receptacles located throughout our operations (paper, plastic, glass and organic).

Far left: Feeding fish at old open pit at Fazenda Brasileiro.

Left: Safety training class in progress.

To summarize, we are in compliance with environmental laws, we adhere to and exceed local best practices relating to environmental protection and we are aiming to become one of the select companies that will adhere to state-of-the-art international best practices under ISO 14001.

In our message to shareholders, we mentioned our commitment to our personnel and the communities in which we operate. We continue with this commitment in relation to our health, safety and environmental protection efforts.

Reserves and Resources

December 31, 2004

Mineral Reserves *(Proven and Probable)*

Gold	Proven Reserves			Probable Reserves			Total - Proven and Probable		
	Tonnes (000's)	*Grade (g/t)*	*Contained oz. (000's)*	*Tonnes (000's)*	*Grade (g/t)*	*Contained oz. (000's)*	*Tonnes (000's)*	*Grade (g/t)*	*Contained oz. (000's)*
Fazenda Brasileiro *(U/G)*	990	2.970	94.5	946	2.758	83.9	1,936	2.866	178.4
Fazenda Brasileiro *(O/P)*	695	2.440	54.6	–	–	–	695	2.440	54.6
Total Fazenda Brasileiro	1,685	2.751	149.1	946	2.758	83.9	2,631	2.755	232.9
Fazenda Nova	–	–	–	4,986	0.914	146.6	4,986	0.914	146.6
São Francisco *(Main Ore)*	8,928	0.999	286.8	18,728	0.998	600.9	27,656	0.998	887.7
São Francisco *(ROM Ore)*	6,762	0.231	50.2	13,414	0.233	100.5	20,176	0.232	150.7
Total São Francisco	15,690	0.668	337.0	32,142	0.679	701.4	47,832	0.675	1,038.4
São Vicente	–	–	–	5,220	0.960	161.1	5,220	0.960	161.1
Chapada	17,341	0.324	180.6	279,807	0.257	2,312.9	297,148	0.261	2,493.5
Total Gold Reserves	**34,716**	**0.597**	**666.7**	**323,101**	**0.328**	**3,405.8**	**357,817**	**0.354**	**4,072.5**

Copper	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*
Chapada	**17,341**	**0.418**	**160.0**	**279,807**	**0.343**	**2,113.2**	**297,148**	**0.347**	**2,273.2**

Mineral Resources *(Measured, Indicated and Inferred) (Measured and Indicated include Reserves as outlined above)*

Gold	Measured Resources			Indicated Resources			Total - Measured and Indicated			Inferred Resources		
	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)*	*Tonnes (000's)*	*Grade (g/t)*	*Contained oz. (000's)*
Fazenda Brasileiro *(U/G)*	990	2.969	94.5	1,901	3.218	196.7	2,891	3.133	291.2	489	5.150	81.0
Fazenda Brasileiro *(O/P)*	2,019	1.833	119.0	–	–	–	2,019	1.833	119.0	–	–	–
Total Fazenda Brasileiro	3,009	2.207	213.5	1,901	3.218	196.7	4,910	2.599	410.2	489	5.152	81.0
Fazenda Nova	–	–	–	6,053	0.866	168.5	6,053	0.866	168.5	95	0.500	1.5
São Francisco *(Main Ore)*	11,522	0.978	362.3	26,062	0.957	801.9	37,584	0.963	1,164.2	22,529	0.695	503.4
São Francisco *(ROM Ore)*	9,559	0.226	69.4	21,177	0.225	153.2	30,736	0.225	222.6	42,394	0.223	304.4
Total São Francisco	21,081	0.637	431.7	47,239	0.629	955.1	68,320	0.631	1,386.8	64,923	0.387	807.8
São Vicente	–	–	–	5,220	0.960	161.1	5,220	0.960	161.1	11,400	0.810	296.9
Chapada	25,200	0.300	243.1	396,200	0.220	2,802.4	421,400	0.225	3,045.5	250,870	0.152	1,226.0
Santa Cruz / Argentina	–	–	–	206	13.620	90.2	206	13.620	90.2	141	10.600	48.2
Total Gold Resources	**49,290**	**0.561**	**888.3**	**456,819**	**0.298**	**4,374.0**	**506,109**	**0.323**	**5,262.3**	**327,918**	**0.233**	**2,461.4**

Copper	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*	*Tonnes (000's)*	*Grade (%)*	*Contained lbs (millions)*
Chapada	**25,200**	**0.34**	**188.9**	**396,200**	**0.30**	**2,620.4**	**421,400**	**0.302**	**2,809.3**	**250,870**	**0.252**	**1,393.7**

Mineral Reserves and Resources

Chapada's inferred resources were taken from a Micon International Limited NI 43-101 compliant technical report dated July 2003. Independent Mining Consultants estimated Chapada's inferred resources in their report dated February 2004 at 68 million tonnes grading 0.14 g/t gold and 0.2% copper. Mineral reserve and resource estimates presented were prepared by or under the supervision of external consultants as indicated in the table below in accordance with NI 43-101. In estimating the mineral reserves and mineral resources, such persons made assumptions, and used parameters and methods appropriate for each property, and verified the data disclosed, including sampling, analytical and test data underlying such estimates. These external reserve reports have been reviewed by Mel Klohn, Exploration Consultant as "qualified person", as that term is defined in NI 43-101.

These figures are estimates, however, and no assurance can be given that the indicated amounts of quantities of gold will be produced. Gold price fluctuations may render mineral reserves containing relatively lower grades of gold mineralization uneconomic. Moreover, short-term operating factors relating to the mineral reserves could affect the Company's profitability in any particular accounting period. The corporation is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues which may materially affect the Corporation's mineral reserve and resource estimates, other than factors discussed above and in "Risks and Uncertainties" in the Management's Discussion and Analysis section of the annual report. Mineral resources which are not mineral reserves have not demonstrated economic viability.

	Mineral Reserves	Mineral Resources	Date	Report
Fazenda Brasileiro	Porfirio Cabaleiro Rodriguez, Geostatistician Geoexplore Consultoria e Serviços Ltd.	Porfirio Cabaleiro Rodriguez, Geostatistician Geoexplore Consultoria e Serviços Ltd.	Jan-05	Estimate of Mineral Reserves
Chapada	Independent Mining Consultants Inc.	Independent Mining Consultants Inc.	Aug-04	Feasibility Study
São Francisco	Independent Mining Consultants Inc.	GeoSystems International	Dec-04	Feasibility Study
São Vicente	Watts, Griffis and McOuat Limited	Watts, Griffis and McOuat Limited	Jul-03	Preliminary Feasibility Study
Fazenda Nova	Moreno & Associados	Kappes, Cassiday & Associates	Jan-05/Nov-03	Reserve Estimate Update /Feasibility Study
Santa Cruz / Argentina		Cia Minas, Buenaventura S.A.A.	Jun-04	Internal Resource Study

Mine	Mineral Reserve Cut-off *(g/t gold; % copper)*	Gold Price	Copper Price	Mineral Resource Cut-off *(g/t gold; % copper)*
Fazenda Brasileiro	1.5	US$350	n/a	1.5
Chapada	$2.43 [1]	US$325	US$0.85	0.15% [2]
Sao Francisco	0.32 and 0.16	US$350	n/a	0.32 and 0.16
Sao Vicente	0.30	US$325	n/a	0.30
Fazenda Nova	0.30	US$345	n/a	0.30

[1] Breakeven NSR cutoff vs grade cutoff used. Internal NSR cutoff of $1.93. [2] copper equivalent = [copper (%) + 0.56 x gold (g/t)]

Management's Discussion and Analysis of Operations and Financial Condition

(US dollars, in accordance with Canadian GAAP)

Forward-Looking Statements

This annual report contains certain "forward-looking statements" that involve a number of risks and uncertainties. Such forward-looking statements include among other things, statements regarding targets or production estimates, cash operating costs, capital expenditures and reserves and resources. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Risks and uncertainties are disclosed under the heading "Risks and Uncertainties" in this report.

Change in Year End

The year end of the Company was changed from February 28/29 to December 31. The current fiscal year end December 31, 2004 consists of operations for the 10 month period then ended. Comparative figures for the years ended February 29, 2004 and February 28, 2003 are for a twelve month period. Below is a summary of the quarterly periods for the current fiscal year and comparative periods:

	For the Period Ending	*Comparative Period*
June Quarter	June 30, 2004 [i]	May 31, 2003
September Quarter	September 30, 2004	August 31, 2003
December Year End	December 31, 2004	February 29, 2004

[i] The June quarter is for a four month period.

Highlights

The Company continued to strengthen its financial position and operations during fiscal December 31, 2004. Significant achievements during the year include:

- Cash balance of $87.1 million as at fiscal year end and cash flow from operations of $8.5 million during the fiscal year.
- Achieved average cash costs of $218 per ounce from its Fazenda Brasileiro Mine.
- Completed the construction of Fazenda Nova Mine and commercial production is expected to commence early fiscal 2005.
- Two fully-financed projects currently under construction.
- Raised $76.1 million in gross proceeds from an equity financing.
- Signed a $100 million debt financing commitment for its Chapada Gold and Copper Project.
- Agreed to terms relating to off-take agreements with smelters for up to 150,000 tonnes of copper-gold concentrate from Chapada.

With these achievements the Company is well capitalized and has access to sufficient funds to fully finance capital costs for its mines under construction. This is the first full fiscal year of operations under the Company's new vision, mandate and strategy.

Overview of Financial Results

The Company has recorded earnings for the ten month period ended December 31, 2004 of $2.8 million compared to earnings of $1.0 million for the fiscal year ended February 29, 2004 and a loss of $3.4 million for fiscal year ended February 28, 2003. Revenue for the ten month period of $32.3 million represents an increase of 63% over the preceding year. Revenue for the prior year was for the seven month period from acquisition of the mine until the February 29, 2004 year end. Revenues for the fiscal year end consist of gold sales from the Fazenda Brasileiro Mine. A total of 79,822 ounces of gold were sold from the Fazenda Brasileiro Mine. An additional 1,704 ounces were sold from the Fazenda Nova Mine and 2,883 ounces were sold from the São Francisco pilot plant. Proceeds from the sale of gold ounces from the Fazenda Nova Mine and São Francisco pilot plant have been credited against mine development costs.

Basic earnings per share for the fiscal year ended December 31, 2004 were $0.03 per share and diluted earnings per share of $0.02 per share compared to basic and diluted earnings per share of $0.02 per share for the fiscal year ended February 29, 2004 and a loss of $1.45 per share for the fiscal year ended February 28, 2003. Basic earnings per share for the fiscal year ended December 31, 2004 was calculated based on the weighted average number of shares outstanding of 100 million and fully diluted earnings per share was calculated based on the weighted average number of common shares and equivalent common shares outstanding for all dilutive potential common shares in the amount of 125 million.

Operating earnings of $9.6 million during the year consist of earnings from operations at the Fazenda Brasileiro Mine. This compares to operating earnings of $6.3 million for the comparative period ended February 29, 2004. A total of 84,231 ounces were produced during the year ended December 31, 2004 (10 months) of which 78,168 ounces were produced at Fazenda Brasileiro. The remaining production of 2,849 and 3,214 ounces came from the Fazenda Nova Mine and the pilot plant at São Francisco respectively. The Company has focused on building its infrastructure and personnel capacity to reflect the new operations at its Fazenda Nova Mine and construction initiatives at Chapada and São Francisco which commenced in the latter part of fiscal 2004. Inventory as at December 31, 2004 was $5.9 million of which $2.8 million consisted of gold metal in-circuit and gold in-process, $1.0 million of gold dore and $2.1 million of materials and supplies.

The Company maintains a strong balance sheet with cash of $87.1 million as at December 31, 2004 and working capital of $88.9 million. This compares to $34.6 million and $0.7 million as at February 29, 2004 and February 28, 2003 respectively. Working capital was $35.7 million for the year ended February 29, 2004 and a negative $0.4 million for the year ended February 28, 2003. Cash flow from operations which is for the ten month period ended December 31, 2004 was $8.5 million. Capital expenditures for the ten month period ended December 31, 2004 were $26.6 million compared to $28.1 million during the fiscal year ended February 29, 2004 which included the acquisition of the Fazenda Brasileiro Mine at a purchase price of $22.1 million. Capital expenditures for the fiscal year ended February 28, 2003 were $0.09 million.

Investment income was $0.8 million for the fiscal year, compared to $0.5 million in the fiscal year ended February 29, 2004 and $0.2 million in the fiscal year ended February 28, 2003. The increase in investment income is a result of the improved cash position of the Company. The Company maintains an investment strategy for surplus cash whereby funds are invested only in highly liquid and secure investments which can be redeemed on short notice and at no or little additional cost.

The table below presents selected financial data for the Company's three most recently completed fiscal years:

	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Financial results *(in thousands of dollars)*			
Revenues	**$ 32,298**	$ 19,811	$ –
Net earnings (loss) for the year	**$ 2,783**	$ 1,008	$ (3,392)
Per share financial results			
Basic earnings (loss) per share	**$ 0.03**	$ 0.02	$ (1.45)
Diluted earnings (loss) per share	**$ 0.02**	$ 0.02	$ (1.45)
Financial Position *(in thousands of dollars)*			
Total assets	**$ 177,106**	$ 93,948	$ 6,621
Total long-term liabilities	**$ 9,572**	$ 7,657	$ 1,500
Gold production *(ounces)*:			
Fazenda Brasileiro	**78,168**	56,794	–
Fazenda Nova	**2,849**	–	–
São Francisco pilot plant	**3,214**	283	–
	84,231	57,077	–
Fazenda Brasileiro gold sales *(ounces)* [1]	**79,822**	49,989	–
Non-GAAP Measures			
Fazenda Brasileiro per ounce data:			
Cash costs per ounce produced	**$ 218**	$ 216	$ –
Average gold price realized [1]	**$ 409**	$ 396	$ –
Fazenda Brasileiro operating statistics			
Gold ore grade *(g/t)*	**3.13**	3.42	–
Gold recovery rate *(%)*	**91.9**	95.5	–

[i] Revenues consist of sales net of sales taxes. Revenue per ounce data is calculated based on gross sales.

Mine Operations

Fazenda Brasileiro

The Company has recorded revenues of $32.3 million relating to its gold sales for the fiscal year ended December 31, 2004, compared to $19.8 million for the year ended February 29, 2004 and $Nil for the year ended February 28, 2003. Sales during the year consisted of gold sales from the Fazenda Brasileiro Mine that was acquired on August 15, 2003. During the current ten month fiscal year, 79,822 ounces of gold were sold from Fazenda Brasileiro production at an average sale price of $409 per ounce, compared to 49,989 ounces in fiscal February 29, 2004 at an average sale price of $396 per ounce.

Production during the ten month fiscal year consisted of 78,168 ounces of gold compared to 56,794 ounces produced in fiscal February 29, 2004 (comprised of seven months production). Production for the twelve month period ended December 31, 2004 from the Fazenda Brasileiro Mine was 95,080 ounces of gold. A total of 826,400 tonnes were milled through the CIP circuit during the current fiscal year with an average mill recovery rate of 91.9%. An additional 22,600 tonnes were heap leached during the fiscal year ended December 31, 2004. This compares to 540,000 tonnes of ore from underground milled with an average mill recovery rate of 95.5%, and 110,000 tonnes of open pit material milled during fiscal February 29, 2004. Production from Fazenda Brasileiro for the current year was affected in part by lower head grades due to higher dilution than expected in Stope E-74, lower recovery rates and delays in delivery of fresh carbon and processing materials. Ore tonnage from the underground mine and the open pit (Canto pit) was approximately 825,000 tonnes and 195,000 tonnes respectively for the twelve month period ended December 31, 2004. Head grades for the fiscal year were an average of 3.13 g/t compared to 3.42 g/t for the fiscal year ended February 29, 2004. Ore sourced from the Canto open pit during the year had the effect of lowering recovery rates for the period as the Canto ore is carbonaceous. During the latter part of the year, the Company anticipated processing lower grade ore from its underground operations to gain access to higher grade orebodies and areas beneath the existing mine workings for further drilling and exploration. Mining of lower grade material will continue throughout 2005 and part of 2006 to permit access to higher grade lower areas at E-Deep. Current estimates for Fazenda Brasileiro production do not incorporate the possibility for increased production in 2006 resulting from access to the higher grade E-Deep area. A strike at Brazilian Customs caused a delay in the delivery of new carbon which adversely affected mill recovery rates during the quarter ended September 30, 2004. By the end of the fiscal year, the old carbon was replaced with new carbon. Production is expected to be in the range of 90,000 to 95,000 ounces over the next fiscal year.

Total cash costs averaged $218 per ounce for the fiscal year ended December 31, 2004 compared to $216 for the fiscal year ended February 29, 2004. Cash costs were affected by the lower head grade and recovery rates during the fiscal year mentioned above. Direct mining costs represent approximately 50% of total average cash costs ($107 per ounce) and milling represents approximately 29% of total average cash costs ($63 per ounce). The remaining portion is comprised of refining, transport and insurance costs, laboratory costs and general and administrative costs. General and administrative costs include certain subsidies made to the local community for continuing education of workers and schooling for their children. Cash costs will reflect the expected processing of lower grade material during the period where access to E-Deep is being obtained. Furthermore, cash costs will be affected by currency exchange rates and should the United States dollar continue to weaken or remain weak against the local currency, cash costs would be expected to be higher than forecast.

The table below summarizes the major components of total average cash costs per ounce for Fazenda Brasileiro for the ten month period ended December 31, 2004:

	Cash Costs/oz.	Percentage of Cash Costs/oz.
Mining	$ 107	50%
Milling	63	29%
General and administrative	37	17%
Other	11	4%
Total	**$ 218**	**100%**

Inventory at Fazenda Brasileiro as at December 31, 2004 included 4,599 ounces of gold compared to 6,805 ounces of gold as at February 29, 2004. Total dollar value of inventory as at December 31, 2004 at Fazenda Brasileiro was $3.4 million of which $1.8 million consisted of supplies and materials, $0.5 million of gold dore and $1.1 million of in-circuit inventory. Inventory as at February 29, 2004 was $3.8 million of which $1.7 million consisted of dore and $1.6 million of supplies and materials and $0.5 of in-circuit inventory.

The Fazenda Brasileiro Mine continues to implement various operational improvements, cost cutting measures and controls. The Company entered into a three year power contract that is expected to reduce the mine's power costs by approximately 25%.

Fazenda Nova

Fazenda Nova is an open pit heap leach mine constructed in the fiscal year ended December 2004 at a cost of approximately $6.5 million before the capitalization of pre-operating costs. Construction costs were lower than the costs contemplated in the feasibility study and the construction period was consistent with the planned construction schedule. Capital for construction was funded from the Company's existing cash resources. Leaching began in the September quarter end and smelting of the first gold bar occurred late September 2004. Operations from the Fazenda Nova Mine are currently being capitalized as pre-operating activities as the mine has not yet reached commercial production levels.

Production from the Fazenda Nova Mine for the current fiscal year consisted of 2,849 ounces of gold. Production was lower than forecast due to the following: (1) record rainfall during November and December 2004 which inhibited production levels and (2) normal commissioning delays in the initial phase of production. The Company is undertaking certain measures to accommodate a heavier than normal rainfall and has implemented optional modifications to improve efficiency. Expected annual production remains at an average of approximately 35,000 ounces of gold for a production of 140,000 ounces over the next four years. Actual production for fiscal 2005 may be affected by the heavy rainfall which continued into the early part of fiscal 2005. Production from Fazenda Nova is expected to be in the range of 35,000-37,000 ounces at a cash cost in the range of $170 to $180 per ounce for fiscal 2005. Cash costs are forecast in the feasibility study at $186 (life of mine) although current arrangements with cement manufacturers (cement for agglomeration is the largest cost component for operations) suggests reduced projected life of mine cash costs to approximately $175 per ounce (including royalties) as long as the current arrangements with cement manufacturers continue. Moreover, cash costs will vary period to period and will begin at higher levels during the start-up of operations. The Company continues with process modifications made to improve operations for 2005 and beyond.

Sales during the fiscal year from Fazenda Nova production consisted of 1,704 ounces of gold for total gross revenue of $747,000 which was capitalized as part of pre-production activities. Commercial production at Fazenda Nova is expected to commence in the first quarter of fiscal year ended 2005 at which time the Company will start reflecting operating results from Fazenda Nova.

A total of 457,000 tonnes of ore were mined. Inventory as at December 31, 2004 from Fazenda Nova consisted of 8,377 ounces of gold of which 1,145 ounces was dore and the remaining 7,232 ounces were comprised of gold in-process and in-circuit inventory which includes gold on the heap leach pads which will liberate as leaching continues.

The comparative periods ended February 29, 2004 and February 28, 2003 reflect neither production nor sales from the Fazenda Nova Mine.

General and Administrative Expenses

General and administrative expenses were $5.5 million for the ten month period ended December 31, 2004 compared to $3.4 million in fiscal February 29, 2004 and $1.4 million in fiscal February 28, 2003. The Company has been building its infrastructure and personnel capacity to reflect commencement of operations at Fazenda Nova and construction at Chapada and São Francisco. This includes an increasing personnel head count and associated facilities and costs. General and administrative expenses also include approximately $0.5 million for non-recurring corporate transactions and additional stock exchange fees relating to the increase in capitalization of the Company. Management continues to actively promote the Company by attending key industry conferences and taking on numerous marketing initiatives for the benefit of its shareholders. As our additional operations come on stream there will be significant revenue increases but general and administrative costs will stabilize. General and administrative costs are expected to average $500,000 per month in fiscal 2005 to support the anticipated production levels in the range of 250,000 to 265,000 ounces of gold starting in 2006 from three mines. This production level does not assume production from São Vicente which is undergoing a feasibility study and should increase 2006 production to over 300,000 ounces of gold per year.

Foreign Exchange

A foreign exchange gain of $1.8 million was reported for the ten month period ended December 31, 2004 compared to a foreign exchange gain of $0.2 million for the year ended February 29, 2004 and $NIL for the year ended February 28, 2003. The exchange gain for the current fiscal year was incurred primarily in Canada due to the holding of cash balances in Canadian dollars. The Company translates non US dollar monetary items at period end rates and recognizes the gain or loss on translation in the period. As such, this results in an unrealized foreign exchange gain during periods when the Canadian dollar appreciates vis-à-vis the US dollar. The US-Cdn dollar exchange rate as at December 31, 2004 was 1.202 compared to 1.3357 as at February 29, 2004 representing a 10% appreciation in the Canadian dollar. The foreign exchange rate as at February 28, 2003 was 1.484. In December 2004, the majority of Canadian cash balances were converted into US dollars.

The US-Reais exchange rate as at December 31, 2004 was 2.6544 compared to 2.9138 as at February 29, 2004.

The Company's revenues are denominated in US dollars. However, the Company's expenses are denominated in a variety of US and Cdn dollars and Brazilian reais. Accordingly, the fluctuations of the exchange rates may significantly impact the results of operation.

Liquidity and Capital Resources

Cash and cash equivalents as at December 31, 2004 were $87.1 million, compared to $34.6 million as at February 29, 2004 and $0.7 million as at February 28, 2003. Working capital increased to $88.9 million compared to $35.7 million as at February 29, 2004 and a negative $0.4 million as at February 28, 2003. On November 9, 2004, the Company completed an equity offering on an underwritten basis for 26.4 million common shares at a price of Cdn$3.45 for total gross proceeds of $76.1 million (Cdn$91.0 million). Proceeds from the offering are being used in the advancement and development of the Company's mineral properties, exploration activities and for general corporate purposes.

Cash flow generated from operations was $8.5 million compared to $5.5 million in fiscal February 29, 2004 and an outflow of $0.8 million in fiscal February 28, 2003. Cash flow from operations consists of operating results from the Fazenda Brasileiro Mine.

Cash flow from investing activities was an outflow of $27.1 million consisting of construction related expenditures of $12 million, expenditures on mineral properties of $11.5 million, and property, plant and equipment acquisitions of $3.1 million. This compares to an outflow of $28.1 million for the comparative year ended February 29, 2004 which included the acquisition of the Fazenda Brasileiro Mine for $22.1 million, and an outflow of $0.09 million for the comparative year ended February 28, 2003. Capital expenditures for the current fiscal year were as follows:

Construction of Fazenda Nova (including capitalized expenditures less revenues there from)	$	6.8
Capital expenditures and near mine exploration at Fazenda Brasileiro		8.2
Capitalized exploration		4.8
Construction of Chapada		3.2
Construction of São Francisco		1.9
Chapada feasibility study		0.8
São Francisco/São Vicente feasibility study		0.7
Corporate and other		0.1
(in millions)	$	26.5

Capital expenditures at the Fazenda Brasileiro Mine include $2.5 million of expenditures on near-mine exploration and $2.7 million of mine development costs. The most significant component of the mine development costs is the development of the underground ramp to provide access to E-Deep orebody. The remaining balance is primarily expenditures on equipment. Capital expenditures have begun to exceed cash flow generated from operations as a result of construction and exploration initiatives. The Company has allocated $163 million in the fiscal 2005 budget for capital expenditures as follows:

Construction of Chapada	$	94.9
Construction of São Francisco		45.8
Exploration		14.4
Capital expenditures at Fazenda Brasileiro		6.3
Capital expenditures at Fazenda Nova		1.0
Other		1.0
(in millions)	$	163.4

The capital budget includes $140.7 million for the construction of Chapada and São Francisco during fiscal 2005. The total 2005 capital budget of $163 million does not include capital requirements for the construction of São Vicente as the project is undergoing a feasibility study to assess its merits as a stand alone project. The original plan contemplates treating São Vicente on a combined basis with São Francisco with operations to begin next year. Exploration is budgeted at $14.4 million which includes $7.4 million for near-mine and regional exploration at Fazenda Brasileiro and $4.6 million on the Santa Elina Gold Belt and São Vicente region. Budgeted capital expenditures at Fazenda Brasileiro include $2.9 million in mine development including the development of the ramp to E-Deep and $1.2 million for raise boring.

Cash flow from financing activities was $68.9 million compared to $56.3 million for the year ended February 29, 2004 and $1.4 million for the year ended February 28, 2003. Cash flow from financing activities includes expenditures related to the Chapada financing commitment (which have been deferred and will be amortized over the term of the loan) and proceeds on an equity issue of 26.4 million common shares.

Financing Activities

In November 2004, the Company successfully raised aggregate gross proceeds of $76.1 million (Cdn$91.0 million) through a share equity issue of 26.4 million common shares at a price of Cdn$3.45 per share. Issue costs (including underwriter fees) incurred on the transaction amounted to $4.2 million. Proceeds from the financing are being used in the advancement and development of the Company's mineral properties, potential acquisitions, exploration activities and for general corporate purposes.

In December 2004, the Company completed a $100 million debt financing commitment for the development of the Chapada Gold and Copper Project. In connection with the debt financing commitment, a total of 2.5 million warrants were issued during the last quarter of the fiscal year. These warrants have an exercise price of Cdn$4.05 and expire five years from the date of issue. Deferred financing charges in the amount of $2.1 million have been recorded in connection with the 2.5 million warrants and will be amortized over the life of the loan commencing upon draw-down of the funding. The warrants were recorded at fair value as calculated using the Black-Scholes pricing model. Remaining commitment fees of $850,000 and 2.5 million warrants will be issued upon funding.

As at the current year end, the Company had 122.3 million (February 2004 - 95.1 million) common shares outstanding and 43.4 million (February 2004 - 41.4 million) share purchase warrants outstanding. Expiry dates on share purchase warrants range from 2005 to 2009, and exercise prices range from Cdn$5.57 to Cdn$1.50. Most of the warrants are exercisable at Cdn$1.50 per share. The weighted average shares outstanding for the fiscal year end December 31, 2004 was 100 million common shares.

Share Incentive Plan

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 a Share Incentive Plan designed to advance the interests of the Company by encouraging employees, officers and directors, and consultants to have equity participation in the Company through the acquisition of common shares. The Company has granted 6.7 million options to employees, officers and directors of which 1.25 million options were granted during the current fiscal year. A total of $1.2 million was charged to operations as stock-based compensation in the current year with respect to the options issued under the Share Incentive Plan. A total of 41,000 stock options under the Share Incentive Plan were exercised during the current year. As at December 31, 2004, a total of 6.7 million options were outstanding at an average exercise price of Cdn$2.04 and an average life of 8.28 years. An additional $1.0 million of compensation expense was also recognized during the year on the issue of 808,000 common shares to management in connection with previous subscriptions that were approved by shareholders on June 24, 2004. Total compensation expense for the fiscal year ended December 31, 2004 was $2.2 million compared to $0.6 million for the fiscal year ended February 29, 2004 and $0.02 million for the fiscal year ended February 28, 2003.

Income Taxes

The income tax provision for the ten month period ended December 31, 2004 reflects income tax expense in Brazil based on tax rates in that jurisdiction and a future income tax benefit in Canada. The total tax provision on the consolidated financial statements for the fiscal year ended December 31, 2004 was $1.8 million (February 2004 - $0.8 million; February 2003 - $1.0 million) of which $1.4 million was current and the remaining tax expense of $0.4 was a provision for future income taxes net of a future income tax recovery in the amount of $1.5 million recognized in Canada. A net valuation allowance of $8.8 million has been provided against Canadian and US income tax losses and credit carry-forwards.

The effective tax rate on Brazilian operating results was 42% of which 18% was for current income taxes and 24% for future income taxes. The future income tax expense in Brazil reflects the tax effect on the increase in the value of the Real during the fiscal year December 31, 2004 relative to the US dollar denominated inter company loans which eliminate on consolidation. This represented a 15% increase in the tax provision for the current fiscal year.

Contractual Commitments

Year	*2005*	*2006*	*2007*	*2008*	*2009*
Office leases	$ 333	$ 298	$ 261	$ 148	$ –
Fazenda Brasileiro operating and service contracts	3,161	515	–	–	–
Fazenda Nova operating and service contracts	2,736	2,481	618	–	–
Chapada construction service contracts	26,999	1,883	–	–	–
São Francisco construction service contracts	13,707	–	–	–	–
(in millions)	$ 46,936	$ 5,177	$ 879	$ 148	$ –

Related Party Transactions

The Company had related party transactions with directors in the amount of $179,000 in connection with directors' fees paid during the current year. These transactions were measured and recorded at the amount of consideration established and agreed to by the related parties based on their estimate of fair market value. Total related party transactions for the previous comparative periods were $922,000 and $43,000 for the fiscal years ended February 29, 2004 and February 28, 2003 respectively.

Fourth Quarter Analysis

Consolidated net earnings for the three months ended December 31, 2004 was $0.8 million compared to $0.6 million for the comparative quarter ended February 29, 2004 and $6,000 for prior quarter ended September 30, 2004. Inventory has increased by 5% from the September quarter to $5.9 million as at December 31, 2004 as the Company continues to build its operations at the Fazenda Nova Mine. Basic and diluted earnings per share for the quarter were $0.01. This compares to $0.01 for the comparative quarter ended February 29, 2004.

Revenues for the fourth quarter were $10.3 million compared to $10.5 million for the comparative quarter ended February 29, 2004. The average gold price realized during the quarter was $434 per ounce. Revenue consists of gold sales of 23,982 ounces from the Fazenda Brasileiro Mine compared to 26,617 ounces during the comparative quarter ended February 29, 2004. An additional 1,704 ounces from the Fazenda Nova Mine and 739 ounces from the São Francisco pilot plant were sold during the December quarter. A total of 283 ounces of gold were sold from São Francisco pilot plant during the comparative quarter ended February 29, 2004. Revenue earned from the gold sales from both Fazenda Nova and São Francisco pilot plant production during the quarter have been credited to mineral property development costs.

Gold production for the December quarter totaled 24,445 ounces of gold compared to production of 26,227 ounces for the comparative quarter ended February 29, 2004. The December quarter production consists of 20,854 ounces from the Fazenda Brasileiro Mine, 2,745 ounces from the Fazenda Nova Mine and 846 ounces from the São Francisco pilot plant. Production was lower than that of the September quarter primarily due to the mining of lower grade ore at Fazenda Brasileiro to enable future access to higher grade areas beneath the existing mine workings. A total of 254,554 tonnes were milled during the December quarter at Fazenda Brasileiro at an average recovery rate of 90.5%. The average total cash costs per ounce produced for the December quarter were $246 per ounce, compared to $213 per ounce during the comparative quarter ended February 29, 2004 and $225 per ounce during the September quarter. Cash costs at Fazenda Brasileiro have increased as a result of mining the lower grade material due to dilution of ore from Stope-E to permit access to higher grade lower areas at E-Deep as noted above.

Cash flow from financing activities for the quarter was $69.9 million compared to $20.2 million for the comparative quarter ended February 29, 2004. On November 9, 2004, the Company closed a share offering on an underwritten basis for total gross proceeds of $76.1 million on the issue of 26.4 million common shares at a price of Cdn$3.45 per share. Additionally, on December 21, 2004, the Company closed a debt financing commitment in the amount of $100 million for the development and construction of the Chapada Gold and Copper Project for which draw-down of funds will occur during fiscal 2005.

The Company generated cash flow from operations of $3.6 million for the quarter ended December 31, 2004 compared to $3.2 million for the comparative quarter ended February 29, 2004. Capital expenditures on fixed assets and mineral properties totaled approximately $11.1 million compared to $3.3 million for the comparative quarter ended February 29, 2004.

The table below presents selected financial data for the Company's most recently completed quarters:

	December 31, 2004	September 30, 2004	June 30, 2004 (4 months)	February 29, 2004
Financial results *(in thousands of dollars)*				
Revenues [1]	**$ 10,305**	$ 8,827	$ 13,166	$ 10,453
Net earnings (loss) for the quarter	**$ 804**	$ 6	$ 1,973	$ 639
Per share financial results				
Basic and diluted earnings (loss) per share	**$ 0.01**	$ 0.00	$ 0.02	$ 0.01
Financial Position *(in thousands of dollars)*				
Total assets	**$ 177,106**	$ 101,196	$ 96,363	$ 93,948
Total long-term liabilities	**$ 9,572**	$ 8,145	$ 7,240	$ 7,657
Gold production *(ounces)*:				
Fazenda Brasileiro	**20,854**	23,214	34,099	25,944
Fazenda Nova	**2,745**	104	–	–
São Francisco Pilot Plant	**846**	1,157	1,211	283
	24,445	24,475	35,310	26,227
Fazenda Brasileiro gold sales *(ounces)*	**23,982**	22,246	33,594	26,617
Non-GAAP Measures				
Fazenda Brasileiro operating statistics				
Gold ore grade *(g/t)*	**2.82**	3.07	3.44	3.50
Gold recovery rate *(%)*	**90.5**	92.4	95.5	95.3
Fazenda Brasileiro per ounce data:				
Cash costs per ounce produced	**$ 234**	$ 225	$ 196	$ 213
Average gold price realized [1]	**$ 434**	$ 401	$ 396	$ 407

	November 30, 2003	August 31, 2003	May 31, 2003	February 28, 2003
Financial results *(in thousands of dollars)*				
Revenues	$ 9,359	$ –	$ –	$ –
Net earnings (loss) for the quarter	$ 2,113	$ (1,349)	$ (395)	$ (2,094)
Basic and diluted earnings (loss) per share	$ 0.03	$ (0.06)	$ (0.13)	$ (0.09)
Financial Position *(in thousands of dollars)*				
Total assets	$ 72,809	$ 68,156	$ 6,108	$ 6,621
Total long-term liabilities	$ 7,290	$ 7,697	$ 1,500	$ 1,500

[1] Revenues consist of sales net of sales taxes. Revenue per ounce data is calculated based on gross sales.

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 year end. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

There were no changes in the Company's accounting policies during the fiscal year ended December 31, 2004.

Closure and Reclamation Costs

The Company accrues reclamation and closure costs at their fair value. 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. The fair value of the estimated reclamation and closure expenses for Fazenda Brasileiro and São Vicente were recorded as a liability on acquisition in fiscal February 2004. The fair value of the estimated reclamation and closure expenses for Fazenda Nova in the amount of $316,000 and an additional accrual for Fazenda Brasileiro in respect to the Canto pit in the amount of $175,000 has been recorded during the current fiscal year with a corresponding amount capitalized to mine development costs which will be amortized over the life of the mine on a unit-of-production basis. Fair value was determined as the discounted future cash expenditures. During the fiscal year ended December 31, 2004, the Company made expenditures in the amount of $237,000 and increased the provision for reclamation and closure costs liability by $364,000 which was charged to income for accretion. Furthermore, based on new information the Company reduced its original estimate for reclamation and closure costs for Fazenda Brasileiro by $920,000.

Depletion and Impairment of Mineral Properties

Depletion on mineral properties is calculated based on a unit-of-production basis which is highly impacted by estimates of reserves and resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources as discussed under reserve estimates.

Management has reviewed the undiscounted future cash flows of its mining projects, based on a long-term gold price of $400 per ounce. Other estimates included in the determination of future cash flows include estimates on the amount of reserves, recoverable ounces and production levels. Based on this review, management has concluded that there is no impairment in mineral properties as at the current fiscal year end. Assumptions underlying future cash flow estimates are subject to risks and uncertainties.

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.

Reserve Estimates

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

The year-end proven and probable reserves at the Fazenda Brasileiro Mine as at December 31, 2004 were 233,000 ounces of gold (February 29, 2004 - 257,000 ounces). This means that the Company replaced in reserves 54,000 ounces (69%) while producing 78,000 ounces over the number of ounces produced during the year. Total reserves and resources (excluding inferred resources) at year end were 410,200 ounces, representing an extensive increase of 86,200 ounces for the current year. The Company plans to continue an exploration program to expand the resources and reserves significantly and increase the mine life.

The proven and probable reserves reported for São Francisco are 1.038 million ounces (887,700 ounces - main ore; 150,700 ounces - marginal ore) as per the feasibility study concluded during the year. An update to the reserves and a mine plan for São Vicente as a stand alone mine is currently underway. Pending results of the update, proven and probable reserves currently remain at 161,000 ounces for São Vicente.

The remaining proven and probable reserves at Fazenda Nova are 146,600 ounces following mining activity since the start of operations which resulted in a total of 7,232 ounces of in-circuit inventory and 2,849 ounces of production. Fazenda Nova has a four year mine life based on probable reserves and the current mine plan.

A feasibility study for the Chapada project was completed during fiscal December 2004. Proven and probable reserves are 2.5 million ounces of contained gold and 2.3 billion pounds of contained copper. The current mine plan contemplates a 19-year mine life.

No reserve determination effort has been undertaken for Cumaru in relation to establishing a NI 43-101 compliant reserve estimate and the Company does not reflect any mineralization at Cumaru as resources. Cumaru is not a core property and the Company is focusing on a strategy of concentrating exploration efforts on more prospective areas.

Mine / Project	*Gold price per oz. / Copper price per lb.*
Fazenda Brasileiro	$ 350
Chapada	$ 325 / $ 0.85
São Francisco	$ 350
São Vicente	$ 325
Fazenda Nova	$ 345

It should be noted that reserves and 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 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.

Fluctuations in gold 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 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 units of production would be impacted by a change in reserves/resources.

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

Outlook

Chapada Copper and Gold Project

A formal construction decision on the Chapada Gold and Copper Project was made in December 2004. Construction of Chapada has commenced and production is expected in early 2007. The feasibility study for Chapada estimates capital requirements of $178 million before working capital of which $100 million will be financed through a loan facility and the remaining costs will be funded by the Company's own resources. Initial working capital for the Chapada Project is forecast at $11 million in the initial year of production (offset by cash flow in that year). Total operating costs are estimated at $3 per tonne of ore. Operating costs on a co-product accounting basis are estimated at $0.57 per pound of copper and $140 per ounce of gold for the first five years and $0.68 per pound of copper and $185 per ounce of gold for life of mine. Co-product accounting makes certain assumptions as to allocation of respective production costs to copper and gold based on pro rata revenue derived from each metal. Net sustaining capital costs of $40 million are forecast over a 19-year mine life. The mine plan for Chapada contemplates average annual production of approximately 130 million pounds payable copper and 134,000 ounces payable gold per year in concentrate for each of the first five years of operations for a total (life of mine) of 2.0 billion pounds of copper and 1.3 million ounces of gold.

On December 21, 2004, the Company closed a $100 million debt financing commitment from a private investment fund for the construction and development of the Chapada Project. The secured notes are for a term of six years and bear interest at an annual rate of 10.95%. Principal is repayable upon maturity of the notes and covenants under the facility have characteristics comparable to high yield debt. The Company must draw down the full $100 million within 180 days of closing. The Company may elect to accrue interest for the first three years. Under this scenario, the interest rate is subject to an additional 150 basis points during the first two years during which the interest is accrued. As consideration, the Company has agreed to pay commitment fees in the aggregate of $2.2 million of which $1.35 million has been paid. In addition, the Company agreed to issue a series of warrants to purchase an aggregate of 5.0 million common shares at a 25% premium to the market price of which 2.5 million warrants have been issued as at December 31, 2004. These warrants have an expiry date of five years from the date of issue and an exercise price of Cdn$4.05 per share. The Company has recorded deferred financing charges in the amount of $2.1 million in regards to the 2.5 million warrants issued during the current fiscal year. These charges will be amortized over the life of the loan facility. The remaining warrants to purchase 2.5 million common shares will be issued upon funding at which time an additional $850,000 in fees will be payable.

Draw-down of the facility will occur once matters relating to registration of security under the loan facility are complete.

The Company plans to build Chapada pursuant to a series of fixed price engineering, procurement and construction contracts (EPC contracts) with an engineering consulting group to provide further oversight over the Chapada construction pursuant to a management contract (EPCM contract). The EPCM contract is on a pay for use basis (for a total contract price of $5.7 million). The EPCM contractor is assisting the Company in defining the engineering specifications of the project as part of the EPC contract process. These will further reduce construction risks and construction costs will be fixed under the EPC contracts and the EPCM contract will ensure high quality at reasonable prices. The Company is on schedule with contracts for the mine fleet, clearing and grubbing and engineering. We have ordered the mills and requested tenders for EPC contracts. Detailed engineering is also advancing.

The Company has also agreed to terms relating to off-take agreements with smelters for up to 150,000 tonnes of copper-gold concentrate from Chapada securing a "home" for a large portion of production. Arrangements that have been made are designed to ensure that in the event that future smelter capacity does not increase to meet copper-gold concentrate production, it will not affect the Company's ability to sell its concentrate. Treatment and refining charges for a portion of the concentrate will be set as a percentage of the copper price, providing price protection at lower copper prices. Payment for concentrate will be based on future commodity prices as concentrate is shipped to the smelters.

São Francisco

The feasibility study for the São Francisco Mine was finalized in November 2004 and construction of the mine has begun. Production is expected to commence late in the fourth quarter of fiscal 2005. Gold production at São Francisco for 2005 will largely depend on whether construction of the mine is completed in September 2005, which in turn is largely dependent on the impact of the current rainy season. Capital costs for the construction of the São Francisco Mine are estimated at $46.1 million and are to be funded by existing cash resources and cash flow from operations. The pilot plant at São Francisco continues to operate. A total of 3,214 ounces were produced from the pilot plant during the fiscal year ended December 31, 2004 of which a total of 2,883 ounces were sold for total gross proceeds of $1.17 million. Operating results from the pilot plant are being capitalized as mine development costs. Production of the pilot plant is expected to continue until construction of the São Francisco Mine is completed.

São Vicente

A feasibility study is currently underway for São Vicente and is expected during the first quarter of fiscal 2005 at which time a construction decision will be made. São Vicente is approximately 50 km north of São Francisco and Yamana's original mine plan was to develop the two projects on a combined basis sharing infrastructure, equipment, mine fleet and personnel. However, exploration at São Vicente and São Francisco, and a better understanding of the coarse gold effect at São Francisco, which also affects São Vicente, suggested that a re-evaluation of the reserve estimate at São Vicente should be undertaken. At a higher reserve estimate, São Vicente could support a stand-alone mine with more years of production than originally contemplated. An update to the reserves is currently underway. However, this will not be known until a new reserve estimate compliant with NI 43-101 and the updated feasibility study are completed. Under the original mine plan for São Vicente, treating it on a combined basis with São Francisco with its operations beginning in 2006, total gold production from the four mines is expected to exceed 300,000 ounces in 2006. There is also considerable exploration potential at São Vicente which will be evaluated as part of a continuing exploration program which includes a drift excavation to determine the potential for a known high grade area.

Production

During the fiscal year ending December 31, 2005, it is estimated that the Company will produce gold in the range of 145,000 to 160,000 ounces at average cash costs of $215-$230 per ounce increasing to more than 300,000 ounces of gold by 2006 from its current producing mines and mines under construction. By 2007, total gold production is expected to increase to more than 410,000 ounces of gold and more than 100 million pounds of copper concentrate production.

The following table summarizes the forecast production from the Company's properties for the fiscal year 2005:

Gold Production Forecast (ounces)	*2005*
Fazenda Brasileiro	90,000 - 95,000
Fazenda Nova	35,000 - 37,000
São Francisco	20,000 - 28,000
Chapada	–
Total	145,000 - 160,000
Average Projected Total Cash Costs Per Ounce	$215 - $230

Forecast information is based on the opinions and estimates of management under current circumstances and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ from projections. Forecast cash costs have assumed a Reais to US dollar exchange rate of 3.0 to 1.0 which is a more favourable US dollar exchange rate than the current rate, but inline with Brazilian consensus estimates for the year. If the Reais averages a rate that is stronger than 3:1, this could increase our operating and capital costs expressed in US dollars.

Exploration

The Company currently holds in excess of one million hectares of prospective mineral concessions primarily in Brazil. During the year, the Company spent $6.8 million on exploration and has allocated approximately $14.4 million in 2005 to an aggressive exploration program focusing primarily on the Rio Itapicuru Greenstone Belt north of Fazenda Brasileiro and on the Santa Elina Gold Belt primarily in areas between São Francisco and São Vicente.

Current reserves and resources at Fazenda Brasileiro are expected to support a mine life for an additional four years. However, ongoing exploration initiatives are aimed at increasing the mine life of Fazenda Brasileiro to a minimum of seven years. The Company has doubled its mineral concessions and mining rights on the Rio Itapicuru Greenstone Belt north of Fazenda Brasileiro to 150,000 hectares and the exploration budget this year for this area is approximately $4.5 million. Eight high-priority targets will be followed up this year: Mandacaru, Sapateira, Serra Branca, Ambrosio, Rio do Peixe-Treado, Encantado, Mari and Bom Sucesso.

The Company has approximately 750,000 hectares of mineral concessions and mining rights on the Santa Elina Gold Belt. The exploration program for this year is budgeted at $4.6 million, including the northern and central part of the gold belt, investigation of the deeper zone at the São Vicente mine, and increases in São Francisco reserves. An 850-metre long drift is being excavated to investigate a high-grade deep zone to the south of the old São Vicente pit and will be followed by bulk sampling and underground drilling. The regional program for the gold belt so far has focused on exploration of the areas between São Francisco and São Vicente.

Effective July 31, 2004, the joint venture partner in the exploration of the Argentine properties withdrew from the joint venture. The Company was advised that the reason for withdrawal related to other priorities of the joint venture partner and not the technical merits of the properties. Exploration results have been positive and the Company has sufficient resources to maintain exploration activities. Management is currently evaluating whether to bring in another partner or to explore the properties itself and is also evaluating a sale of the properties. The Argentine properties represent a small portion of the extensive portfolio of prospective mineral exploration concessions held by the Company.

Long-term Plans

The long-term plan of the Company is to become a major Brazilian gold producer and explorer. Management believes that the Brazilian properties, together with further acquisitions in Latin America, will give the Company the critical mass necessary to become a mid-tier global gold producer with good exploration prospects. Management expects to produce gold at intermediate company production levels by 2006 in addition to significant copper production by 2007. The Company also holds gold exploration properties in Argentina. Company management plans to build on this base by targeting other gold consolidation opportunities in Brazil and elsewhere in Latin America.

Risks and Uncertainties

Exploration, development and mining of metals involve numerous inherent risks. The mining industry is intensely competitive and is highly dependent on commodity prices.

A decline in the price of gold or copper could negatively impact the Company's operations.

The Company holds mining properties mainly in Brazil and as such is exposed to the laws governing the mining industry in that country. The Brazilian government is currently supportive of the mining industry but changes in government regulations including taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in the political stability of the country and labour unrest could adversely affect the Company and its exploration and production initiatives in that country.

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.

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 and Canadian dollars and revenues are earned in US dollars. The Company does not currently hedge foreign currency exposures.

Mineral reserves and resources are estimates which may differ significantly from actual mining results.

Non-GAAP Measures

The Company has included cost per ounce information data because it understands that certain investors use this information to determine the Company's ability to generate earnings as cash flow 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 mine to generate cash flow. 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 are 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. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. Where cost per ounce data is computed by dividing GAAP operating cost components by ounces sold, the Company has not provided formal reconciliations of these statistics. Cash costs are determined in accordance with the former Gold Institute's Production Cost Standard.

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 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 judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

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

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

The Audit Committee is appointed by the Board, and all of its members are outside 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, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Deloitte & Touche LLP has full and free access to the Audit Committee.

Charles B. Main

Peter Marrone
President and
Chief Executive Officer

Charles B. Main
Chief Financial Officer

March 7, 2005

Report of Independent Registered Chartered Accountants

To the Shareholders of Yamana Gold Inc.

We have audited the consolidated balance sheets of Yamana Gold Inc. as at December 31, 2004 and February 29, 2004 and the consolidated statements of operations, deficit and cash flows for the ten month period ended December 31, 2004 and the years ended February 29, 2004 and February 28, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 Yamana Gold Inc. as at December 31, 2004 and February 29, 2004 and the results of its operations and its cash flows for the ten month period ended December 31, 2004 and the years ended February 29, 2004 and February 28, 2003 in accordance with Canadian generally accepted accounting principles.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Deloitte & Touche LLP.

Independent Registered Chartered Accountants

March 7, 2005
Vancouver, British Columbia, Canada

Yamana Gold Inc.

Consolidated Balance Sheets

As at the Periods Ended
(In thousands of US dollars)

	December 31, 2004	February 29, 2004
Assets		
Current		
Cash and cash equivalents	$ 87,054	$ 34,603
Accounts receivable	1,177	1,488
Inventory *(Note 4)*	5,862	3,848
Advances and deposits	2,068	819
	96,161	40,758
Capital		
Property, plant and equipment *(Note 5)*	18,315	18,237
Assets under construction *(Note 6)*	12,085	250
Mineral properties *(Note 7)*	43,292	34,628
	73,692	53,115
Other		
Other assets *(Note 8)*	5,797	75
Future income tax assets *(Note 15)*	1,456	–
	$ 177,106	$ 93,948
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 7,225	$ 5,030
Long-term		
Asset retirement obligation *(Note 9)*	4,972	4,943
Future income tax liabilities *(Note 15)*	4,600	2,714
	16,797	12,687
Shareholders' Equity		
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		
122,286,716 common shares (February 29, 2004 - 95,060,749 shares) *(Note 10)*	147,407	74,427
Share purchase warrants and other *(Note 11)*	10,864	8,721
Contributed surplus *(Note 10ii)*	1,775	633
Retained earnings (deficit)	263	(2,520)
	160,309	81,261
	$ 177,106	$ 93,948

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

Approved by the Board

Peter Marrone
Director

Victor H. Bradley
Director

Yamana Gold Inc.

Consolidated Statements of Operations and Retained Earnings

For the Periods Ended

(In thousands of US dollars)

	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Sales	**$ 32,298**	$ 19,811	$ –
Cost of sales	**(17,755)**	(10,916)	–
Depreciation, amortization and depletion	**(4,541)**	(2,430)	–
Accretion of asset retirement obligation *(Note 9)*	**(364)**	(162)	–
Mine Operating Earnings	**9,638**	6,303	–
Expenses			
General and administrative	**(5,487)**	(3,432)	(1,388)
General exploration	**–**	(6)	(49)
Mineral property and other asset write-offs	**–**	(76)	(894)
Foreign exchange gain, other	**1,848**	157	–
Severance costs	**–**	(716)	–
Stock-based compensation *(Note 12)*	**(2,191)**	(612)	(21)
Operating Earnings (Loss)	**3,808**	1,618	(2,352)
Investment and other business income	**792**	483	158
Interest and financing expense	**–**	(255)	(181)
Earnings (Loss) Before Income Taxes	**4,600**	1,846	(2,375)
Income Tax Expense *(Note 15)*	**(1,817)**	(838)	(1,017)
Net Earnings (Loss)	**2,783**	1,008	(3,392)
Deficit, beginning of Year	**(2,520)**	(3,491)	(52,645)
Interest on Convertible Notes	**–**	(37)	(99)
Reduction of Deficit *(Note 10i)*	**–**	–	52,645
Retained earnings (deficit) end of Year	**$ 263**	$ (2,520)	$ (3,491)
Basic Earnings (Loss) per Share	**$ 0.03**	$ 0.02	$ (1.45)
Diluted Earnings (Loss) per Share *(Note 10iii)*	**$ 0.02**	$ 0.02	$ (1.45)
Weighted average number of shares outstanding *(in thousands)*	**100,036**	43,674	2,347

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

Yamana Gold Inc.

Consolidated Statements of Cash Flows

For the Periods Ended
(In thousands of US dollars)

	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Operating Activities			
Net earnings (loss) for the year	$ 2,783	$ 1,008	$ (3,392)
Asset retirement obligations realized *(Note 9)*	(237)	–	–
Items not involving cash			
Services paid in common shares	–	272	223
Depreciation, amortization and depletion	4,541	2,430	10
Stock-based compensation *(Note 12)*	2,191	612	21
Mineral property and other asset write-offs	–	74	894
Non-cash financing costs	–	–	181
Future income taxes	430	(324)	1,017
Accretion of asset retirement obligation *(Note 9)*	364	162	–
Foreign exchange	(1,792)	(100)	–
Other	1,013	819	–
	9,293	4,953	(1,046)
Net change in non-cash working capital *(Note 13)*	(757)	538	243
	8,536	5,491	(803)
Financing Activities			
Issue of common shares and warrants for cash	76,167	61,105	1,555
Issue costs	(4,236)	(4,756)	(153)
Deferred financing charges *(Note 8)*	(3,049)	–	–
	68,882	56,349	1,402
Investing Activities			
Business acquisition of Fazenda Brasileiro	–	(22,098)	–
Expenditures on mineral properties	(11,512)	(4,191)	(72)
Acquisition of property, plant and equipment	(3,079)	(1,770)	–
Expenditures on assets under construction	(11,965)	–	–
Other	(531)	–	(19)
	(27,087)	(28,059)	(91)
Increase in cash and cash equivalents	50,331	33,781	508
Effect of foreign exchange on non-US dollar denominated cash and cash equivalents	2,120	100	–
Cash and cash equivalents, beginning of Year	34,603	722	214
Cash and cash equivalents, end of Year	$ 87,054	$ 34,603	$ 722
Cash and cash equivalents are comprised of the following:			
Cash at bank	$ 11,903	$ 6,977	$ 722
Bank term deposits	75,151	$ 27,626	$ –
	$ 87,054	$ 34,603	$ 722

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

Notes to the Consolidated Financial Statements

For the Ten Month Period Ended December 31, 2004 and Periods Ended February 29/28, 2004 and 2003
(Tabular amounts in thousands of US dollars)

1. Basis of presentation/The Company

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. These policies conform in all material respects with generally accepted accounting principles in United States of America ("US GAAP") except as described in Note 20.

Effective July 30, 2003, the Company changed its name to Yamana Gold Inc. ("Yamana") at which time management was completely changed with the appointment of new executive officers and an operations team and the Board of Directors was changed resulting in four new directors.

The year end of the Company was changed from February 28/29 to December 31. The current fiscal year end December 31, 2004 consists of operations for the 10 month period then ended. Comparative figures for the years ended February 29, 2004 and February 28, 2003 are for a twelve month period.

The Company is engaged in the acquisition, exploration and development and operation of mineral properties in Brazil and Argentina. All of the Company's Brazilian mineral properties were acquired in August 2003. Since then the Company has focused on creating production efficiencies at the Fazenda Brasileiro Mine, constructing the Fazenda Nova Mine, concluding construction decisions on the Chapada Copper and Gold Project and the São Francisco Project, and discovering high priority exploration targets.

The Company's sales result from operations in Brazil. Gold mining requires the use of specialized facilities and technology. The Company relies heavily on such facilities and technology to maintain its production levels. The cash flow and profitability of operations is affected by the gold price and exchange rates which can fluctuate widely and other numerous factors beyond the Company's control.

On August 12, 2003, the Company consolidated its share capital by issuing one new common share for each 27.86 old common shares.

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with banks and highly liquid short-term investments. Short-term investments are recorded at the lower of cost and net realizable value.

Inventory

Inventory consisting of metal-in-circuit ore and bullion is valued at the lower of the weighted average cost of production and net realizable value. Inventories of material and supplies expected to be used in production are valued at the lower of cost and net replacement value.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and amortization is provided on a straight-line basis over the estimated useful lives that currently range from three to seven years.

Yamana 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 is made against income in the year that such an impairment is determined by management.

Assets under construction

Assets under construction consist of expenditures on the construction of future mines and include preproduction revenues and expenses prior to achieving commercial production.

Mineral properties

Acquisition costs of mineral properties and direct exploration and development expenditures are capitalized. Costs incurred for general explorations that are not project specific or do not result in the acquisition of mineral properties are charged to operations. Costs relating to properties abandoned are written off when such a decision is made.

Depletion of mining properties and amortization of preproduction and development costs are calculated and recorded on the unit-of-production basis over the proven, probable and possible reserves of the mine.

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. Any excess of carrying value over the estimated undiscounted future net cash flows is charged to operations in the period in which such impairment is determined by management. Estimated undiscounted future net cash flows are calculated using estimated metal prices, operating costs, capital costs and reclamation and closure costs.

Asset retirement obligation

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 future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized as mine development costs and amortized over the life of the mine on a unit-of-production basis. The fair value of the estimated reclamation and closure expenses for Fazenda Brasileiro and São Vicente were recorded as a liability on acquisition.

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.

Revenue recognition

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

Earnings (loss) per share

Basic earnings per share has been calculated based on the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate the dilutive effect of options, warrants and other similar instruments.

Share issue costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Stock-based compensation

The Company has a stock option plan that is described in Note 12.

The Company accounts for all stock-based payments to employees and non-employees using the fair value based method of accounting. The Company stock option plan includes a stock appreciation right feature and as such the Company expenses as compensation the fair value of options at the time of the grant. No adjustment for subsequent changes in the price of the Company's shares is recorded. If and when the stock options are ultimately exercised, the applicable amounts of additional paid-in capital and contributed surplus will be transferred to share capital.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. 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.

Financial instruments

Financial instruments of the Company consist of amounts receivable, advances and deposits and accounts payable and accrued liabilities.

Foreign currency translation

The Company considers its foreign operations to be integrated operations. As such monetary assets and liabilities of the Company's operations denominated in a currency other than the US dollar are translated into US 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 amortization which is translated at historical exchange rates. Exchange gains and losses on translation are included in the Consolidated Statement of Operations.

3. Business acquisition

Purchase of Mineração Fazenda Brasileiro S.A. ("Fazenda Brasileiro")

On August 12, 2003, the Company acquired all of the outstanding shares of Fazenda Brasileiro. On August 15, 2003, Fazenda Brasileiro acquired all of the assets of the Fazenda Brasileiro gold mine ("Brasileiro") from Companhia Vale do Rio Doce for cash consideration of $20.9 million. Acquisition costs of $1.2 million were incurred by the Company. The acquisition was accounted for using the purchase method with the results of Brasileiro being included with those of the Company from August 15, 2003. The allocation of the purchase price is based upon the fair values of the net assets of Brasileiro at the date of acquisition and is summarized as follows:

Purchase price *(in thousands):*		
Cash	$	20,900
Acquisition costs		1,198
	$	22,098

Net assets acquired *(in thousands):*		
Inventory	$	2,237
Property, plant and equipment		18,446
Mineral properties		6,728
Retirement asset obligation and other		(5,313)
	$	22,098

4. Inventory

Inventory consists of the following:

(in thousands)	*December 31, 2004*	*February 29, 2004*
Metal in circuit and gold in process	**$ 2,729**	$ 155
Ore stockpiles	**–**	364
Dore inventories	**996**	1,721
Materials and supplies	**2,137**	1,608
	$ 5,862	$ 3,848

5. Property, plant and equipment

Property, plant and equipment consist of the following:

		December 31, 2004		*February 29, 2004*
(in thousands)	*Cost*	*Accumulated Amortization*	*Net Book Value*	*Net Book Value*
Land	**$ 1,053**	**$ –**	**$ 1,053**	$ 875
Buildings	**8,500**	**2,061**	**6,439**	7,096
Machinery and equipment	**9,196**	**1,890**	**7,306**	6,616
Vehicles	**2,677**	**543**	**2,134**	2,344
Furniture and office equipment	**1,262**	**304**	**958**	1,033
Computer equipment and software	**515**	**90**	**425**	273
	$ 23,203	**$ 4,888**	**$ 18,315**	$ 18,237

6. Assets under construction

Assets under construction consist of the following:

(in thousands)	*December 31, 2004*	*February 29, 2004*
Fazenda Nova	**$ 6,949**	$ 250
São Francisco	**1,915**	–
Chapada	**3,221**	–
	$ 12,085	$ 250

Construction costs net of preproduction revenues and expenses will be transferred to property, plant and equipment and mineral properties for each project upon commencement of commercial production.

7. Mineral properties

Mineral properties are comprised of the following:

(in thousands)	*December 31, 2004*	*February 29, 2004*
Fazenda Brasileiro *(i) (Note 3)*	**$ 13,158**	$ 9,212
Santa Elina *(ii)*	**13,319**	11,237
Chapada properties *(iii)*	**11,523**	9,197
Argentine properties *(iv)*	**5,036**	4,975
Other	**256**	7
	$ 43,292	$ 34,628

The Company acquired the Santa Elina properties, being São Francisco, São Vicente, Fazenda Nova projects and associated exploration ground and the Chapada properties from Santa Elina Mines Corporation and its affiliates for common shares resulting in Santa Elina Mines Corporation holding 83.4% of the issued and outstanding common shares as at the date of the transaction. Immediately after the exchange of the 46,250,000 subscription receipts on October 7, 2003 for common shares, Santa Elina and its affiliates held approximately 38.8% of the issued and outstanding common shares of the Company. Subsequent to the period end the Santa Elina interest decreased to 19.7%.

(i) Fazenda Brasileiro

Balance is net of accumulated amortization in the amount of $2.77 million (February 29, 2004 - $1 million).

(ii) Santa Elina properties

On August 12, 2003, Yamana acquired the rights to the Santa Elina properties through the acquisition of all of the shares of Mineração Bacilândia Ltda. and Santa Elina Desenvolvimento Mineral S.A. ("Santa Elina Companies"); companies incorporated to acquire the Santa Elina properties. The Company issued 14,677,380 common shares and 7,338,690 share purchase warrants for the Santa Elina properties.

Balance is net of accumulated amortization in the amount of $0.7 million (February 29, 2004 - $NIL).

(iii) Chapada properties

On August 12, 2003, Yamana acquired all of the shares of Mineração Maracá Industria e Comércio S.A. ("Mineração Maracá"), an affiliate of Santa Elina, and the holder of the Chapada properties. The aggregate consideration paid by Yamana for the Chapada properties consisted of the issuance of 20,208,333 common shares and 10,104,166 share purchase warrants.

(iv) Argentine properties

Effective July 1, 2004, the joint venture partner withdrew from the Santa Cruz joint venture. The Company is currently evaluating the exploration potential of these properties.

8. Other assets

(in thousands)	*December 31, 2004*	*February 29, 2004*
Deferred financing charges *(i)*	**$ 5,191**	$ –
Other	**606**	75
	$ 5,797	$ 75

(i) Deferred financing changes relate to a $100 million debt financing commitment for the development of the Chapada Gold and Copper Project that closed in December 2004. The secured notes are for a term of six years and bear interest at an annual rate of 10.95%. Principal is repayable upon maturity of the notes and covenants under the facility have characteristics comparable to high yield debt. The Company may also elect to defer interest payments for the first three years. Under this scenario, the interest note is subject to an additional 150 basis points during the first two years during which the interest is accrued. The Company must draw down the full $100 million within 180 days of closing. The Company intends to draw on this facility in fiscal 2005. During the year, total fees in the amount of $1.35 million were paid and 2.5 million warrants were issued resulting in the recognition of $2.1 million of deferred financing charges. The fair value of the warrants was calculated using the Black-Scholes pricing model with the following assumptions: *(i)* dividend yield of 0%, *(ii)* expected volatility of 30%, *(iii)* risk free interest rate of 3.0% and *(iv)* expected life of five years. Additional fees of $850,000 and 2.5 million warrants are payable only on funding. Additional expenditures of $1.7 million have also been deferred as financing charges for total cash expenditures of $3.049 million in connection with the debt facility. Financing charges will be amortized over the life of the loan upon funding.

9. Asset retirement obligation

The asset retirement obligation relating to reclamation and closure costs relates to the costs on acquisition of Fazenda Brasileiro Mine, São Vicente Project and the Fazenda Nova Mine calculated as the net present value of estimated future cash flows at a discount rate of 7%.

The following is an analysis of the asset retirement obligation:

(in thousands)	
Balance as at February 28, 2003	$ –
Liabilities assumed on acquisition of Fazenda Brasileiro	4,444
Liabilities assumed on acquisition of São Vicente	337
Accretion incurred during the year	162
Balance as at February 29, 2004	$ 4,943
Accretion incurred in the current year	364
Liabilities accrued on Fazenda Nova	316
Liabilities accrued on Fazenda Brasileiro	175
Reduction of estimated liabilities of Fazenda Brasileiro	(920)
Foreign exchange	331
Expenditures in the current year	(237)
Balance as at December 31, 2004	**$ 4,972**

10. Capital stock

(i) Common shares issued and outstanding

	Number of Common Shares (000's)		Amount (000's)
Balance as at February 28, 2002	1,979	$	54,503
Capital Reduction	–		(52,645)
Private placement, net of warrants and issue costs	536		848
Exercise of options	7		14
Exercise of warrants	180		345
Issued on conversion of First Preference Shares	12		32
Issued for payment of services	155		319
Issued for payment of interest on convertible notes	42		99
Balance as at February 28, 2003	2,911		3,515
Private placements, net of warrants and issue costs	29		35
Issued on conversion of subscription receipts	46,250		29,181
Public offering, net of issue costs	8,665		19,734
Payment of accounts payable	842		875
Exercise of options and share appreciation rights	25		31
Issued on purchase of First Preference Shares	388		1,277
Issued on conversion of convertible notes			
Principal	1,027		1,480
Interest	38		49
Issued on acquisition of Santa Elina assets	34,886		18,250
Balance as at February 29, 2004	95,061	$	74,427
Exercise of options and share appreciation rights *(1)*	41		101
Public offering, net of issue costs *(2)*	26,377		71,858
Issue of common shares *(3)*	808		1,021
Balance as at December 31, 2004	122,287	$	147,407

(1) The Company issued 41,000 shares to optionees on the exercise of their share options and appreciation rights. Previously recognized compensation expense in the amount of $25,200 on options exercised during the year was charged to share capital with a corresponding decrease to contributed surplus.

(2) In November, 2004, the Company closed a public offering for 26,377,000 common shares at a price of Cdn$3.45 per share for aggregate gross proceeds of $76.1 million (Cdn$91.0 million) net of $4.2 million of issue costs.

(3) In July, 2004, the Company issued 808,000 common shares to management in connection with previous subscriptions that were approved by the shareholders at the February 2004 annual general meeting.

(ii) Contributed surplus

(in thousands)		December 31, 2004		February 29, 2004
Balance as at beginning of period	**$**	**633**	$	21
Stock-based compensation on the issue of options		**1,167**		612
Reversal of stock-based compensation on exercise of options		**(25)**		–
Balance as at end of period	**$**	**1,775**	$	633

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

(in thousands)	*December 31, 2004*	*February 29, 2004*	*February 28, 2003*
Weighted average number of common shares	**100,036**	43,674	2,347
Weighted average number of dilutive warrants	**22,347**	18,808	–
Weighted average number of stock options	**2,622**	2,864	–
	125,005	65,346	2,347

11. Share purchase warrants

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

	December 31, 2004 (10 months)		*February 29, 2004*		*February 28, 2003*	
	Number of Warrants (000's)	*Weighted Average Exercise Price (Cdn$)*	*Number of Warrants (000's)*	*Weighted Average Exercise Price (Cdn$)*	*Number of Warrants (000's)*	*Weighted Average Exercise Price (Cdn$)*
Outstanding, beginning of period	**41,431**	**$ 1.59**	903	$ 6.04	596	$ 7.08
Issued	**2,500**	**4.05**	40,600	1.50	361	5.41
Expired	**(497)**	**5.88**	(72)	8.36	(54)	8.36
Outstanding and exercisable, end of year	**43,434**	**$ 1.78**	41,431	$ 1.59	903	$ 6.04

Yamana had the following share purchase warrants outstanding as at December 31, 2004:

Exercise Price (Cdn$)	*Number of Warrants Outstanding (000's)*	*Weighted Average Remaining Contractual Life (years)*
$ 5.57	313	1.12
$ 5.29	29	0.19
$ 4.05	2,500	4.88
$ 2.09	24	2.52
$ 1.50	40,568	3.60
	43,434	3.65

12. Stock-based compensation

Yamana'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 9.5 million (February 29, 2004 - 6.9 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 have an exercise price of not less than the closing price of the common shares on the TSX on the trading day immediately preceding the date on which the options are granted and are exercisable for a period not to exceed ten years.

The Share Incentive Plan also provides for the granting of share appreciation rights to optionees. An optionee is entitled to elect to terminate his or her option, in whole or part, and, in lieu of receiving the common shares to which their terminated option relates, to receive that number of common shares, disregarding fractions which, when multiplied by the fair value of the common shares to which their terminated option relates, has a total value equal to the product of the number of such common shares times the difference between the fair value and the option price per share of such common shares, less any amount required to be withheld on account of income taxes.

The Company has expensed the value of the share purchase options granted during the year as compensation expense in the amount of $1.17 million with a corresponding increase in contributed surplus. Yamana accounts for all stock-based payments granted since March 1, 2002 to employees and non-employees using the fair value based method of accounting which is estimated at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions: *(i)* dividend yield of 0%, *(ii)* expected volatility of 50.5% (February 29, 2004 - 35%-40%; 2003 - 102%), *(iii)* risk free interest rate of 3.5% (2004 - 3%; 2003 - 5%) and *(iv)* expected life of 3 years (2004 - 3 years; 2003 - 10 years). The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur.

On July 31, 2003, 5,000,000 options were allocated and issued to management and a consultant at an exercise price of Cdn$1.67 for a 10 year period. The Company had previously agreed to grant these options with an exercise price equal to the issue price of the subscription receipts of Cdn$1.20 per share. To account for this difference in value, the Company issued 808,000 common shares to the aforementioned optionees in connection with previous subscriptions that were approved by the shareholders at the February 29, 2004 annual general meeting. The Company has recognized compensation expense in the current fiscal period in the amount of $1.02 million in this regard. The Company has funded the subscriptions totaling Cdn$1.35 million.

A summary of the issued stock options 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:

	December 31, 2004 (10 months)			February 29, 2004			February 28, 2003		
	Number of Options (000's)		Weighted Average Exercise Price (Cdn$)	Number of Options (000's)		Weighted Average Exercise Price (Cdn$)	Number of Options (000's)		Weighted Average Exercise Price (Cdn$)
Outstanding, beginning of period	**5,453**	**$**	**1.73**	298	$	2.93	283	$	8.36
Issued	**1,250**		**3.38**	5,325		1.72	27		4.18
Exercised	**(41)**		**2.25**	(14)		2.93	(7)		2.93
Expired and Cancelled	**(2)**		**2.93**	(156)		3.07	(5)		9.75
Outstanding, end of year	**6,660**	**$**	**2.04**	5,453	$	1.73	298	$	2.93
Exercisable	**6,535**	**$**	**2.03**	5,288	$	1.72	298	$	2.93

Stock options outstanding as at December 31, 2004 are as follows:

Exercise Price (Cdn$)	*Quantity (000's)*	*Outstanding Weighted Average Remaining Contractual Life (years)*	*Quantity (000's)*	*Exercisable Weighted Average Remaining Contractual Life (years)*
$ 3.62	11	2.75	11	2.75
$ 3.44	1,125	8.86	1,125	8.86
$ 3.34	7	2.58	7	2.58
$ 2.93	107	4.96	107	4.96
$ 2.85	125	4.40	–	–
$ 2.80	30	3.96	30	3.96
$ 2.61	100	4.01	100	4.01
$ 2.25	75	3.85	75	3.85
$ 1.90	80	3.79	80	3.79
$ 1.67	5,000	8.59	5,000	8.59
	6,660	8.28	6,535	8.35

13. Supplementary cash flow information

(i) Supplementary information regarding other non-cash transactions:

(in thousands)	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Financing Activities			
Issue of common shares on exercise of options and share appreciation rights	**$ 28**	$ –	$ –
Stock-based compensation on the exercise of options and share appreciation rights	**$ (3)**	$ –	$ –
Reversal of contributed surplus on previously recognized stock-based compensation on exercise of options	**$ (25)**	$ –	$ –
Issue of warrants	**$ 2,142**	$ –	$ –
Deferred financing charges on the issue of warrants	**$ (2,142)**	$ –	$ –
Extinguishment of loan and accrued interest payable on sale of mineral properties and related assets	**$ –**	$ –	$ (3,293)
Issue of common shares for interest and principal due on convertible notes	**$ –**	$ 1,529	$ 99
Issue of common shares for Santa Elina assets	**$ –**	$ 18,496	$ –
Equity component of convertible notes:			
Payment of interest in common shares	**$ –**	$ (49)	$ (99)
Payment of principal in common shares	**$ –**	$ (1,480)	$ –
Investing Activities			
Sale of mineral properties and related assets	**$ –**	$ –	$ 3,293
Expenditures on mineral properties, net of tax	**$ –**	$ (18,496)	$ –

(ii) Net change in non-cash working capital:

(in thousands)	December 31, 2004	February 29, 2004	February 28, 2003
Net decrease (increase) in			
Accounts receivable	**$ 311**	$ (1,154)	$ (154)
Advances and deposits	**(1,249)**	(972)	124
Inventory	**(2,014)**	(1,611)	–
Net increase (decrease) in			
Accounts payable and accrued liabilities	**2,195**	4,275	273
	$ (757)	$ 538	$ 243

14. Segmented information

The Company considers its business to consist of three geographical segments primarily in Brazil, Argentina and corporate head office in Canada. Capital assets referred to below consist of land, buildings and equipment, and mineral properties.

(in thousands)	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Mineral properties and property, plant and equipment			
Brazil	**$ 68,163**	$ 47,617	$ 129
Argentina	**5,413**	5,376	5,497
Canada	**116**	122	16
	$ 73,692	$ 53,115	$ 5,642
Mine revenues			
Brazil	**$ 32,298**	$ 19,811	$ –
Argentina	**–**	–	–
Canada	**–**	–	–
	$ 32,298	$ 19,811	$ –

15. Income taxes

(i) Income tax expense

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

(in thousands)	December 31, 2004 (10 months)	February 29, 2004	February 28, 2003
Earnings (loss) before income taxes	**$ 4,600**	$ 1,846	$ (2,375)
Statutory rate	**36.12 %**	38.00 %	37.80 %
Expected income tax expense (recovery)	**$ 1,662**	$ 701	$ (898)
Effect of lower tax rates in foreign jurisdictions	**(154)**	(503)	339
Unrecognized tax benefits in Canada and United States	**19**	1,364	654
Non-taxable items	**106**	(724)	–
Other	**–**	–	(95)
Change in tax basis of mineral properties on reorganization	**–**	–	1,017
Change in valuation allowance	**184**	–	–
Income tax expense	**$ 1,817**	$ 838	$ 1,017
Less: current income tax expense	**1,387**	1,162	–
Future income tax expense (recovery)	**$ 430**	$ (324)	$ 1,017

(ii) Future income taxes

The temporary differences that give rise to future income tax assets relating to Canada and the United States are presented below:

(in thousands)		December 31, 2004		February 29, 2004
Amounts related to tax loss and credit carry-forwards in Canada and United States	**$**	**7,175**	$	6,988
Financing costs		**3,126**		1,474
Net future tax asset		**10,301**		8,462
Valuation allowance		**(8,845)**		(8,462)
Future income tax assets	**$**	**1,456**	$	–

The temporary differences that give rise to future income tax liabilities relating to Brazil are presented below:

(in thousands)		December 31, 2004		February 29, 2004
Mineral properties and property, plant and equipment	**$**	**(3,992)**	$	(3,512)
Asset retirement obligation		**621**		631
Unrealized foreign exchange gains on inter-company loans		**(1,317)**		–
Other		**88**		167
Future income tax liabilities	**$**	**(4,600)**	$	(2,714)

(iii) Non-capital losses

The Company has non-capital losses of approximately $19.9 million available to apply against future taxable income as follows:

(in thousands)		Local currency		US Dollar Equivalent	Expiry Date
Canada	Cdn $	21,607	$	18,805	2005 to 2011
US	US $	1,093	$	1,093	2012 to 2024

16. Related party transactions

The Company had the following transactions with related parties:

(in thousands)		December 31, 2004 (10 months)		February 29, 2004		February 28, 2003
Pursuant to the reimbursement of third party costs relating to the Company's financing and property acquisitions incurred on behalf of the Company	**$**	**–**	$	438	$	–
Legal fees paid to a law firm that had partners who are either a former director or a former officer of the Company	**$**	**–**	$	295	$	26
Directors fees and consulting fees to associates thereof *(i)*	**$**	**179**	$	117	$	17
Consulting fees paid to an officer prior to becoming an officer	**$**	**–**	$	72	$	–

(i) Included in accounts payable and accrued liabilities is $39,133 (February 29, 2004 -$21,586) in this regard.

These transactions occurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on their estimate of fair market value.

17. Financial instruments

(i) Fair value of financial instruments

The carrying value of amounts receivable, advances and deposits and accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturities of these instruments.

(ii) Currency risk

A significant portion of the Company's operations are located outside of Canada. Monetary assets denominated in foreign currencies are exposed to foreign currency fluctuations.

18. Commitments

Year	*2005*	*2006*	*2007*	*2008*	*2009*
Office leases	$ 333	$ 298	$ 261	$ 148	$ –
Fazenda Brasileiro					
Operating leases and service contracts	3,161	515	–	–	–
Fazenda Nova					
Operating leases and service contacts	2,736	2,481	618	–	–
São Francisco					
Construction and service contacts	13,707	–	–	–	–
Chapada					
Construction and service contacts	26,999	1,883	–	–	–
(in thousands)	$ 46,936	$ 5,177	$ 879	$ 148	$ –

19. Comparative figures

Certain of prior year's figures have been reclassified to conform to current year's presentation.

20. Summary of principal differences between Canadian GAAP and United States generally accepted accounting principles ("US 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.

The impact of US GAAP on the consolidated income statements are as follows:

(in thousands)	*December 31, 2004 (10 months)*	*February 29, 2004*	*February 28, 2003*
Net earnings (loss) per Canadian GAAP	**$ 2,783**	$ 1,008	$ (3,392)
Adjustment for depreciation, amortization and depletion	**(1,091)**	(937)	–
Write-off of deferred mineral property costs	**(2,434)**	(723)	(130)
Reversal of mineral property write-offs	**–**	–	101
Reversal of finance costs on First Preference Shares, Series 1	**–**	–	181
Interest on convertible notes	**–**	(37)	(99)
Stock compensation expense	**(630)**	–	(242)
Pre-operating costs	**(439)**	–	–
	(1,811)	(689)	(3,581)
Tax effect of reconciling items	**1,175**	318	1,018
Net loss per US GAAP	**$ (636)**	$ (371)	$ (2,563)
Adjustments to net loss relating to First Preference Shares, Series 1:			
Amortization of discount	**–**	–	(49)
Accrued dividends	**–**	–	(76)
Net loss attributable to common shareholders under US GAAP	**$ (636)**	$ (371)	$ (2,688)
Basic and diluted loss per share under US GAAP	**$ (0.01)**	$ (0.01)	$ (1.15)
Weighted average number of shares outstanding under US GAAP *(in thousands)*	**100,036**	43,674	2,347

The impact of US GAAP on the consolidated balance sheets are as follows:

(in thousands)	December 31, 2004	February 29, 2004	February 28, 2003
Total assets under Canadian GAAP	$ 177,106	$ 93,948	$ 6,621
Write-off deferred mineral property costs	(8,356)	(5,922)	(5,199)
Adjustment to mineral properties	(2,524)	(1,100)	–
Adjustment to inventory	57	163	–
Unamortized costs relating to convertible notes	–	–	21
Total assets under US GAAP	$ 166,283	$ 87,089	$ 1,443
Total liabilities under Canadian GAAP	$ 16,797	$ 12,687	$ 2,851
Adjustment to liability component of Convertible notes	–	–	1,288
Future income tax liability	(2,994)	(1,819)	(1,500)
Total liabilities under US GAAP	13,803	10,868	2,638
Shareholders' equity under Canadian GAAP	160,309	81,261	3,770
Write-off of deferred mineral property costs	(8,356)	(5,922)	(5,199)
Adjustment for depreciation, amortization and depletion	(2,028)	(937)	–
Write-off of pre-operating costs	(439)	–	–
Reclassification of equity component of convertible notes, including interest	–	–	(1,288)
Unamortized issue costs relating to convertible notes	–	–	21
Future income taxes	2,994	1,819	1,500
Shareholders' equity under US GAAP	152,480	76,221	(1,195)
Total liabilities and shareholders' equity under US GAAP	$ 166,283	$ 87,089	$ 1,443

The components of Shareholders' equity under US GAAP would be as follows:

(in thousands)	*December 31, 2004*	*February 29, 2004*	*February 28, 2003*
Shareholders' equity			
Common shares	**$ 147,261**	$ 74,281	$ 3,348
Additional paid-in capital	**13,636**	9,721	1,581
Obligation to issue common shares	**–**	–	1,286
Deficit	**(8,417)**	(7,781)	(7,410)
Total Shareholders' equity	**$ 152,480**	$ 76,221	$ (1,195)

The impact of US GAAP on the consolidated cash flows are as follows:

(in thousands)	*December 31, 2004 (10 months)*	*February 29, 2004*	*February 28, 2003*
Cash flows from operating activities per Canadian GAAP	**$ 8,536**	$ 5,591	$ (802)
Write-off of deferred mineral property costs	**(2,434)**	(723)	(72)
Cash flows from operating activities per US GAAP	**$ 6,102**	$ 4,868	$ (874)
Cash flows from financing activities per US GAAP	**$ 68,882**	$ 55,945	$ 1,402
Cash flows from investing activities per Canadian GAAP	**$ (27,087)**	$ (28,059)	$ (91)
Write-off of deferred mineral property costs	**2,434**	723	72
Cash flows from investing activities per US GAAP	**$ (24,653)**	$ (27,336)	$ (19)

(i) Mineral properties

Under Canadian GAAP, resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Capitalized costs under Canadian GAAP are amortized on a unit-of-production basis based on proven, probable and possible reserves. Under US GAAP, acquisition costs and 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. Capitalized costs are then amortized on a unit-of-production basis based on proven and probable reserves. An additional depletion and exploration expense is required to be recognized under US GAAP. For the purposes of the consolidated statements of cash flows, these 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 pre-operating costs to be capitalized until commercial production is established.

(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 periods ended December 31, 2004, February 29, 2004 and February 28, 2003.

(iv) Stock-based compensation

The Company has adopted the fair value method to account for stock-based transactions with employees and non-employees with effect from March 1, 2002 in accordance with the provisions of SFAS No. 148 and Canadian Institute of Chartered Accountants Handbook Section 3870. During the year ended February 28, 2003, the exercise price of certain options were re-priced and the effect of the modification under variable accounting for stock options has been included in the statements of earnings under US GAAP.

Under FIN No. 44 the measurement of the stock-based compensation recognized in the period ended December 31, 2004 relating to the 808,000 shares issued would be measured at the date of final approval by the shareholders, with the result of increasing stock compensation expense by $630,000.

(v) Recently released accounting standards

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities". SFAS No. 150 requires certain financial instruments that were accounted for as equity under previous guidance to now be accounted for as liability. SFAS No. 150 applies to mandatory redeemable stock and certain financial instruments that require or may require settlement by transferring cash or other assets. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not issued any financial instruments that fall under the scope of SFAS No. 150 and the adoption of this statement did not have a material impact on the Company's financial position or results of operations.

In April 2003, SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", was issued. In general, this statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. As the Company has no derivative transactions, the impact of the adoption of SFAS No. 149 had no effect on its consolidated financial position or results of operations.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51". FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 is effective for all new variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN No. 46 had no effect on the Company's financial position or results of operations.

During 2004, Emerging Issues Task Force (EITF) formed a committee ("Committee") to evaluate certain mining industry accounting issues, including issues arising from the application of SFAS No. 141, "Business Combinations" to business combinations within the mining industry and the capitalization of costs after the commencement of production, including deferred stripping.

In March 2004, the EITF reached a consensus, based upon the Committee's deliberations and ratified by the FASB, that mineral interests conveyed by leases should be considered tangible assets. On April 30, 2004, the FASB issued a FASB Staff Position ("FSP") amending SFAS No. 141 and SFAS No. 142 to provide that certain mineral use rights are considered tangible assets and that mineral use rights should be accounted for based on their substance. The FSP is effective for the first reporting period beginning after April 29, 2004, with early adoption permitted. The Company does not expect that the adoption of this statement will have a material impact on the Company's financial position or results of operation.

The EITF reached a consensus, Issue No. 04-02, "Whether Mineral Rights are Tangible or Non-Tangible Assets". The conclusion is that mineral rights are tangible assets and should be amortized over the productive life of the asset. Previously, mineral rights were regarded as intangible assets and were amortized over their life on a straight-line basis. The Company has adopted this new guidance with effect from 2004 on a prospective basis with no effect to the Company's reported financial position or results of operation. The EITF published Issue No. 04-03, "Mining Assets: Impairment and Business Combinations". The consensus provided guidance with respect to commodity prices and value attributable to mineral resources other than proven and probable reserves to be used in the conduct of impairment tests and in the allocation of purchase price arising from a business combination. The Company has applied EITF Issue No. 04-03 when performing the impairment review conducted at December 31, 2004.

During 2004, deliberations began on EITF Issue No. 04-06, "Accounting for Stripping Costs Incurred during Production in the Mining Industry". In the mining industry, companies may be required to remove overburden and other mine waste materials to access mineral deposits. The costs of removing overburden and waste materials are often referred to as "stripping costs." During the development of a mine (before production begins), it is generally accepted in practice that stripping costs are capitalized as part of the depreciable cost of building, developing, and constructing the mine. Those capitalized costs are typically amortized over the productive life of the mine using the units-of-production method. A mining company may continue to remove overburden and waste materials, and therefore incur stripping costs, during the production phase of the mine. Questions have been raised about the appropriate accounting for stripping costs incurred during the production phase, and diversity in practice exists. In response to these questions, the EITF has undertaken a project to develop an Abstract to address the questions and clarify the appropriate accounting treatment for stripping costs under US GAAP. The EITF issued EITF 04-06, "Accounting for Stripping Costs in the Mining Industry", which recommends that stripping costs are considered development costs that should be recognized as investments in the mine. The Company is currently evaluating the impact, if any, the adoption of EITF 04-06 will have on the Company's financial position or results of operation.

During 2004, EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments", was issued and establishes guidance to be used in determining when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The Company does not expect that the adoption of this statement will have a material impact on the Company's financial position or results of operation.

Corporate Information

Directors

James Askew
Chairman, International Mining Finance Corporation
Mining Executive

Victor Bradley
Mining Consultant
Non-Executive Chairman

Juvenal Mesquita Filho
President, Mineraçao Santa Elina S/A

Peter Marrone
President and CEO,
Yamana Gold Inc.

Patrick Mars
Mining Consultant

Antenor Silva
Chief Operating Officer,
Yamana Gold Inc.

Lance Tigert
Mining Consultant

Officers

Peter Marrone
President and Chief Executive Officer

Charles Main
Vice President, Finance and Chief Financial Officer

Antenor Silva
Chief Operating Officer

Greg McKnight
Vice President, Business Development

Mark Bennett
Company Secretary

Betty Soares
Controller

Executive Offices

150 York Street, Suite 1902
Toronto, Ontario
Canada M5H 3S5

Tel: (416) 815-0220
Fax:(416) 815-0021

Rua Funchal
411 - 9° andar - conjunto 92
CEP 04551-060 - São Paulo
SP - Brazil

Tel: +55 11 2163 8300
Fax: +55 11 2163 8324

Brazilian Operations

Evandro Cintra
Exploration Director

Seitti Nakamura
Engineering and Construction Director

Adalberto Telles
Finance Director

Paulo Peruzzo
Mine General Manager
Fazenda Brasileiro

Paulo Roberto Bergmann
Mine General Manager
Fazenda Nova

Daniel Kivari
Project Manager
Chapada Project

Transfer Agent

CIBC Mellon Trust Company
320 Bay Street, Box 1
Toronto, Ontario
Canada M5H 4A6

Auditors

Deloitte & Touche LLP
Vancouver, British Columbia

Legal Counsel

Cassels Brock & Blackwell LLP
Toronto, Ontario

Dorsey & Whitney LLP
Toronto, Ontario

Capitalization

122,286,716 common shares *issued as of December 31, 2004*

Share Listings

Toronto Stock Exchange
Symbol: YRI

American Stock Exchange
Symbol: AUY

London Stock Exchange (AIM)
Symbol: YAU

Website

www.yamana.com

Information Contact

investor@yamana.com

Annual General Meeting

Yamana Gold Inc. will hold its Annual General Meeting on Tuesday, May 3, 2005 at 3:00 pm at the St. Andrew's Club and Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario, Canada.

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