

**Yamana Lays Foundation for Growth**

*(all figures in US\$ unless otherwise stated)*

**Yamana Gold Inc.** (YRI – TSX) announces quarterly results for the six month period ended August 31, 2003. The most significant change in the quarter is the major transformation of the company as a result of the acquisition of certain assets. The principal changes are:

1. Acquisition of the operating mine Fazenda Brasileiro in Brazil for cash consideration of \$20.9 million,
2. Acquisition of advanced production stage gold projects Sao Francisco, Sao Vicente and Fazenda Nova/Lavrinha and an advanced production stage copper-gold project Chapada in Brazil for share consideration
3. Raised Cdn \$55.5 million through the issue of subscription receipts,
4. Changed name to Yamana Gold Inc., and
5. Completed a share consolidation on the basis of one new share for each 27.86 shares held.

According to Yamana's President and CEO Peter Marrone these changes create a substantive company with a diversified portfolio of mining assets comprised of a producing mine, several production stage properties and an unparalleled exploration land position in Brazil.

“We are a substantive gold producer with exceptional production growth in the next few years. Combined with the Chapada copper/gold project, our leverage to increasing gold and copper prices is excellent. Yamana produces at an annual rate of 100,000 ounces gold per year and has the team to create significant additional value by bringing the current late stage project pipeline to production.

We are in a strong cash position. The cash balance as at August 31, 2003 is \$14.7 million and the company has no debt. We raised Cdn \$55.5 million in July and as at the quarter end there was a working capital surplus of \$15.5 million.

The third quarter will bring the gold revenue and cash flow that will underpin the company's activities in Brazil. The company expects to produce over 60,000 ounces of gold for the last six months of the fiscal year (for an annualized 100,000 ounces gold per year). Various cost reduction programs have been implemented at the mine and Yamana continues to look at additional measures for reducing cash costs per ounce.”

The loss for the second quarter was \$1.7 million (\$0.12 per share). Gold production for the 16 days from the newly acquired Fazenda Brasileiro Mine was 3,723 ounces of gold. No revenue or cost of sales has been recognized as the gold produced was not sold until late September 2003.

Yamana is a Canadian intermediate gold producer with significant production, development stage properties, exploration properties and land positions in all major mineral areas in Brazil. Yamana also holds gold exploration properties in Argentina subject to earn-in by the Peruvian gold producers Buenaventura and Hochschild. Company management plans to build on this base by targeting other gold consolidation opportunities in Brazil and elsewhere in Latin America.

For further information, contact  
Peter Marrone  
President & Chief Executive Officer  
(416) 815-0220  
E-mail: [investor@yamana.com](mailto:investor@yamana.com)

**FORWARD-LOOKING STATEMENTS:** This news release contains certain "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included in this release, and Yamana's future plans are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and Yamana does not undertake any obligation to update forward-looking statements should conditions or management's estimates or opinions change.

## SECOND QUARTER 2003

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(US dollars, in accordance with Canadian GAAP)

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis (MD&A) for the year ended February 28, 2003, the Company's annual audited consolidated financial statements, the notes relating thereto, supplementary financial information contained in the Company's Annual Report, and the quarterly financial statements and notes contained in this report.

#### a. Overview

Since the year end the Company has undergone a major transformation. The principal changes from February 28, 2003 are:

6. Acquired the operating mine Fazenda Brasileiro in Brazil for cash consideration of \$20.9 million,
7. Acquired the advanced stage projects in Brazil from Santa Elina; Sao Francisco, Sao Vicente, Fazenda Nova/Lavrinha and Chapada, for share consideration
8. Raised Cdn\$55.5 million through the issue of subscription receipts,
9. Company named changed from Yamana Resources Inc. to Yamana Gold Inc, and
10. Consolidated shares on the basis of one new share for each 27.86 shares held.

These changes effectively re-create Yamana Gold by:

1. Providing gold production at an annual rate of more than 100,000 oz of gold per year.
2. Providing late stage development projects to ramp up future production levels.
3. Providing a large exploration portfolio to provide future projects to replace the current late stage projects.
4. Establishing a firm financial footing to move forward with cash of \$14.7 million and no debt.

#### b. Financial results of operations

The consolidated net losses for the six and three months ending August 31, 2003 were \$1,744,036 and \$1,349,250, an increase of \$720,810 and \$1,110,191, respectively over the corresponding previous periods. The increase is principally due to; 1) severance costs of \$709,815 during the current quarter; 2) increases in general and administrative costs of \$137,932 and 57,601 for the six and three months respectively; and 3) increases in financing costs of \$925 and \$344,510 for the six and three month period compared to the corresponding prior periods. The severance charges arise from the closing of the head office in Spokane and establishment of the corporate office in Toronto. The increase in general and administrative expenses is due to duplication of costs due to having a Spokane and Toronto office for an overlapping period. Financing expense increase in the second quarter is due to bonus interest that was payable relating to the redemption of the convertible notes in July 2003.

The Company took over the operations at the Fazenda Brasileiro mine effective August 15, 2003. No gold sales occurred until late September 2003 when a reasonable gold inventory was built up and shipped to Sao Paulo for refining. Accordingly, no sales or cost of sales are reflected in the results for the three month period ending August 31, 2003. For the 16 days of production in August, 3,723 ounces of gold were produced at a cash cost of approximately \$225 per ounce of

gold. A total of 56,580 tonnes were milled and the mill recovery rate was 95.5%. The mine grade continues to increase as underground development works and dependence on open pit ore is reduced.

**c. Financial condition, liquidity and capital resources**

In August the Company received \$36.7 million from the issue of 46,250,000 subscriptions receipts net of issue costs of \$3.0 million. The subscription receipts entitle the holder to one common share and one half warrant. One warrant entitles the holder to purchase a common share of the Company for Cdn\$1.50 until July 31, 2008. Proceeds were used to purchase the Fazenda Brasileiro mine for \$20.9 million. These changes allowed the Company to increase its cash position to \$14.7 million as at August 31, 2003 and improve its working capital position from a deficit of \$371,820 as at February 28, 2003 to a positive working capital balance of \$15,502,384 at period end.

The Company has no debt providing future financing flexibility.

**d. Business and asset acquisitions**

On August 12, 2003, the Company acquired the São Francisco, São Vicente and Fazenda Nova/Lavrinha properties (“Santa Elina assets”) and the Chapada copper-gold (“Chapada”) project in Brazil from Santa Elina Mines Corporation (“Santa Elina”). The company issued 34,885,713 common shares and 17,442,856 share purchase warrants. The Santa Elina assets have been recorded at their historical cost to Santa Elina.

On August 15, 2003 the Company acquired the Fazenda Brasileiro Mine in Brazil from Companhia Vale do Rio Doce (“CVRD”) for \$20.9 million cash .

These acquisitions have made the Company a significant gold producer in Brazil and one of Brazil’s largest gold exploration landholders. Upon completion of the acquisitions, Santa Elina held 83.4% of the issued and outstanding Common Shares before giving effect to the exchange of the subscription receipts and 38.8% of the issued and outstanding common shares after giving effect to the exchange of the subscription receipts.

**e. Strategic update and outlook**

Management intends to focus on cost reduction at the Fazenda Brasileiro. In September the cash cost per ounce was less than \$220 per ounce. During the quarter the Company negotiated an increase in the daily mine shift hours from 6 to 8 hours. This proposal has been accepted by the union and should result in an increase in productivity by 17% and the reduction of transportation and other costs. Also the level of drilled development ore was not optimal under the previous operator and efforts will be made to increase the drilled development work to increase the flexibility in the production plan.

For the remaining six months in the current fiscal year, total exploration and development expenditures of \$4.3 million are planned. Approximately \$900,000 will be spent to explore for additional reserves at the Fazenda Brasileiro Mine, approximately \$2 million for advancing the feasibility studies on the Fazenda Nova and Chapada projects, and \$1.3 million for drilling and bulk sampling at Sao Francisco (for a total to June 2004 of approximately \$2.2 million).

The work on the final feasibility study for the Fazenda Nova project is expected to be completed in November and a production decision will be made in late November. The original mine plan provided for an initial 110,000 ounces of gold production over three years and the feasibility study will determine any changes to that plan. The construction cost would be approximately \$5.0 million and production would begin mid 2004. Capital requirements for Fazenda Nova will be funded from the company’s existing cash position.

The company continues to look for potential gold mine acquisitions in South America. A mine acquisition would allow the company to leverage the strength in the company’s Brazilian operating team and expertise.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact relating to the company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as “plan,” “expect,” “project,” “intend,” “believe,” “anticipate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

**YAMANA GOLD INC.**  
**CONSOLIDATED BALANCE SHEETS**

*Prepared by management*  
*(In U.S. dollars)*

	August 31, 2003 (Unaudited)	February 28, 2003
<b>ASSETS</b>		
<i>Current</i>		
Cash and cash equivalents	\$ 14,742,408	\$ 722,344
Amounts receivable	87,571	216,330
Inventory (Note 3)	3,092,205	-
Advances and deposits	103,505	39,940
	18,025,689	978,614
<i>Fixed</i>		
Fixed assets (Note 4)	13,691,191	443,067
Mineral properties (Note 5)	36,438,740	5,199,125
	\$ 68,155,620	\$ 6,620,806
<b>LIABILITIES</b>		
<i>Current</i>		
Accounts payable and accrued liabilities	\$ 2,480,891	\$ 709,815
Accrued liabilities payable in stock	-	603,311
Note payable	42,414	37,308
	2,523,305	1,350,434
<i>Long Term</i>		
Environmental liability accrual	5,790,000	-
Future income tax liabilities	1,907,044	1,500,357
	10,220,349	2,850,791
<b>CAPITAL SOURCES</b>		
<i>Capital stock</i>		
Authorized		
Unlimited number of first preference shares without par value issuable in series		
Unlimited number of common shares without par value		
Issued and outstanding		
40,128,671 common shares (Note 6)		
(February 28, 2003 - 2,910,501 shares)	25,283,937	3,515,544
Subscription for shares not yet issued (Note 6)	36,700,188	-
Shares to be issued	-	1,285,913
<i>Share purchase warrants and other</i>	1,222,761	2,459,147
<i>Deficit</i>	(5,271,615)	(3,490,589)
	57,935,271	3,770,015
	\$ 68,155,620	\$ 6,620,806

**YAMANA GOLD INC.**  
**CONSOLIDATED STATEMENTS**  
**OF OPERATIONS AND DEFICIT**

*Unaudited-prepared by management*  
*(In U.S. dollars)*

	Three months ended		Six months ended	
	August 31, 2003	August 31, 2002	August 31, 2003	August 31, 2002
<b>EXPENSES</b>				
General and administrative	\$ 422,817	\$ 365,216	\$ 756,791	\$ 618,859
General exploration	348	2,848	3,436	3,315
Mineral property and other asset write-offs	18,088	2,858	73,740	188,232
Severance costs	709,815	-	709,815	-
<b>OPERATING LOSS</b>	(1,151,068)	(370,922)	(1,543,782)	(810,406)
Investment and other business income	49,502	35,037	51,140	37,649
Interest and financing expense	(247,684)	96,826	(251,394)	(250,469)
<b>NET LOSS</b>	(1,349,250)	(239,059)	(1,744,036)	(1,023,226)
<b>DEFICIT, BEGINNING OF THE PERIOD</b>	(3,910,035)	(615,175)	(3,490,589)	-
	(5,259,285)	(854,234)	(5,234,625)	(1,023,226)
<b>INTEREST ON CONVERTIBLE NOTES</b>	(12,330)	(24,660)	(36,990)	(49,320)
<b>DEFICIT, END OF THE PERIOD</b>	\$ (5,271,615)	\$ (878,894)	\$ (5,271,615)	\$ (1,072,546)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	(\$0.06)	\$ (0.11)	\$ (0.12)	\$ (0.47)
<b>Weighted average number of Shares outstanding (in thousands)</b>	24,600	2,087	15,397	2,152

*Note: In the opinion of management of Yamana, all adjustments of a normal recurring nature have been included in these financial statements to provide a fair statement of results for the periods presented. The results of those periods are not necessarily indicative of the results for the full year.*

**YAMANA GOLD INC.**  
**CONSOLIDATED STATEMENTS**  
**OF CASH FLOWS**

*Unaudited-prepared by management*  
*(In U.S. dollars)*

	Three months ended		Six months ended	
	August 31, 2003	August 31, 2002	August 31, 2003	August 31, 2002
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (1,349,250)	\$ (432,711)	\$ (1,744,036)	\$ (1,023,226)
Items not involving cash				
Services paid in common shares	856,177	-	837,985	-
Depreciation and depletion	1,231	2,559	3,302	6,487
Mineral property and other asset write-offs	18,088	2,858	73,740	188,232
Liabilities payable in common shares	-	396,298	-	396,298
Interest expense on First Preference Shares, Series 1	-	96,826	-	250,469
	(473,754)	65,830	(829,009)	(181,740)
Net change in non-cash working capital	81,793	(104,721)	113,860	(490,640)
	(391,961)	(38,891)	(715,149)	(672,380)
<b>FINANCING ACTIVITIES</b>				
Issue of common shares and warrants for cash	289,080	-	387,359	475,000
Subscription for shares not yet issued	39,507,403	32,000	39,507,403	32,000
Issue costs	(3,056,007)	-	(3,111,850)	-
Interest expense on convertible notes	(12,330)	-	(36,990)	-
	36,728,146	32,000	36,745,922	507,000
<b>INVESTING ACTIVITIES</b>				
Business acquisition of Brasileiro, net of cash	(21,165,000)	-	(21,165,000)	-
Expenditures on mineral properties	53,783	-	(95,916)	-
Purchase of equipment	(746,491)	-	(749,793)	-
Return of deposit	-	-	-	200
	(21,857,708)	-	(22,010,709)	200
<b>INCREASE (DECREASE) IN CASH</b>	14,478,477	(6,891)	14,020,064	(165,180)
<b>CASH, BEGINNING OF THE PERIOD</b>	263,931	55,286	722,344	213,575
<b>CASH, END OF THE PERIOD</b>	\$ 14,742,408	\$ 48,395	\$ 14,742,408	\$ 48,395

**SUPPLEMENTARY INFORMATION REGARDING  
OTHER NON-CASH TRANSACTIONS**

Financing Activities

Extinguishment of loan and accrued interest payable on sale of mineral properties and related assets	-	-	-	(3,293,185)
Issue of common shares on conversion of First Preference Shares	-	-	-	10,521
Issue of common shares for Santa Elina assets	18,325,385	-	18,325,385	-
Equity component of convertible notes				
Accrued interest charged to deficit	12,330	24,660	36,990	49,320
Payment of interest in common shares	(49,320)	(49,320)	(49,320)	(49,320)
Payment of principal in common shares	(1,479,600)	-	(1,479,600)	-
Conversion of First Preference Shares into common shares				
Liability component of First Preference Shares	-	-	-	(7,293)
Equity component of First Preference Shares	-	-	-	(3,228)

Investing Activities

Sale of mineral properties and related assets	-	-	-	3,293,185
Expenditures on mineral properties	(18,325,385)	-	(18,325,385)	-

## **Notes to the Unaudited Interim Consolidated Financial Statements**

As at August 31, 2003 and for the six months ended August 31, 2003 and 2002 (in U.S. dollars)

### **1. Basis of presentation**

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted (“GAAP”) in Canada. These interim financial statements do not contain all the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company. These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

#### Significant new accounting policy

##### **Provision for reclamation and closure**

Reclamation and closure costs have been 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 Sao Vicente were recorded as a liability on acquisition. Fair value was determined as the discounted future cash expenditures. Additional charges to operations on a unit-of-production basis are made to fully accrue reclamation and closure expenses over the lives of the operations.

In management’s opinion, all adjustments necessary for fair presentation have been included in these financial statements. Readers are advised that the operating results for the six months ended August 31, 2003 may not be indicative of the results that might be expected for the full year ended February 29, 2004.

Certain amounts for fiscal 2003 have been reclassified to conform with the current year’s presentation.

On July 30, 2003 the name of the Company was changed to Yamana Gold Inc.

On August 12, 2003 the outstanding common shares then outstanding were consolidated on the basis of one new common share for 27.86 existing common shares. The share and per share information is presented as if the consolidation took place March 1, 2002.

### **2. Business acquisition**

#### **Purchase of Mineração Fazenda Brasileiro S.A. (“Fazenda Brasileiro”)**

On August 12, 2003, Yamana 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 from Companhia Vale do Rio Doce for \$20,900,000 in cash. Acquisition costs of \$265,000 were incurred by Yamana. The acquisition will be 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 will be based upon the fair values of the net assets of Brasileiro at the date of acquisition and is summarized as follows:

(dollars in thousands)

Purchase price:

Cash	\$	20,900
Estimated acquisition costs		265
	\$	21,165

Net assets acquired:

Inventory	\$	1,539
Other non-cash working capital		193
Property, plant and equipment		12,331
Mineral properties		12,384
Other long-term liabilities		(5,282)
	\$	21,165

### 3. Inventories

	August 31, 2003	February 28, 2003
Metal in circuit	\$ 169,873	\$ -
Ore stockpiles	298,632	-
Materials and supplies	1,888,423	-
Product inventories	735,277	-
		-
Inventories	\$ 3,092,205	\$ -

### 4. Fixed assets

	As at	
	August 31, 2003	February 28, 2003
Property plant and equipment – Fazenda Brasileiro	\$ 12,094,946	\$ -
Other fixed assets	1,596,245	443,067
	\$ 13,691,191	\$ 443,067

Depreciation of the Fazenda Brasileiro property plant and equipment for the 16 days ending August 31, 2003 has been included within the value of inventory as the gold produced during the period was not sold as at August 31, 2003. The depreciation included in inventory will be expensed in the period that the August production is sold.

## 5. Mineral properties

Mineral properties are comprised as follows:

	As at	
	August 31, 2003	February 28, 2003
Fazenda Brasileiro (note 2)	\$ 12,786,574	\$ -
Santa Elina	9,878,449	-
Chapada Properties	8,790,138	-
Argentine Properties	4,976,973	5,063,290
Other	6,606	135,835
	\$ 36,438,740	\$ 5,199,125

The Company has concluded the acquisition of the Santa Elina Properties and the Chapada Properties from Santa Elina Mines Corporation and its affiliates. This resulted in the issuance of common shares that comprise 83.4% of the issued and outstanding common shares of Yamana subsequent to the acquisitions but prior to the exchange of subscription receipts (note 6 vii). Subsequent to the issuance of shares on the exchange of the 46,250,000 subscription receipts, Santa Elina and its affiliate will hold approximately 38.8% of the issued and outstanding common shares of the company.

### 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. Pursuant to the share purchase agreement, the Company issued 14,677,380 common shares and 7,338,690 share purchase warrants for the Santa Elina Properties. The properties have been recorded at the carrying cost of the vendor. Costs of acquisition are estimated to be \$192,000.

### 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. Pursuant to the Chapada purchase agreement the aggregate consideration paid by Yamana was the issuance of 20,208,333 common shares and 10,104,166 share purchase warrants for the Chapada Properties. The properties have been recorded at the carrying cost of the vendor. Costs of acquisition are estimated to be \$192,000.

## 6. Capital stock

Common shares issued and outstanding:

	Number of Common Shares	Amount
Balance at February 28, 2003 post consolidation	2,910,501	\$ 3,515,544
Private placement (note i)	28,780	78,289
Payment of accounts payable (note ii)	842,250	837,985
Exercise of options	8,076	16,536
Issued on redemption of First Preference Shares (note iii)	388,457	1,285,913
Issued on conversion of convertible notes (note iv)		
Principle	1,027,229	1,479,600
Interest	37,665	49,320
Issue for Santa Elina assets (note v)	34,885,713	18,325,385
Issue costs	-	(304,635)
Balance at August 31, 2003	40,128,671	\$ 25,283,937

i) During the six month period ended August 31, 2003, Yamana completed the following private placements

- a) 7,178 units at a price of C\$4.18 per unit. Each unit consisted of one common share of Yamana and one common share purchase warrant of Yamana exercisable for three years from the closing date at an exercise price of C\$5.57. Yamana also issued 718 underwriter's warrants exercisable up to 2 years from the closing date at an exercise price of C\$5.29.
- b) 21,602 shares at a price of C\$1.57 per share. In addition, warrants totalling 21,601 and 2,601 broker warrants exercisable for up to four years from the closing date, at an exercise price of Cdn\$2.09 per share, were issued.

ii) The Company settled various trade payables by the issue of common shares including the issue of 350,000 shares to a director, in part settlement of severance entitlements.

iii) During the year ended February 28, 2003, Yamana agreed to purchase 5,560,000 preference shares and the rights to dividends in exchange for 388,457 Yamana common shares. The preference shares redeemed for common shares on the basis of 0.046 common shares for each preference share and one common share for each \$2.72 of accrued dividends. Yamana also agreed to grant a 2% NSR on La Paloma, a Yamana gold property in Santa Cruz province, Argentina for the surrender of 1,000,000 preference shares. The common shares were issued in April.

Warrants that were originally issued with the preferred shares that were purchased or surrendered were amended such that the expiration date was extended from February 9, 2004 to December 31, 2004 and the exercise price was reduced from Cdn\$4.18 to Cdn\$3.48 per share.

iv) The Company settled the 8% convertible notes, principle and interest, which matured on July 17, 2003 by the issue of common shares.

v) See note 5.

On July 31, 2003 the Company accepted subscriptions for 46,250,000 subscription receipts at a price of Cdn\$1.20 per receipt. Each subscription receipt entitles the holder to exchange the receipt for one common share and one half of a warrant. One warrants entitles the holder to purchase one common share for Cdn\$1.50 until July 31, 2008. On October 7, 2003 the subscription receipts were exchanged for 46,250,000 common shares and 23,125,000 warrants. Subsequent to August 31, 2003 the proceeds of \$39.7 (Cdn\$55.5 million) were recorded as \$32.1 million as share capital and \$7.6 million share purchase warrants before issue costs of \$3.0 million.

On July 31, 2003, 5,000,000 options were allocated to management at a strike price of Cdn\$1.67 for a 10 year period, of which 4,600,000 have been issued and 400,000 remain allocated and subject to issue. The Company agreed to grant these options with an exercise price equal to the issue price of the subscription receipts. As these options were subsequently granted at an exercise price of \$1.67 per share, to accommodate the difference in value, the Company has committed to issue 808,000 Common Shares to the optionees on a pro rata basis. The issuance of these common shares is subject to shareholder approval.

If the Company had included share purchase options granted to employees in the calculation of compensation expense, net earnings would be as follows:

(in thousands)	Three Months Ended August 31		Six Months Ended August 31	
	2003	2002	2003	2002
Net loss	\$1,349	\$239	\$1,744	\$1,023
Pro forma compensation expense	2,934	Nil	2,934	Nil
Pro forma net loss	\$4,283	\$239	\$4,678	\$1,023
Pro forma basic and diluted loss per share	\$0.29	\$0.11	\$0.30	\$0.47

Pro forma compensation expense is determined using an option-pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 70%, an annual risk free interest rate of 4.5% and expected lives of 3 years.

## 7. Segmented information

Yamana considers its business to consist of one reportable operating segment, the acquisition, exploration and development of mineral properties, primarily in Brazil and Argentina. Fixed assets referred to below consist of land, buildings and equipment, and mineral properties.

	As at	
	August 31, 2003	February 28, 2003
Fixed assets at the end of the quarter		
Argentina	\$ 5,410,530	\$ 5,496,847
Brazil	44,703,677	129,228
Other	15,724	16,117
	\$ 50,129,931	\$ 5,642,192

## 8. Related party transactions

Related party transactions, not disclosed elsewhere in these financial statements, during the six month period were as follows:

		Six months ending	
		August 31, 2003	August 31, 2002
Reimbursement of financing and acquisition cost incurred by Santa Elina on behalf of the Company			
	Accrued	\$180,000	
	Paid	\$258,000	-
Legal fees to a law firm that had partners who are either a director or an officer of the Company		\$295,253	\$52,011
Directors fees and consulting fees to associates thereof		\$27,933	\$15,992
Consulting fees paid to an officer prior to becoming an officer		\$71,654	-