

Edgar Filing: YAMANA GOLD INC - Form 6-K

YAMANA GOLD INC
Form 6-K
August 31, 2006

=====

FORM 6-K
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the month of August 2006

Commission File Number 001-31880

YAMANA GOLD INC.
(Translation of registrant's name into English)

150 York Street
Suite 1102
Toronto, Ontario M5H 3S5
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

=====

Edgar Filing: YAMANA GOLD INC - Form 6-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YAMANA GOLD INC.

Date: August 30, 2006

/s/ Charles Main

Name: Charles Main

Title: Chief Financial Officer

EXHIBIT INDEX

EXHIBIT
NUMBER

DESCRIPTION

1. BUSINESS ACQUISITION REPORT PREPARED IN CONNECTION WITH THE ACQUISITION OF DESERT SUN MINING CORP. CONSISTING OF MANAGEMENT PROXY CIRCULAR RELATING TO AN ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF DESERT SUN MINING CORP. CONCERNING THE PROPOSED BUSINESS COMBINATION OF DESERT SUN MINING CORP. AND YAMANA GOLD INC. DATED MARCH 1, 2006
2. MATERIAL CHANGE REPORT DATED APRIL 20, 2006
3. MATERIAL CHANGE REPORT DATED APRIL 17, 2006
4. MATERIAL CHANGE REPORT DATED APRIL 10, 2006
5. MATERIAL CHANGE REPORT DATED FEBRUARY 28, 2006
6. NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS AND MANAGEMENT INFORMATION CIRCULAR

EXHIBIT 1

MANAGEMENT PROXY CIRCULAR
RELATING TO AN
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS
OF

Edgar Filing: YAMANA GOLD INC - Form 6-K

DESERT SUN MINING CORP.
CONCERNING THE
PROPOSED BUSINESS COMBINATION OF
DESERT SUN MINING CORP.
AND
YAMANA GOLD INC.
March 1, 2006

March 1, 2006

Dear Desert Sun Shareholder:

The Board of Directors cordially invites you to attend an annual and special meeting (the "Meeting") of shareholders of Desert Sun Mining Corp. ("Desert Sun") to be held at The Fairmont Royal York, Tudor Room 7-8, 100 Front Street West, Toronto, Ontario, M5J 1E3, on Friday, March 31, 2006 at 10:30 a.m. (Toronto time).

At the Meeting, in addition to the election of directors and the appointment of auditors, you will be asked to approve a special resolution (the "Arrangement Resolution"), the full text of which is reproduced in Exhibit F of the management proxy circular (the "Proxy Circular") that accompanies this letter, in respect of a proposed business combination (the "Combination") by way of a plan of arrangement (the "Arrangement") involving Desert Sun and Yamana Gold Inc. ("Yamana"). Pursuant to an arrangement agreement dated as of February 22, 2006 (the "Arrangement Agreement") among Desert Sun, Yamana and 6524338 Canada Inc. ("Yamana Subco"), a wholly-owned subsidiary of Yamana, Desert Sun and Yamana have agreed to complete the Arrangement pursuant to which Desert Sun will amalgamate with Yamana Subco.

As a result of the Arrangement, Desert Sun Shareholders will receive 0.6 of a common share of Yamana (the "Yamana Shares") in exchange for each common share of Desert Sun (the "Desert Sun Shares") and the combined company will be a wholly-owned subsidiary of Yamana. Based on the number of Yamana Shares outstanding on February 28, 2006 (being 199,238,320), existing holders of Desert Sun Shares will hold approximately 24% of the Yamana Shares upon completion of the Arrangement, assuming no exercise of Desert Sun or Yamana options or warrants outstanding subsequent to February 28, 2006.

Yamana is a Canadian gold producer with significant gold production, gold and copper-gold development stage properties, exploration properties and land positions in all major mineral areas in Brazil. With its recent acquisition of RNC Gold Inc., Yamana also owns two producing mines in Central America. Yamana expects to produce gold at intermediate company production levels during 2006 in addition to significant copper production by 2007. Management of Yamana plans to build on this base through the advancement of its exploration properties and by targeting other gold consolidation opportunities in Brazil and elsewhere in Latin America.

The Combination offers Desert Sun Shareholders an attractive premium per Desert Sun Share of approximately 24% based on the ten-day weighted average trading prices of Desert Sun and Yamana Shares for the period ending on February 21, 2006, the date prior to the date on which the transaction was announced. Through the combined company, current Desert Sun Shareholders will be able to

Edgar Filing: YAMANA GOLD INC - Form 6-K

participate in a gold producer with significant growth potential, will be able to mitigate the risks inherent with a one-mine company and will benefit from an enhanced management team with significant operating experience.

The approval of the Arrangement Resolution requires an affirmative vote of not less than two-thirds of the votes cast by the Desert Sun Shareholders, and a simple majority of disinterested shareholders of Desert Sun, who vote in respect of the Arrangement Resolution, in person or by proxy, at the Meeting.

The Board of Directors has determined that the Arrangement is in the best interests of Desert Sun and fair to Desert Sun Shareholders. The Board of Directors came to this determination based on, among other things: the opinion of the financial advisor to the Board of Directors, Sprott Securities Inc., that as of the date of such opinion, the Arrangement is fair, from a financial point of view, to Desert Sun Shareholders; the recommendation of a special committee of directors formed to consider the Arrangement; and the opinion of the financial advisor to the special committee of directors, GMP Securities L.P., that as of the date of such opinion, the Arrangement is fair, from a financial point of view, to the Desert Sun Shareholders.

THE BOARD OF DIRECTORS OF DESERT SUN HAS UNANIMOUSLY APPROVED THE ARRANGEMENT AND THE TERMS OF THE ARRANGEMENT AGREEMENT AND UNANIMOUSLY

RECOMMENDS THAT YOU VOTE IN FAVOUR OF THE ARRANGEMENT RESOLUTION AT THE MEETING FOR THE REASONS SET FORTH IN THE ATTACHED PROXY CIRCULAR.

It is important that your Desert Sun Shares be represented at the Meeting. Whether or not you are able to attend, we urge you to complete the enclosed form of proxy and return it by noon, Toronto time, on March 29, 2006 to Equity Transfer Services Inc., at 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 4C3, or by fax (Attention: Proxy Department) at (416) 361-0470. Voting by proxy, in accordance with the procedures established, will ensure that your vote will be counted if you are unable to attend. If you require any assistance in completing your proxy, please call Kingsdale Shareholder Services Inc. toll free at 1-866-588-6864.

Included with this letter, in addition to the form of proxy and the letter of transmittal referred to below, is a Notice of Meeting and the Proxy Circular. Provided in the Proxy Circular is a description of the Arrangement to assist you in making your decision. You should carefully consider all of the information in and incorporated by reference in the Proxy Circular. If you require assistance, consult your financial, legal or other professional advisors.

Please complete the enclosed letter of transmittal in accordance with the instructions in it, sign it and return it to CIBC Mellon Trust Company in the envelope provided, together with your certificates representing Desert Sun Shares. The letter of transmittal contains complete instructions on how to exchange your Desert Sun Shares. You will not actually receive your Yamana Shares until after the Arrangement has been completed and you have returned your properly completed documents, including the letter of transmittal and your certificates representing Desert Sun Shares.

If the Desert Sun Shareholders approve the Arrangement Resolution, it is anticipated that the Arrangement will be completed at the beginning of April 2006.

On behalf of Desert Sun, I would like to thank all shareholders for their continuing support.

Edgar Filing: YAMANA GOLD INC - Form 6-K

Yours very truly,
(Signed) "Stan Bharti"
Stan Bharti
Chairman

NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS OF DESERT SUN MINING CORP.

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "Meeting") of holders of common shares of Desert Sun Mining Corp. ("Desert Sun") will be held on Friday, March 31, 2006, at 10:30 a.m. (Toronto time) at The Fairmont Royal York, Tudor Room 7-8, 100 Front Street West, Toronto, Ontario, M5J 1E3, for the following purposes:

- (a) to receive and consider the annual report of management to the shareholders and the audited financial statements of Desert Sun as at and for the year ended December 31, 2005 and the report of the auditors thereon;
- (b) to elect directors of Desert Sun for the ensuing year;
- (c) to appoint McGovern, Hurley, Cunningham LLP as auditors of Desert Sun for the ensuing year and to authorize the directors to fix their remuneration;
- (d) to consider, pursuant to an interim order of the Superior Court of Justice (Ontario) dated March 1, 2006 (the "Interim Order"), and, if deemed advisable, to pass a special resolution with or without variation, (the "Arrangement Resolution") approving, in advance, the arrangement (the "Arrangement") pursuant to section 192 of the Canada Business Corporations Act involving Desert Sun, Yamana Gold Inc. ("Yamana") and 6524338 Canada Inc. ("Yamana Subco") pursuant to which, among other things: (i) Desert Sun will amalgamate with Yamana Subco, (ii) each Desert Sun shareholder (other than a dissenting shareholder) will be entitled to receive common shares of Yamana in exchange for the common shares of Desert Sun held by such shareholder on the basis of 0.6 of a Yamana Share for each Desert Sun Share, (iii) the outstanding share purchase options and share purchase warrants of Desert Sun will become exercisable for common shares of Yamana, and (iv) the resulting amalgamated corporation will be a wholly-owned subsidiary of Yamana; and
- (e) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The Arrangement Resolution referenced above is more particularly described in the accompanying management proxy circular of Desert Sun (the "Proxy Circular") and the full text of the Arrangement Resolution is included as Exhibit F to the Proxy Circular. Capitalized terms not otherwise defined herein are defined in the Proxy Circular.

In order to be passed, the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by the Desert Sun Shareholders, and by a simple majority of the votes cast by disinterested Desert Sun Shareholders, at the Meeting.

Edgar Filing: YAMANA GOLD INC - Form 6-K

The Arrangement is subject to shareholder approval pursuant to the Interim Order. Before the Arrangement can become effective, it must be approved by a final order (the "Final Order") of the Superior Court of Justice (Ontario). A copy of the Interim Order and the notice of application for the Final Order are attached as Exhibits G and H, respectively, to the Proxy Circular. Any Desert Sun Shareholder may participate, be represented and present evidence or arguments at the hearing for the Final Order. Reference is made to the Interim Order and Final Order under the heading "The Arrangement Agreement -- Court Approval and Completion of the Arrangement".

The Arrangement will be completed pursuant to the arrangement agreement among Desert Sun, Yamana and Yamana Subco dated February 22, 2006. A description of the Arrangement and the other matters to be considered at the Meeting is included in the Proxy Circular.

Only Desert Sun Shareholders of record at the close of business on February 28, 2006 are entitled to receive notice of, and vote at, the Meeting and any adjournment or postponement thereof.

Pursuant to the Interim Order, registered Desert Sun Shareholders have been granted the right to dissent in respect of the Arrangement Resolution and to be paid fair value for their Desert Sun Shares. The right of dissent is described in the Proxy Circular. Failure to strictly comply with the requirements set forth in the Proxy Circular may result in the loss of any right of dissent.

Shareholders are requested to date, sign and return the enclosed form of proxy in the return envelope provided. To be counted, completed proxies returned either by mail or by fax to the office of Desert Sun's transfer agent, Equity Transfer Services Inc., must be received before noon (Toronto time) on March 29, 2006, or, if the Meeting is adjourned, at least two business days preceding the date of any adjournment of the Meeting. If by mail, Desert Sun Shareholders should use the self-addressed envelope enclosed or mail to Equity Transfer Services Inc., 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 4C3. If by fax, shareholders should use (416) 361-0470.

Unless otherwise directed, the persons named in the form of proxy accompanying the Notice of Meeting intend to vote in favour of the Arrangement Resolution.

DATED at Toronto, this 1st day of March, 2006.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "Stan Bharti"

Stan Bharti
Chairman

Whether or not you expect to attend the Meeting in person, please complete, date, sign and return the accompanying form of proxy at your earliest convenience. The accompanying Proxy Circular provides further information respecting proxies and the matters to be considered at the Meeting and is deemed to form part of this Notice.

TABLE OF CONTENTS

	Page
NOTICE TO SHAREHOLDERS IN THE UNITED STATES.....	1
REPORTING CURRENCY.....	2
FORWARD-LOOKING STATEMENTS.....	2
INFORMATION CONTAINED IN THIS PROXY CIRCULAR.....	3
SUMMARY.....	4
GLOSSARY OF TERMS.....	16
GENERAL PROXY INFORMATION.....	20
Solicitation of Proxies.....	20
Appointment of Proxies.....	20
Deposit of Proxies.....	20
Non-Registered Shareholders.....	20
Exercise of Vote by Proxies and Discretionary Authority.....	21
Revocation of Proxies.....	21
INFORMATION CONCERNING THE MEETING.....	22
Date, Time and Place of Meeting.....	22
Record Date and Shares Entitled to Vote.....	22
Matters to be Considered.....	22
Principal Shareholders.....	22
Quorum and Votes Required for Certain Matters.....	22
Interest of Certain Persons in the Arrangement.....	23
Dissent Rights.....	23
THE COMBINATION.....	23
The Arrangement.....	23
Background.....	24
Benefits of the Combination.....	25
Special Committee and Financial Advisor.....	25
Fairness Opinion of GMP.....	27
Fairness Opinion of Sprott Securities.....	27
Recommendation of the Board of Directors.....	28
Support Agreements.....	29
Court Approval and Completion of the Arrangement.....	29
Description of the Plan of Arrangement.....	29
Procedure for the Exchange of Desert Sun Share Certificates.....	31
Fractional Shares.....	31
Stock Exchange Listings.....	32
Regulatory Matters.....	32
Qualification and Resale of Yamana Shares.....	32
THE ARRANGEMENT AGREEMENT.....	34
General.....	34
Effective Date.....	34
Exchange Ratio.....	34
Treatment of Desert Sun Warrants and Desert Sun Options.....	34
Representations and Warranties.....	35
Covenants.....	35
Conditions to Closing.....	37
Non-Solicitation and Superior Proposal.....	38

Edgar Filing: YAMANA GOLD INC - Form 6-K

Amendment and Waiver.....	39
Termination and Termination Fees.....	39
Indemnification and Insurance.....	40
Expenses.....	40
RISK FACTORS.....	40
Risk Factors Relating to the Arrangement.....	40
Risk Factors Relating to Yamana.....	41
CERTAIN TAX CONSIDERATIONS TO DESERT SUN SHAREHOLDERS.....	42
Certain Canadian Federal Income Tax Considerations.....	42
Certain United States Federal Income Tax Consequences.....	44
Ownership of Yamana Shares.....	48
ELIGIBILITY FOR INVESTMENT IN CANADA OF YAMANA SHARES.....	50
ANNUAL BUSINESS TO BE CONSIDERED BY DESERT SUN SHAREHOLDERS.....	51
SPECIAL BUSINESS TO BE CONSIDERED BY DESERT SUN SHAREHOLDERS.....	52
EXHIBITS	
EXHIBIT A	
Desert Sun Mining Corp.....	A-1
EXHIBIT B	
Yamana Gold Inc.....	B-1
EXHIBIT C	
Sprott Securities Fairness Opinion.....	C-1
EXHIBIT D	
GMP Fairness Opinion.....	D-1
EXHIBIT E	
Plan of Arrangement.....	E-1
EXHIBIT F	
Arrangement Resolution.....	F-1
EXHIBIT G	
Interim Order.....	G-1
EXHIBIT H	
Notice of Application.....	H-1
EXHIBIT I	
Dissent Rights.....	I-1
EXHIBIT J	
Pro Forma Financial Statements.....	J-1

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

This solicitation of proxies and the transactions contemplated in this Proxy Circular are made in the United States for the securities of a Canadian company in accordance with Canadian corporate and securities laws. The Yamana Shares issued pursuant to the Arrangement (including those to be issued upon the exercise of Desert Sun Options and Desert Sun Warrants) have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and will instead be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act. The solicitation of proxies made in connection with this Proxy Circular is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, this Proxy Circular has been prepared in accordance with disclosure requirements applicable in Canada. Security holders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the U.S. Exchange Act.

The financial statements (including the pro forma financial statements) of

Edgar Filing: YAMANA GOLD INC - Form 6-K

Desert Sun, Yamana and RNC Gold Inc. included or incorporated by reference in this Proxy Circular have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable in all respects to financial statements of United States companies. See Exhibit A -- "Desert Sun Mining Corp. -- Non-GAAP Measures" and Exhibit B -- "Yamana Gold Inc. -- Non GAAP Measures".

This Proxy Circular uses the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize these terms. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.

U.S. shareholders should be aware that the disposition of Desert Sun Shares pursuant to the Arrangement might have tax consequences both in Canada and in the United States, which may not be described fully herein. See "Certain Tax Considerations to Desert Sun Shareholders -- Certain Canadian Federal Income Tax Considerations -- Desert Sun Shareholders Not Resident in Canada" and "Certain Tax Considerations to Desert Sun Shareholders -- Certain United States Federal Income Tax Consequences" in this Proxy Circular. Shareholders are encouraged to consult their own tax advisers.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Desert Sun, Yamana and Yamana Subco are incorporated and organized under the laws of Canada, that most of their respective officers and directors are residents of Canada and that all of the assets of Desert Sun, Yamana and Yamana Subco are located outside of the United States. You may not be able to sue a Canadian company or its officers or directors in a Canadian court for violations of United States securities laws. It may be difficult to enforce in Canada a judgement of a United States court that is based on a violation of U.S. securities laws.

THE SECURITIES TO BE ISSUED PURSUANT TO THIS TRANSACTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

1

REPORTING CURRENCY

In this document, unless otherwise specified, all references to "dollars" or "\$" are to Canadian dollars. On February 28, 2006, the noon rate in Toronto, as reported by the Bank of Canada, was \$1.1380 for each US\$1.00.

The closing, high, low and average exchange rates for the U.S. dollar in terms of Canadian dollars for the years ended December 31, 2005, 2004 and 2003, as reported by the Bank of Canada, were as follows:

Edgar Filing: YAMANA GOLD INC - Form 6-K

	Year Ended December 31,		
	2005	2004	2003
Closing.....	\$1.16	\$1.20	\$1.29
High.....	1.27	1.39	1.57
Low.....	1.14	1.17	1.29
Average (1).....	1.21	1.30	1.40

(1) Source: Bank of Canada -- calculated as an average of the daily noon rates for each period.

FORWARD-LOOKING STATEMENTS

This Proxy Circular contains "forward-looking statements", within the meaning of the United States Private Securities Litigation Reform Act of 1995, and "forward-looking information" under similar Canadian legislation, concerning the business, operations and financial performance and condition of each of Yamana and Desert Sun. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production, synergies and financial impact of the proposed transaction; the benefits of the proposed transaction and the development potential of Yamana's and Desert Sun's properties; the future price of gold and copper; the estimation of mineral reserves and mineral resources; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; permitting time lines and permitting, mining or processing issues; currency exchange rate fluctuations; government regulation of mining operations; environmental risks; unanticipated reclamation expenses; title disputes or claims; litigation liabilities; and limitations on insurance coverage. Generally, forward-looking statements and forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements and forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Yamana and Desert Sun to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to risks related to: unexpected events during construction, expansion and start-up; variations in ore grade, tonnes mined, crushed or milled; variations in relative amounts of refractory, non-refractory and transition ores; delay or failure to receive board or government approvals; timing and availability of external financing on acceptable terms; the businesses of Yamana and Desert Sun not being integrated successfully or such integration proving more difficult, time consuming or costly than expected; not realizing on the anticipated benefits from the Arrangement and all related transactions or not realizing on such anticipated benefits within the expected time frame; risks related to international operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and copper; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in the completion of development or construction activities, as well as those factors discussed in or

Edgar Filing: YAMANA GOLD INC - Form 6-K

referred to in the current annual Management's Discussion and Analysis and current Annual Information Form of each

2

of Yamana and Desert Sun each filed with the securities regulatory authorities in Canada and available at www.sedar.com, and Yamana's Annual Report on Form 40-F and Desert Sun's Annual Report on Form 40-F filed with the United States Securities and Exchange Commission. Although management of each of Desert Sun and Yamana has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Neither Desert Sun nor Yamana undertakes to update any forward-looking statements or forward-looking information that are incorporated by reference herein, except in accordance with applicable securities laws.

Readers are advised that National Instrument 43-101 of the Canadian Securities Administrators requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to the respective Annual Information Forms of Desert Sun and Yamana, each for the year ended December 31, 2004, and other continuous disclosure documents filed by each of Desert Sun and Yamana since January 1, 2005, available at www.sedar.com, for this detailed information, which is subject to the qualifications and notes set forth therein.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Readers should refer to the respective Annual Information Forms of Yamana, Desert Sun and RNC Gold Inc, each for the year ended December 31, 2004, and other continuous disclosure documents filed by each of Yamana, Desert Sun and RNC Gold Inc. since January 1, 2005 available at www.sedar.com, for further information relating to the mineral resources and mineral reserves of Yamana, Desert Sun and RNC Gold Inc.

INFORMATION CONTAINED IN THIS PROXY CIRCULAR

The information contained in this Proxy Circular is given as at March 1, 2006, except where otherwise noted.

No person has been authorized to give information or to make any representations in connection with the transactions other than those contained in this Proxy Circular and, if given or made, any such information or representations should be considered as not having been authorized by Desert Sun, Yamana or Yamana Subco.

This Proxy Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Proxy Circular as legal, tax or financial advice and should consult with their own professional

Edgar Filing: YAMANA GOLD INC - Form 6-K

advisors as to the relevant legal, tax, financial or other matters in connection herewith.

Information in this Proxy Circular regarding Yamana, RNC, Minerales Occidente S.A. and their respective business and affairs has been provided by Yamana and is the sole responsibility of Yamana. Desert Sun does not assume responsibility for the accuracy or completeness of such information.

3

SUMMARY

The following is a summary of certain information contained elsewhere in this Proxy Circular including the Exhibits hereto. Certain capitalized words and terms used in this summary are defined in the Glossary of Terms. This summary is qualified in its entirety by, and should be read together with, the detailed information and financial data and statements contained or referred to elsewhere or incorporated by reference in this Proxy Circular including the Exhibits hereto.

THE MEETING

DATE, TIME AND PLACE OF MEETING

The Meeting will be held on Friday, March 31, 2006 commencing at 10:30 a.m. (Toronto time) at The Fairmont Royal York, Tudor Room 7-8, 100 Front Street West, Toronto, Ontario, M5J 1E3.

RECORD DATE

At the close of business on the Record Date, there were 105,164,482 Desert Sun Shares outstanding. Desert Sun Shareholders of record at the close of business on the Record Date are entitled to attend, and to vote at, the Meeting.

MATTERS TO BE CONSIDERED

The Meeting will be constituted as an annual and special meeting of Desert Sun Shareholders. The Desert Sun Shareholders will be asked to consider and vote upon: (i) the election of directors of Desert Sun for the ensuing year; (ii) the appointment of auditors of Desert Sun for the ensuing year and the authorization of the directors to fix their remuneration; (iii) pursuant to the Interim Order, the Arrangement Resolution; and (iv) such other matters as may properly come before the Meeting.

DESERT SUN SHAREHOLDER APPROVAL

In order for the Arrangement to be effected, the Arrangement Resolution must be approved by (i) an affirmative vote of not less than two-thirds of the votes cast thereon by Desert Sun Shareholders at the Meeting, in person or by proxy, and (ii) an affirmative vote of a majority of the votes cast thereon by disinterested Desert Sun Shareholders at the Meeting, in person or by proxy.

Edgar Filing: YAMANA GOLD INC - Form 6-K

INTERESTS OF CERTAIN PERSONS IN THE ARRANGEMENT

Certain directors and/or officers of Desert Sun have interests in the Combination that are different than the interests of Desert Sun Shareholders generally. These interests relate primarily to certain benefits that are or may be triggered under consulting agreements of certain officers of Desert Sun in certain circumstances following a change of control of Desert Sun. See "Information Concerning the Meeting -- Interests of Certain Persons in the Arrangement".

4

THE COMBINATION

Pursuant to the Arrangement Agreement, Desert Sun and Yamana have agreed to complete the Arrangement pursuant to which, among other things, Desert Sun will amalgamate with Yamana Subco, each Desert Sun Shareholder (other than a Registered Desert Sun Shareholder who exercises dissent rights) will be entitled to receive Yamana Shares in exchange for Desert Sun Shares held by such Desert Sun Shareholder on the basis of 0.6 Yamana Shares for each Desert Sun Share held by such Desert Sun Shareholder and Amalco will be wholly-owned by Yamana, all pursuant to the Plan of Arrangement.

Upon completion of the Arrangement, each holder of a Desert Sun Warrant or a Desert Sun Option will be entitled to receive, upon subsequent exercise thereof, in accordance with the terms thereof, and shall accept in lieu of the number of Desert Sun Shares otherwise issuable upon such exercise, the number of Yamana Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the effective time of the Arrangement, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was previously entitled upon exercise.

Upon completion of the Arrangement, former Desert Sun Shareholders will own approximately 24% of the outstanding Yamana Shares, on a non-diluted basis, and former Desert Sun securityholders will hold approximately 27.5% of the outstanding Yamana Shares, on a fully-diluted basis.

See "The Combination".

BENEFITS OF THE ARRANGEMENT

The Board of Directors believes that the Combination will have the following benefits for Desert Sun Shareholders:

1. the Combination offers an attractive premium of approximately 24% to the weighted average trading prices of Desert Sun and Yamana for the ten day period ending on February 21, 2006, the date prior to the date on which the transaction was announced;
2. the combined company will be a significant gold producer with one of the largest production growth profiles;
3. the combined company will be well positioned for internal growth and have the financial strength and flexibility to take advantage of consolidation and acquisition opportunities in the gold mining

Edgar Filing: YAMANA GOLD INC - Form 6-K

industry;

4. the combined company will have interests in six producing gold operations, with estimated annualized gold production of approximately 450,000 gold equivalent ounces in 2006, making it one of the largest gold producers in Brazil;
5. as a result of the Combination, Desert Sun will mitigate the operational risks inherent in a one-mine company;
6. the combined company will have immediate and near-term production growth opportunities through the development of the Chapada mine and the Morro do Vento project;
7. the combined company expects to reduce expenses, including costs of production, based on the proximity of the Jacobina mine to Yamana's Fazenda Brasileiro and its ability to take advantage of general and administrative merger synergies;

5

8. the combined company will have a market capitalization of approximately \$2.4 billion (based on the closing price of the Desert Sun Shares and the Yamana Shares on the TSX on February 22, 2006, the date that the Arrangement was announced), which will facilitate the addition of the securities of the combined company to gold indices and will enhance its ability to compete for world class projects; and
9. the combined company will have an experienced management team with significant operating experience.

SPECIAL COMMITTEE REVIEW AND RECOMMENDATION OF THE BOARD OF DIRECTORS

A Special Committee of the Board of Directors was formed to review the Combination and reported to the Board of Directors respecting its recommendations and conclusions. The Special Committee concluded that the Arrangement is fair to Desert Sun Shareholders and that the Combination is in the best interests of Desert Sun and Desert Sun Shareholders. Further, the Special Committee recommended that the Board of Directors proceed with the Arrangement.

In reaching its conclusions and formulating its recommendations, the Special Committee considered the expected benefits from the Combination as well as a number of factors including:

- (a) information regarding Yamana, its assets and properties (see a summary of such information set forth in Exhibit B -- "Yamana Gold Inc.");
- (b) information regarding Yamana with respect to its historical and current financial condition, business and operations;
- (c) historical information regarding the market prices and trading information of the Desert Sun Shares and the Yamana Shares;
- (d) information regarding Yamana obtained by Desert Sun management from its due diligence review of Yamana and, in particular, technical information obtained during visits to Yamana properties;

Edgar Filing: YAMANA GOLD INC - Form 6-K

- (e) Desert Sun management concluded that the significant opportunities for cost savings in Brazil that are expected to result from the Combination will not be available to third parties, hence, in their opinion, making it difficult for a third party to offer consideration in excess of what is offered under the Combination;
- (f) the anticipated size and market liquidity of the combined company, subsequent to the Arrangement;
- (g) that the Yamana Shares offered in connection with the Arrangement provide Desert Sun Shareholders with the opportunity to be shareholders of a larger, more diversified company;
- (h) Desert Sun Shareholders will retain their ability to benefit from the growth prospects represented by the combined company by receiving 0.6 of a Yamana Share for each Desert Sun Share held;
- (i) the Exchange Ratio implied a price of \$5.57 per Desert Sun Share representing a premium of approximately 24% based on the volume-weighted-average trading prices of Yamana and Desert Sun for the ten-day period ending on February 21, 2006, the date prior to the date on which the Arrangement was announced;
- (j) the GMP Fairness Opinion and the Sprott Securities Fairness Opinion, which both concluded that the Arrangement is fair, from a financial point of view, to the Desert Sun Shareholders;
- (k) the Special Committee has relied on the fact that Sprott Securities had previously been retained as financial advisor to identify and approach potential third parties that demonstrated a real interest in pursuing a transaction at a price/consideration comparable to that offered pursuant to the Combination and that would be motivated and able to complete a transaction in a reasonable period of time;

6

- (l) for Canadian federal income tax purposes, Desert Sun Shareholders who hold their Desert Sun Shares as capital property generally will be able to exchange their Desert Sun Shares for Yamana Shares under the Arrangement on a tax-deferred basis under the Tax Act (see "Certain Tax Considerations to Desert Sun Shareholders -- Certain Canadian Federal Income Tax Considerations");
- (m) the view of the Desert Sun Board of Directors that the terms and conditions of the Arrangement Agreement, including the amount of the Termination Fee and the circumstances under which it is payable, do not prevent, or unreasonably deter, an unsolicited third party from proposing or making a Superior Proposal, provided that Desert Sun complies with the terms of the Arrangement Agreement;
- (n) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Desert Sun Shareholders and a majority of the votes cast at the Meeting by disinterested Desert Sun Shareholders;
- (o) the Arrangement requires approval of the Court, which will consider, among other things, the fairness of the Arrangement to Desert Sun

Edgar Filing: YAMANA GOLD INC - Form 6-K

Shareholders;

- (p) the risks associated with the completion of the Combination, and the risks associated with not completing the Combination; and
- (q) under the Arrangement, Registered Desert Sun Shareholders will have dissent rights.

The Special Committee also considered current industry, economic and market conditions and trends as well as the reasons set forth under "The Combination -- Benefits for the Combination".

After considering the report of the Special Committee, the Board of Directors adopted the Special Committee's recommendation, concluded that the Arrangement and the terms of the Arrangement Agreement are fair to Desert Sun Shareholders and authorized the entry by Desert Sun into the Arrangement Agreement and all related agreements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT DESERT SUN SHAREHOLDERS VOTE IN FAVOUR OF THE ARRANGEMENT RESOLUTION.

SPROTT SECURITIES FAIRNESS OPINION

Desert Sun engaged Sprott Securities Inc. ("Sprott Securities") as its financial advisor as of January 27, 2006. As part of its engagement, Sprott Securities was asked by the Board of Directors to, among other things, consider the proposed Combination and provide its opinion as to the fairness of the Arrangement, from a financial point of view, to Desert Sun Shareholders. On February 20, 2006, Sprott Securities provided in writing to the board of directors its opinion, that as of that date, based upon and subject to the considerations described therein, the Arrangement is fair, from a financial point of view, to Desert Sun Shareholders. Under the terms of the Sprott Securities Engagement Letter, Desert Sun has agreed to pay Sprott Securities an advisory fee equal to 0.5% of the value attributed to Desert Sun in the Arrangement, which is payable upon its completion.

Desert Sun Shareholders are encouraged to read the full text of the Sprott Securities Fairness Opinion, which sets forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of the review undertaken by Sprott Securities in rendering the Sprott Securities Fairness Opinion. The Sprott Securities Fairness Opinion is attached as Exhibit C to this Proxy Circular.

GMP FAIRNESS OPINION

The Special Committee engaged GMP Securities L.P. ("GMP") as its financial advisor as of February 13, 2006. As part of its engagement, GMP was asked by the Special Committee to, among other things, consider the proposed Combination and provide its opinion as to the fairness of the Arrangement, from a financial point of view, to Desert Sun

Shareholders. On February 20, 2006, GMP provided in writing to the board of directors its opinion, that as of that date, based upon and subject to the considerations described therein, the Arrangement is fair, from a financial point of view, to Desert Sun Shareholders.

Edgar Filing: YAMANA GOLD INC - Form 6-K

Desert Sun Shareholders are encouraged to read the full text of the GMP Fairness Opinion, which sets forth, among other things, information reviewed, matters considered and limitations on the scope of the review undertaken by GMP in rendering the GMP Fairness Opinion. The GMP Fairness Opinion is attached as Exhibit D to this Proxy Circular.

SUPPORT OF DESERT SUN OFFICERS AND DIRECTORS

Each of the officers and directors of Desert Sun have agreed:

1. to vote or cause to be voted in favour of the Arrangement Resolution, the Desert Sun Shares beneficially owned by him or her or over which he or she exercises control or direction at the Meeting;
2. except as permitted by the Arrangement Agreement, not to initiate, solicit, promote or encourage inquiries or the submission of proposals in respect of any Acquisition Proposal or take any other action that would or could reasonably reduce the likelihood of success of completion of the Combination; and
3. not to sell, transfer, option or otherwise dispose of any such Desert Sun Shares.

The obligations of such officers and directors will terminate to the extent there is a Superior Proposal and otherwise if the Arrangement Agreement is terminated in accordance with its terms.

Such officers and directors of Desert Sun collectively beneficially own and exercise control or direction over an aggregate of 2,096,192 Desert Sun Shares, representing approximately 1.99% of the Desert Sun Shares outstanding.

8

IMPLEMENTATION OF ARRANGEMENT

If the Arrangement is approved at the Meeting and a Final Order approving the Arrangement is issued by the Superior Court of Justice (Ontario) and the applicable conditions to completion of the Arrangement have been satisfied:

- (a) Articles of Arrangement will be filed pursuant to which:
 - (i) Desert Sun and Yamana Subco will amalgamate and continue as Amalco on the terms prescribed in the Plan of Arrangement;
 - (ii) all Desert Sun Shares held by Yamana Subco will be cancelled without any repayment of capital in respect thereof;
 - (iii) all Desert Sun Shares held by Desert Sun Shareholders (other than Dissenting Shareholders) will be exchanged for Yamana Shares on the basis of 0.6 of a Yamana Share for each Desert Sun Share, and each Desert Sun Share will be cancelled without any repayment of capital in respect thereof;
 - (iv) each Desert Sun Warrant will entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of

Edgar Filing: YAMANA GOLD INC - Form 6-K

Yamana Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at a price of \$4.167 per Yamana Share issued;

- (v) each Desert Sun Option will entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of Yamana Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at a price per Yamana Share issued adjusted to reflect the Combination. Desert Sun Options shall continue to be governed by and be subject to the terms of the Desert Sun Stock Option Plan and applicable agreement thereunder except to the extent that a Desert Sun Option will expire on the earlier of the expiry date for such option and six months after the Effective Date (instead of in ninety days as provided in the Stock Option Plan) if the holder thereof ceases to be an employee, consultant or director of Desert Sun as of the Effective Date and does not become an employee, consultant or director of Yamana or a material subsidiary thereof on that date;
- (vi) each Yamana Subco Share will be exchanged for one Amalco Share;
- (vii) Desert Sun Shareholders (other than Dissenting Shareholders) will become shareholders of Yamana, a corporation governed by the CBCA; and
- (viii) Amalco will be a wholly-owned subsidiary of Yamana.

See "The Combination."

TREATMENT OF DESERT SUN WARRANTS AND DESERT SUN OPTIONS

The Arrangement Agreement and the Plan of Arrangement provide that each holder of a Desert Sun Warrant or a Desert Sun Option will be entitled to receive upon the subsequent exercise thereof in accordance with its terms, and shall

9

accept in lieu of the number of Desert Sun Shares otherwise issuable upon such exercise, the number of Yamana Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise at a price per Yamana Share issued of \$4.167.

CONDITIONS TO THE COMBINATION

The Arrangement is subject to a number of mutual conditions, which can only be waived by both Desert Sun and Yamana, including, among others, (i) the

Edgar Filing: YAMANA GOLD INC - Form 6-K

Interim Order shall have been granted and not amended in a manner unacceptable to Yamana or Desert Sun; (ii) Desert Sun Shareholder approval; (iii) the Final Order shall have been granted in form and substance satisfactory to Yamana and Desert Sun, each acting reasonably; (iv) the Articles of Arrangement shall be in form and substance satisfactory to Yamana and Desert Sun; (v) no law or regulation shall make it illegal or negatively impact the Arrangement so as to have a Material Adverse Effect on Desert Sun or Yamana; (vi) the TSX and AIM shall have conditionally approved the listing thereon, and AMEX shall have authorized for listing, the Yamana Shares to be issued pursuant to the Arrangement; (vii) receipt of all required consents, permits and other regulatory approvals and all third party consents; and (viii) the Yamana Shares to be issued in the United States pursuant to the Arrangement being exempt from registration requirements under the U.S. Securities Act. See "The Combination -- Shareholder Approval", "The Combination -- Regulatory Matters", and "The Arrangement Agreement -- Conditions to the Closing".

The obligations of Yamana to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Desert Sun under the Arrangement Agreement being true and correct, except where failure or breaches of representations and warranties would not either individually or in the aggregate in the reasonable judgement of Yamana have a Material Adverse Effect on Desert Sun; (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on Desert Sun; (iii) Desert Sun having complied in all material respects with its covenants in the Arrangement Agreement; (iv) Desert Sun Shareholders holding no more than 5% of the outstanding Desert Sun Shares shall have exercised their right of dissent in respect of the Arrangement Resolution; and (v) each of Stan Bharti and Bruce Humphrey shall have accepted Yamana Shares in consideration of one-half of the "change in control" payment owing to each of them under their respective consulting agreement.

The obligations of Desert Sun to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Yamana under the Arrangement Agreement being true and correct, except where failure or breaches of representations and warranties would not either individually or in the aggregate in the reasonable judgement of Desert Sun have a Material Adverse Effect on Yamana; (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on Yamana; (iii) Yamana having complied in all material respects with its covenants in the Arrangement Agreement.

NON-SOLICITATION

Pursuant to the Arrangement Agreement, Desert Sun has agreed that it will not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Desert Sun or the Desert Sun Subsidiary, or otherwise: (a) solicit, initiate or promote (including by way of furnishing information or entering into any form of agreement or understanding) any inquiries or proposals regarding any Acquisition Proposal or potential Acquisition Proposal; (b) participate in any discussions or negotiations regarding any Acquisition Proposal or potential Acquisition Proposal; (c) agree to, approve or recommend or propose publicly to agree to approve or recommend any Acquisition Proposal or potential Acquisition Proposal; (d) accept or enter into any agreement, understanding or arrangement related to any Acquisition Proposal or potential Acquisition Proposal; or make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the recommendation of the directors of Desert Sun to approve the Combination. Notwithstanding the foregoing, nothing will

Edgar Filing: YAMANA GOLD INC - Form 6-K

prevent or restrict the Board of Directors from, prior to the approval of the Arrangement by Desert Sun Shareholders, considering or negotiating any unsolicited bona fide Acquisition Proposal that would be a Superior Proposal or from approving or recommending to Desert Sun Shareholders, or entering into any agreement in respect of, a Superior Proposal in accordance with the terms of the Arrangement Agreement. Desert Sun must notify Yamana within 24 hours of the receipt by any director or officer of Desert

10

Sun of any Acquisition Proposal, any amendment to the foregoing, or any request for non-public information relating to Desert Sun or the Desert Sun Subsidiary. See "The Combination -- Non-Solicitation".

SUPERIOR PROPOSAL

Neither Desert Sun nor the directors thereof shall accept, approve or recommend or enter into any agreement in respect of an Acquisition Proposal on the basis that it would constitute a Superior Proposal, unless (i) Desert Sun has provided Yamana with a copy of information concerning the Acquisition Proposal, together with any material non-public information provided to the maker of the Acquisition Proposal and not previously provided to Yamana; (ii) such Superior Proposal does not provide for the payment of any break, termination or other fees or expenses to the other party in the event that Desert Sun completes the Combination or any other similar transaction with Yamana or any of its affiliates agreed to prior to termination of the Arrangement Agreement (provided that a Superior Proposal may provide for the payment of expenses to the other party in the event that Desert Sun and Yamana do not enter into an amended agreement in respect of the Superior Proposal, Yamana provides notice that it wishes the Meeting to proceed, a further Superior Proposal is subsequently made by another party and Yamana ultimately succeeds); and (iii) five business days have elapsed from the later of the date on which Yamana received notice of the determination of the Board of Directors to accept, approve, recommend or enter into any agreement in respect of such Superior Proposal and the date Yamana received a copy of the Acquisition Proposal, and Yamana has not within such five business day period agreed to at least match the value per Desert Sun Share of such Superior Proposal. See "The Combination -- Superior Proposal".

TERMINATION AND TERMINATION FEES

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

1. by mutual written consent of the parties;
2. by either party if:
 - a. a mutual condition or a condition in its favour is not satisfied or waived in accordance with the Arrangement Agreement; or
 - b. the Effective Date is not on or before the Completion Deadline, provided however, if the Arrangement has not been completed by such date because the Meeting has not been held due to the fault of Desert Sun, then Desert Sun shall not be entitled to terminate the Arrangement Agreement; or

Edgar Filing: YAMANA GOLD INC - Form 6-K

- c. the Meeting is held and completed and the Desert Sun Shareholders do not approve the Arrangement Resolution; or
3. by Yamana or Yamana Subco if there is a Superior Proposal and the directors of Desert Sun withdraw or modify in any manner adverse to Yamana or Yamana Subco their approval or recommendation of the Arrangement, or shall fail, after being requested by Yamana in writing, to reaffirm its approval or recommendation of the Arrangement, or shall have accepted, approved, recommended or entered into any agreement in respect of any Superior Proposal.

If Yamana terminates the Arrangement Agreement in connection with:

1. a Superior Proposal and the Board of Directors of Desert Sun has (i) withdrawn or modified in a manner adverse to Yamana their approval or recommendation of the Arrangement; (ii) failed, after being requested by Yamana in writing, to reaffirm its approval or recommendation of the Arrangement as promptly as possible, but in any event within two business days, or (iii) accepted, approved or recommended or entered into an agreement in respect of any Superior Proposal;
2. Desert Sun failing to satisfy its covenants regarding non-solicitation and superior proposals in any material respect, as described under the heading "The Arrangement Agreement -- Non-Solicitation and Superior Proposal";
3. Desert Sun failing to submit the Arrangement for approval to the Desert Sun Shareholders, in accordance with the terms of the Arrangement Agreement, or failing to solicit proxies in connection therewith;

then Desert Sun shall pay Yamana an amount in cash equal to \$21.5 million. Desert Sun shall also have to pay such a break fee if an Acquisition Proposal has been made to Desert Sun and made known to Desert Sun Shareholders generally and not withdrawn publicly prior to the Meeting, the Desert Sun Shareholders do not approve the Arrangement, and Desert Sun completes an Acquisition Proposal with such third party within nine months following the termination of the Arrangement. Such payment shall be made within five days following the completion of the Acquisition Proposal. Desert Sun shall not be obligated to make more than one such termination payment.

Notwithstanding that Desert Sun has entered into an agreement in connection with, or otherwise supports, a Superior Proposal, Yamana may require Desert Sun to hold the Meeting and to place the Arrangement Resolution before the Desert Sun Shareholders for approval.

STOCK EXCHANGE LISTINGS

Yamana Shares are listed and posted for trading on the TSX under the symbol "YRI", on the AMEX under the symbol "AUY" and on AIM under the symbol "YAU". Desert Sun Shares are listed and posted for trading on the TSX under the symbol "DSM" and on the AMEX under the symbol "DEZ" and are also quoted over the counter on the Berlin and Frankfurt Stock Exchanges under the symbol "DRT". Desert Sun Warrants are listed for trading on the TSX under the symbol "DSM.WT".

Edgar Filing: YAMANA GOLD INC - Form 6-K

Following completion of the Arrangement, the Desert Sun Warrants will continue to be listed on the TSX as share purchase warrants of Yamana. See "The Combination -- Stock Exchange Listings".

INCOME TAX CONSIDERATIONS

Canadian and U.S. Desert Sun Shareholders should consult their own tax advisers for specific advice concerning the tax consequences of the Arrangement.

For Canadian federal income tax purposes, a Desert Sun Shareholder whose Desert Sun Shares are capital property will generally realize neither a capital gain nor a capital loss on the exchange of such shares for Yamana Shares under the Arrangement. Desert Sun Shareholders should read carefully the information under "Certain Tax Considerations to Desert Sun Shareholders -- Certain Canadian Federal Income Tax Considerations" that qualifies the information set forth above.

For U.S. federal income tax purposes, Yamana and Desert Sun have agreed to treat the Arrangement as a reorganization under the provisions of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended. Even if the Arrangement qualifies as a reorganization, however, a U.S. Holder (as defined under "Certain Tax Considerations to Desert Sun Shareholders -- Certain United States Federal Income Tax Consequences") of Desert Sun Shares may be required to recognize taxable gain (but not loss) on the exchange of its Desert Sun Shares for Yamana Shares if the U.S. Holder has held Desert Sun Shares at any time during which Desert Sun was a "passive foreign investment company" for U.S. federal income tax purposes. Holders of Desert Sun Shares should read carefully the information under "Certain Tax Considerations to Desert Sun Shareholders -- Certain United States Federal Income Tax Consequences".

RISK FACTORS

Desert Sun Shareholders should consider a number of risk factors in evaluating whether to approve the Arrangement Resolution, which are discussed in this Proxy Circular. These risk factors include certain risks related to the business of

12

Yamana, which are discussed in greater detail herein. See Exhibit A -- "Desert Sun Mining Corp. -- Risk Factors" and Exhibit B -- "Yamana Gold Inc. -- Risk Factors".

DISSENTING SHAREHOLDERS

Registered Desert Sun Shareholders are entitled to dissent from the Arrangement Resolution in the manner provided in section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. Each Desert Sun Share held by Dissenting Shareholders shall be deemed to be transferred by the holders thereof, without any further act or formality on their part, free and clear of all liens, claims and encumbrances, to Yamana. Yamana will be obliged to pay, as determined on the Arrangement Effective Date, the fair value of such Dissenting Shareholders' Desert Sun Shares. See Exhibit I -- "Dissent Rights". It is suggested that any Desert Sun Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice as failure to comply strictly with the provisions of the CBCA may prejudice their right of dissent.

DESERT SUN SELECTED FINANCIAL DATA

The following selected financial data for Desert Sun is based upon, and should be read in conjunction with, the more detailed financial information appearing in the audited comparative consolidated balance sheets of Desert Sun as at December 31, 2005 and 2004 and the audited consolidated statements of shareholders' equity, operations and deficit and cash flows for the twelve-month period ended December 31, 2005, the sixteen-month period ended December 31, 2004 and the twelve-month period ended August 31, 2003, together with the auditors' report thereon and the notes thereto and the management's discussion and analysis in respect thereof incorporated by reference in this Proxy Circular, as well as the unaudited interim financial statements of Desert Sun as at and for the nine months ended September 30, 2005.

	Year ended December 31, 2005 -----	Summary Financial (\$000, except where ----- Nine months e September 30, ----- (unaudite
Statements of Operations		
Operating revenues.....	20,228	8,962
Operating expenses.....	15,658	7,724
Operating earnings (loss).....	4,570	1,238
Net income (loss).....	(7,916)	(6,858)
Net income (loss) per share --		
Basic (\$/share).....	(0.09)	(0.08)
Diluted (\$/share).....	(0.09)	(0.08)
Weighted average number of shares outstanding as of the end of the period (thousands).....	84,198	82,022
	As at December 31, 2005 -----	As at September 30, ----- (unaudited
Balance Sheet		
Total assets.....	142,614	99,623
Shareholders' equity.....	121,958	84,971
Capital stock.....	122,898	88,579

YAMANA SELECTED FINANCIAL DATA

The following selected financial data for Yamana is based upon, and should

Edgar Filing: YAMANA GOLD INC - Form 6-K

be read in conjunction with, the more detailed financial information appearing in the audited comparative consolidated financial statements of Yamana as at and for the ten months ended December 31, 2004, as at and for the fiscal year ended February 29, 2004, together with the auditors' report thereon and the notes thereto, and the unaudited interim financial statements as at and for the nine months ended September 30, 2005, and management's discussion and analysis in respect thereof incorporated by reference in this Proxy Circular.

	Su (US\$00 -----
	Nine months e September 30, ----- (unaudited
Statements of Operations	
Operating revenues.....	29,383
Operating expenses.....	25,780
Operating earnings (loss).....	3,603
Net income (loss).....	(4,038)
Net income (loss) per share	
Basic (\$/share).....	(0.03)
Diluted (\$/share).....	(0.03)
Weighted average number of shares outstanding as of the end of the period (thousands).....	129,654
	As at September 30, -----
Balance Sheet	
Total assets.....	345,206
Shareholders' equity.....	210,124
Capital stock.....	205,483

PRO FORMA SELECTED FINANCIAL DATA

The following selected unaudited pro forma financial data for Yamana is based upon, and should be read in conjunction with, the more detailed financial information appearing in the unaudited consolidated pro forma financial statements of Yamana for the ten months ended December 31, 2004 and the nine-month period ended September 30, 2005 included elsewhere in this Proxy Circular. The unaudited pro forma consolidated financial statements of Yamana reflect the completion of the Combination as if it had occurred on January 1, 2004 for the purposes of the pro forma consolidated statement of operations, and on September 30, 2005 for the purposes of the pro forma balance sheet. The unaudited pro forma consolidated financial statements include financial information taken from the unaudited financial statements of RNC Gold Inc. and Minerales Occidente S.A. as at September 30, 2005 and for the nine months then ended, and the audited financial statements of the companies for the year ended December 31, 2004, respectively, which financial statements are incorporated

Edgar Filing: YAMANA GOLD INC - Form 6-K

herein by reference, and assume that the acquisition of RNC Gold Inc. and Minerales Occidente S.A. occurred on January 1, 2004 for the purposes of the pro forma consolidated statement of operations, and on September 30, 2005 for the purposes of the pro forma balance sheet. Yamana is currently evaluating Desert Sun's mining operations as part of its transition plan relating to the integration of Desert Sun's operations with Yamana's existing operating mines and projects under construction. The unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position or financial results that would have been achieved had the Arrangement been completed as of the beginning of the periods presented and should not be construed as representative of such amounts for any future dates or periods.

	Pro For
	(US\$00

	Nine-months e
	September 30,

	(unaudite
Statements of Operations	
Gold sales.....	67,297
Mine operating expenses.....	66,594
Operating earnings (loss).....	703
Net income (loss).....	(17,461)
Net income (loss) per share --	
Basic (\$/share).....	(0.09)
Shares outstanding as of the end of the period (thousands).....	187,942

	As at
	September 30,

Balance Sheet	
Total assets.....	134,348
Shareholders' equity.....	765,755
Capital stock.....	676,090

GLOSSARY OF TERMS

The following is a glossary of terms used frequently in this Proxy Circular and in Exhibit "A" and Exhibit "B" attached hereto.

"Acquisition Proposal" means, in respect of Desert Sun, any bona fide inquiry, proposal or offer made by a party with whom Desert Sun and each of its officers and directors deals at arm's length regarding any merger, amalgamation, share exchange, business combination, take-over bid, tender offer, sale or other disposition of all or substantially all of its assets, in a single transaction

Edgar Filing: YAMANA GOLD INC - Form 6-K

or a series of related transactions, (or any lease, long term supply agreement or other arrangement having the same economic effect as a sale of all or substantially all of Desert Sun's assets), any recapitalization, reorganization, liquidation, material sale or issue of treasury securities or rights therein or thereto or rights or options to acquire any material number of treasury securities, any exchange offer, secondary purchase or any type of similar transaction that would, or could, in any case, constitute a de facto acquisition or change of control of Desert Sun or would or could, in any case, result in the sale or other disposition of all or substantially all of the assets of Desert Sun (other than the Arrangement and all other transactions to be completed in connection with the Arrangement contemplated in the Arrangement Agreement).

"ADP" means ADP Investor Communications Corporation.

"affiliate" shall have the meaning ascribed to such term under the CBCA but shall not include Yamana Subco.

"AIM" means the Alternative Investment Market of the London Stock Exchange plc.

"Amalco" means the entity resulting from the amalgamation of the Amalgamating Corporations.

"Amalco Shares" means the common shares in the share capital of Amalco.

"Amalgamating Corporations" means Yamana Subco and Desert Sun.

"AMEX" means the American Stock Exchange.

"Arrangement" means the arrangement under section 192 of the CBCA described in the Arrangement Agreement and set out in the Plan of Arrangement, subject to any amendment or supplement thereto and made in accordance with or at the discretion of the Court in the Final Order, involving Desert Sun, Yamana and Yamana Subco pursuant to which, among other things: (i) Desert Sun will amalgamate with Yamana Subco, (ii) each Desert Sun Shareholder (other than Dissenting Shareholders, Yamana and its affiliates) will be entitled to receive Yamana Shares in exchange for the Desert Sun Shares held by such Desert Sun Shareholders on the basis of the Exchange Ratio, and (iii) Amalco will become a wholly-owned subsidiary of Yamana.

"Arrangement Agreement" means the agreement between Yamana, Yamana Subco and Desert Sun in respect of the Arrangement dated February 22, 2006, filed and available on SEDAR and incorporated by reference in this Proxy Circular.

"Arrangement Resolution" means the special resolution of Desert Sun Shareholders approving the Arrangement as set out in Exhibit F to this Proxy Circular.

"Articles of Arrangement" means the articles of arrangement giving effect to the Arrangement, to be filed pursuant to the CBCA.

"Board of Directors" or "'Board" means the board of directors of Desert Sun.

"Canadian Securities Regulatory Authorities" means the applicable securities commissions and similar securities regulatory authorities of the provinces and territories of Canada.

"CBCA" means the Canada Business Corporations Act, as may be amended from time to time.

Edgar Filing: YAMANA GOLD INC - Form 6-K

"CDS" means the Canadian Depository for Securities Limited.

"Certificate" means the certificate of arrangement of Amalco issued by the Director under the CBCA.

"CIBC Mellon" means CIBC Mellon Trust Company, the transfer agent and registrar in respect of the Yamana Shares.

"Closing Date" means April 5, 2006 or such other date as Desert Sun, Yamana and Yamana Subco may mutually agree upon.

"CIBC Mellon" means CIBC Mellon Trust Company.

"Combination" means the business combination of Desert Sun and Yamana pursuant to the terms of the Arrangement Agreement.

"Court" means the Superior Court of Justice (Ontario).

"CRA" means Canada Revenue Agency.

"Desert Sun" means Desert Sun Mining Corp., a corporation existing under the CBCA.

"Desert Sun Consulting Agreements" means the consulting agreements that Desert Sun has entered into with each of: Stan Bharti as Chairman, Gerald McCarvill as Vice Chairman, Bruce Humphrey as President and Chief Executive Officer, Stephen Woodhead as Chief Financial Officer, Peter Tagliamonte as Vice President, Operations and Chief Operating Officer, Mike Hoffman as Vice President, Strategic Development, Dr. William Pearson as Vice President, Exploration, Naomi Nemeth as Vice President, Investor Relations and Tony Wonnacott as General Counsel and Corporate Secretary.

"Desert Sun Options" means the options outstanding to acquire an aggregate of 8,547,163 Desert Sun Shares issued pursuant to the Desert Sun stock option plan, with exercise prices ranging from \$0.38 to \$2.86 per Desert Sun option and with expiry dates ranging from July 11, 2007 to January 3, 2011.

"Desert Sun Shareholders" means holders of Desert Sun Shares.

"Desert Sun Shares" means the common shares in the capital of Desert Sun.

"Desert Sun Subsidiary" means Jacobina Mineracao e Comercio Ltda.

"Desert Sun Warrants" means the share purchase warrants of Desert Sun listed for trading on the TSX, each of which entitles the holder thereof to acquire one Desert Sun Share at a price of \$2.50 at any time prior to 5:00 p.m. (Toronto time) on November 20, 2008.

"Director" means the director appointed pursuant to section 260 of the CBCA.

"Dissent Notice" means a written objection to the Arrangement Resolution made by a Registered Desert Sun Shareholder in accordance with the Dissent Procedures.

"Dissent Procedures" means the dissent procedures described under "Information Concerning the Meeting -- Dissent Rights" and Exhibit I -- "Dissent Rights".

"Dissenting Shareholder" means a Registered Desert Sun Shareholder who dissents in respect of the Arrangement Resolution in strict compliance with the Dissent Procedures.

"DPSP" means a deferred profit sharing plan (within the meaning of the Tax Act).

Edgar Filing: YAMANA GOLD INC - Form 6-K

"Effective Date" means the date set out in the Certificate as being the effective date in respect of the Arrangement.

18

"Effective Time" means 12:01 a.m. (Toronto time) on the Effective Date.

"Eligible Institution" means a Canadian Schedule I Chartered Bank, a major trust company in Canada, a commercial bank or trust company having an office, branch or agency in the United States, a firm that is a member of a recognized stock exchange in Canada, the Investment Dealers Association of Canada, a national securities exchange in the United States or the National Association of Securities Dealers, Inc. or a participant in the Securities Transfer Agents Medallion Program (STAMP).

"Equity Transfer" means Equity Transfer Services Inc.

"Exchange Ratio" means the ratio of 0.6 of a Yamana Share exchanged for one Desert Sun Share.

"Final Order" means the final order of the Court approving the Arrangement.

"GMP" means GMP Securities L.P.

"GMP Engagement Letter" means the engagement letter dated February 14, 2006, pursuant to which the Special Committee retained GMP to act as its financial advisor.

"GMP Fairness Opinion" means the opinion of GMP provided to members of the Special Committee and addressed to the Special Committee that the Arrangement is fair from a financial point of view to the Desert Sun Shareholders, dated February 20, 2006, a copy of which is attached as Exhibit D to this Proxy Circular.

"Interim Order" means the interim order of the Court granted on March 1, 2006 pursuant to which Desert Sun is authorized to present the Plan of Arrangement at the Meeting.

"Intermediary" means an intermediary that a Non-Registered Shareholder may deal with, including banks, trust companies, securities dealers or brokers and trustees or administrators of RRSPs, RRIFs, RESPs and similar plans, and their nominees.

"Letter of Transmittal" means the Letter of Transmittal for transmittal of Desert Sun Shares (printed on blue paper) in the form accompanying this Proxy Circular, or a facsimile thereof.

"Material Adverse Change" means, in respect of Yamana or Desert Sun, any one or more changes, events or occurrences, and "Material Adverse Effect" means, in respect of Yamana or Desert Sun, any state of facts, which, in either case, either individually or in the aggregate, are, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, prospects, assets, liabilities or financial condition of Yamana and the Yamana Material Subsidiaries, or Desert Sun and the Desert Sun Subsidiary, respectively, on a consolidated basis, other than any change, effect, event or occurrence: (i) relating to the global economy or securities markets in general; (ii) affecting the worldwide gold mining industry in general and that does not

Edgar Filing: YAMANA GOLD INC - Form 6-K

have a materially disproportionate effect on Yamana and the Yamana Material Subsidiaries on a consolidated basis, or Desert Sun and the Desert Sun Subsidiary on a consolidated basis, respectively; (iii) resulting from changes in the price of gold or copper; or (iv) relating to the rate at which Canadian dollars can be exchanged for United States dollars or vice versa; for greater certainty, any production delays at the Jacobina Mine that are or would reasonably be expected to be material and adverse to the business, operations, results of operations, prospects, assets, liabilities or financial condition of Desert Sun and the Desert Sun Subsidiary, on a consolidated basis, shall constitute a Material Adverse Change or Material Adverse Effect, as the case may be, in respect of Desert Sun and the Desert Sun Subsidiary.

"Material Yamana Subsidiaries" means the subsidiaries of Yamana set out in Exhibit "B" hereof.

"Meeting" means the annual and special meeting of the Desert Sun Shareholders to be held on March 31, 2006, and any adjournment thereof.

"Meeting Materials" means this Proxy Circular, the Notice of Meeting, the form of proxy for use in connection with the Meeting and the Letter of Transmittal.

19

"NI 54-101" means the Canadian Securities Administrators' National Instrument 54-101, Proxy Solicitation.

"Non-Registered Shareholder" means a Desert Sun Shareholder who is a beneficial holder of Desert Sun Shares and is not a Registered Desert Sun Shareholder in respect of such Desert Sun Shares.

"Non-Resident Shareholders" has the meaning specified under "Certain Tax Considerations to Desert Sun Shareholders -- Certain Canadian Federal Income Tax Considerations -- Desert Sun Shareholders Not Resident in Canada".

"Notice of Meeting" means the notice dated March 1, 2006 in respect of the Meeting included in the Meeting Materials.

"OSC" means the Ontario Securities Commission.

"Plan of Arrangement" means the plan of arrangement proposed by Desert Sun and Yamana to effect the Arrangement, which is attached hereto as Exhibit E.

"Proxy Circular" means this management proxy circular, as it may be amended, restated or supplemented from time to time.

"Record Date" means February 28, 2006.

"Registered Desert Sun Shareholder" means a registered holder of Desert Sun Shares.

"RESP" means a registered education savings plan (within the meaning of the Tax Act).

"RNC" means RNC Gold Inc., a company acquired by Yamana as of February 28, 2006 pursuant to a plan of arrangement involving the amalgamation of RNC with 6482015 Canada Inc., a wholly-owned subsidiary of Yamana.

"RRIF" means a registered retirement income fund (within the meaning of the Tax Act).

Edgar Filing: YAMANA GOLD INC - Form 6-K

"RRSP" means a registered retirement savings plan (within the meaning of the Tax Act).

"Rule 61-501" means OSC Rule 61-501 -- Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions.

"SEDAR" means the System for Electronic Document Analysis and Retrieval, which can be accessed online at www.sedar.com.

"Special Committee" means the Special Committee of the Board of Directors that was formed to assess the Arrangement and is comprised of Kenneth Taylor (Chairman), Gerald P. McCarvill, Peter Bojtos and Nancy McInerney-Lacombe.

"Sprott Securities" means Sprott Securities Inc.

"Sprott Securities Engagement Letter" means the engagement letter dated January 26, 2006 and accepted by Desert Sun on January 27, 2006, pursuant to which Desert Sun retained Sprott Securities to act as its financial advisor.

"Sprott Securities Fairness Opinion" means the opinion of Sprott Securities provided to members of the Board of Directors and addressed to the Board of Directors that the Arrangement is fair from a financial point of view to the Desert Sun Shareholders dated February 20, 2006, a copy of which is attached as Exhibit C to this Proxy Circular.

"Stock Option Plan" means the stock option plan of Desert Sun, as amended.

"Superior Proposal" means a written Acquisition Proposal to acquire all or substantially all of the assets of Desert Sun (on a consolidated basis) or, directly or indirectly, more than 66 (2)/3% of the Desert Sun Shares if such Acquisition Proposal is not conditional on obtaining financing and the directors of Desert Sun have determined in good faith, after consultation with, and receiving advice (which may include written opinions, a copy of which shall have been provided to Yamana) from, as appropriate, the financial, legal and other advisors to Desert Sun to the effect that such Acquisition Proposal would, if

20

consummated in accordance with the terms thereof, but without assuming away the risk of non-completion, result in a transaction that: (a) is more favourable to Desert Sun Shareholders from a financial point of view than the terms of the Arrangement and provide for consideration per Desert Sun Share that has a value that is greater than the consideration per Desert Sun Share provided under the terms of the Arrangement by more than 5% (including any adjustment to such terms proposed by Yamana in accordance with the Arrangement Agreement); and (b) is reasonably capable of completion in accordance with its terms without undue delay, taking into account all legal, financial, regulatory, financing and other aspects of such Acquisition Proposal and the person making the Acquisition Proposal;

"Support Agreement" means the support agreements dated February 22, 2006 between Yamana and each of Stan Bharti, Peter Bojtos, Michael Hoffman, Bruce Humphrey, Gerald McCarvill, Nancy McInerney-Lacombe, Kurt Menchen, Naomi Nemeth, William Pearson, Peter Tagliamonte, Ken Taylor, Anthony Wonnacott and Stephen Woodhead;

"Tax Act" means the Income Tax Act (Canada) as amended, restated or replaced from time to time.

Edgar Filing: YAMANA GOLD INC - Form 6-K

"Termination Fee" has the meaning ascribed thereto under "The Arrangement Agreement -- Termination and Termination Fees".

"TSX" means the Toronto Stock Exchange.

"Yamana" means Yamana Gold Inc., a corporation existing under the CBCA.

"Yamana Shares" means the common shares in the capital of Yamana.

"Yamana Subco" means 6524338 Canada Inc., a wholly-owned subsidiary of Yamana incorporated pursuant to the CBCA for the sole purpose of effecting the Arrangement.

"Yamana Subco Shares" means the common shares in the capital of Yamana Subco.

21

GENERAL PROXY INFORMATION

SOLICITATION OF PROXIES

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by employees of Desert Sun at nominal cost. Employees will not receive any extra compensation for such activities. The total cost of the solicitation will be borne by Desert Sun. In connection with the solicitation of proxies, Desert Sun may retain a soliciting agent to solicit proxies from Desert Sun Shareholders at a cost to Desert Sun.

Kingsdale Shareholder Services Inc. has been retained by Desert Sun as an information and proxy solicitation agent in connection with the solicitation of proxies for the Meeting at an agreed cost of \$150,000 plus additional costs relating to telephone calls and out-of-pocket expenses.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of Desert Sun. A Desert Sun Shareholder has the right to appoint a person, who need not be an Desert Sun Shareholder, other than the persons designated in the applicable form of proxy accompanying this Proxy Circular, as nominee to attend and act for and on behalf of such person at the Meeting and may exercise such right by inserting the name of such person in the blank space provided on the form of proxy or by executing a proxy in a form similar to the one enclosed.

DEPOSIT OF PROXIES

Desert Sun Shareholders who do not expect to attend the Meeting in person are requested to complete, sign, date and return the enclosed form of proxy. An undated but executed proxy will be deemed to be dated the date this Proxy Circular was mailed to Desert Sun Shareholders. Completed proxies returned either by mail or by fax to the office of Desert Sun's transfer agent, Equity Transfer, must be received before noon (Toronto time) on March 29, 2006, or, if the Meeting is adjourned, at least two business days preceding the date of any adjournment of the Meeting. If by mail, shareholders should use the self-addressed envelope enclosed or mail to Equity Transfer, 120 Adelaide Street West, Suite 420, Toronto, Ontario M5H 3C2. If by fax, shareholders should use

Edgar Filing: YAMANA GOLD INC - Form 6-K

(416) 361-0470 (Attention: Proxy Department).

If you require any assistance in completing your proxy, please call Kingsdale Shareholder Services Inc. toll free at 1-866-588-6864.

NON-REGISTERED SHAREHOLDERS

Only Registered Desert Sun Shareholders as at the Record Date, or the persons they appoint as their proxies, are entitled to attend, and vote at, the Meeting. However, in many cases, Desert Sun Shares beneficially owned by a holder (a "Non-Registered Shareholder") are registered either:

- (a) in the name of an Intermediary; or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of NI 54-101, Desert Sun has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries very often have service companies forward

22

meeting materials to non-registered holders. Non-Registered Shareholders who have not waived the right to receive Meeting Materials will:

- (a) receive a form of proxy that has already been signed by the Intermediary (usually by facsimile) which indicates the number of Desert Sun Shares beneficially owned by the Non-Registered Shareholder but that has not been completed. This form of proxy need not be signed by the Non-Registered Shareholder. In this case, the Non-Registered Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Equity Transfer in the manner described above;
- (b) more typically, receive a voting instruction form from an Intermediary, which must be completed and signed by the Non-Registered Shareholder in accordance with the directions on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone); or
- (c) receive a proxy form as described in the next paragraph.

The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP. ADP typically mails a proxy form to the non-registered holders and asks such non-registered holders to return such proxy form to ADP (the ADP form also allows completion of the voting instructions form by telephone or via the internet). ADP then tabulates the results of all instructions received and provides appropriate instructions for the voting of shares to be represented at a shareholders' meeting. A Non-Registered Shareholder receiving a proxy form from ADP cannot use that proxy to vote shares directly at the Meeting. The proxy must be returned to ADP well in advance of

Edgar Filing: YAMANA GOLD INC - Form 6-K

the Meeting in order to have the shares voted.

The purpose of these procedures is to allow Non-Registered Shareholders to direct the voting of the Desert Sun Shares they beneficially own. Should a Non-Registered Shareholder who receives either a form of proxy or a voting instruction form wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on that form. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies to ensure that their Desert Sun Shares are voted at the Meeting.

EXERCISE OF VOTE BY PROXIES AND DISCRETIONARY AUTHORITY

The Desert Sun Shares represented at the Meeting by properly executed proxies given in favour of the persons designated in the printed portion of the accompanying form of proxy will be voted for, against or withheld from voting in accordance with the instructions contained therein, so long as such instructions are certain, on any ballot that may be called for. If no choice is specified in the proxy, such shares will be voted FOR each of the matters proposed by management at the Meeting and described in the Notice of the Meeting.

The form of proxy accompanying this Proxy Circular confers discretionary authority upon the nominees named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. Management of Desert Sun knows of no matters to come before the Meeting, other than those referred to in the Notice of Meeting. However, if any other matters that are not now known to management of Desert Sun should properly come before the Meeting, the shares represented by proxies given in favour of management nominees will be voted on such matters in accordance with the best judgment of the nominee.

REVOCAION OF PROXIES

A Registered Desert Sun Shareholder may revoke a proxy by: (a) completing and signing a proxy bearing a later date and depositing it with Equity Transfer within the same time periods in advance of the Meeting as set forth above under "Deposit of Proxies"; (b) depositing an instrument in writing executed by the holder or by his or her attorney authorized in writing or, if the holder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, indicating

the capacity under which such officer or attorney is signing, either at the registered office of Desert Sun at any time up to and including noon, Toronto time, on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the applicable Meeting on the day of such Meeting, or any adjournment thereof; or (c) in any other manner permitted by law. A Non-Registered Shareholder may revoke a voting instruction form and a vote given to an Intermediary at any time by written notice, except that an Intermediary is not required to act on a

Edgar Filing: YAMANA GOLD INC - Form 6-K

revocation of a voting instruction form or to vote if such revocation is not received at least seven days prior to the Meeting.

INFORMATION CONCERNING THE MEETING

DATE, TIME AND PLACE OF MEETING

The Meeting is to be held at The Fairmont Royal York, Tudor Room 7-8, 100 Front Street West, Toronto, Ontario, M5J 1E3 on Friday, March 31, 2006 at 10:30 a.m. (Toronto time) as set forth in the Notice of Meeting.

RECORD DATE AND SHARES ENTITLED TO VOTE

At the close of business on the Record Date, there were 105,164,482 Desert Sun Shares outstanding, each carrying the right to one vote on matters at the Meeting. Only Desert Sun Shareholders of record on the Record Date are entitled to receive notice of, and vote at, the Meeting.

MATTERS TO BE CONSIDERED

The Meeting will be constituted as an annual and special meeting of Desert Sun Shareholders. The Desert Sun Shareholders will be asked to consider and vote upon: (i) the election of directors of Desert Sun for the ensuing year; (ii) the appointment of auditors of Desert Sun for the ensuing year and the authorization of the directors to fix their remuneration; (iii) pursuant to the Interim Order, the Arrangement Resolution; and (iv) such other matters as may properly come before the Meeting.

PRINCIPAL SHAREHOLDERS

As at the Record Date, to the knowledge of the directors and officers of Desert Sun, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the votes attached to all of the Desert Sun Shares then outstanding.

QUORUM AND VOTES REQUIRED FOR CERTAIN MATTERS

The presence of two persons, each entitled to vote at the Meeting as a shareholder or a duly appointed proxyholder, holding or representing an aggregate of not less than 5% of the Desert Sun Shares entitled to vote at the Meeting will constitute a quorum for the Meeting.

Desert Sun is subject to the securities laws of each of the provinces of Canada. The rules impose various requirements on issuers that propose to effect certain types of transactions involving related parties vis-a-vis the issuer. These requirements include enhanced disclosure, the requirement to prepare and summarize the results of a formal valuation of the transaction and the requirement to have the transaction approved by a simple majority of disinterested shareholders.

Mr. Stan Bharti is entitled, pursuant to his Desert Sun Consulting Agreement, to receive a change in control payment, provided that his agreement is terminated by him or by Yamana within one year from such change in control, equal to three times his current annual base fee, plus any bonus paid to him by Desert Sun during the prior 36 months and, if cessation of benefits occurs, an amount equal to the value of any benefits entitled thereto for that period in an amount equal to the value of such benefits as determined by Desert Sun's

Edgar Filing: YAMANA GOLD INC - Form 6-K

auditors. See "Information Concerning the Meeting -- Interest of

24

Certain Persons in the Arrangement". The Combination will constitute a change in control of Desert Sun under the terms of his Desert Sun Consulting Agreement. In connection with the Combination, Mr. Bharti will receive one half of the change in control payment in Yamana Shares at a price of \$9.12 per Yamana Share, representing the five-day weighted average trading price per such Yamana Share on the TSX up to and including the day immediately prior to the date of the Arrangement Agreement. As a result, the Arrangement constitutes (i) a business combination for the purposes of OSC Rule 61-501; and (ii) a "going private transaction" for the purposes of Regulation Q-27 of the Autorite des marches financiers du Quebec. Desert Sun has determined that a formal valuation of the Combination is not required under either OSC Rule 61-501 or Regulation Q-27 in respect of the Combination.

Pursuant to the Interim Order, the Arrangement Resolution requires the affirmative vote of not less than two-thirds of the votes cast by Desert Sun Shareholders, and the affirmative vote of not less than one-half of the votes cast by disinterested Desert Sun Shareholders, who vote in respect thereof, in person or by proxy, at the Meeting. OSC Rule 61-501 and Regulation Q-27 also require that the Arrangement Resolution be approved by a majority of the votes cast by disinterested Desert Sun Shareholders at the Meeting. Mr. Bharti, who owns or controls Desert Sun Shares representing approximately 1.1% of the Desert Sun Shares, will not be entitled to vote such shares as part of the disinterested vote.

INTERESTS OF CERTAIN PERSONS IN THE ARRANGEMENT

In considering the recommendation of the Board of Directors to vote in favour of the Arrangement Resolution, Desert Sun Shareholders should be aware that certain directors and/or officers of Desert Sun have interests in the Arrangement that are different than the interests of Desert Sun Shareholders generally.

The Desert Sun Consulting Agreements provide for change in control payments equal to three times the current annual base fees, plus any bonus paid by Desert Sun to each of the officers during the prior 36 months and, if a cessation of benefits occurs, a payment equal to the value of the benefits entitled thereto for that period in an amount equal to the value of such benefits as determined by Desert Sun's auditors, if there is a change in control of Desert Sun and the resulting company or the officer elects to terminate his or her respective agreement within one year of the date of such change of control. The Combination will constitute a change in control of Desert Sun under the terms of the Desert Sun Consulting Agreements. In connection with the Combination, and upon the Desert Sun Consulting Agreement of Mr. Bharti and Mr. Humphrey being terminated, they are entitled to receive their respective change in control payment, and they have agreed to receive one-half of the change in control payment in Yamana Shares, at a price of \$9.12 per Yamana Share issued, representing the five-day weighted average trading price per such Yamana Share on the TSX up to and including the day immediately prior to date of the Arrangement Agreement. Desert Sun expects that the Desert Sun Consulting Agreement with each of Mr. Bharti and Mr. Humphrey will be terminated following the Arrangement becoming effective.

Pursuant to the share compensation plan of Desert Sun, all Desert Sun Shares previously granted but not yet issued under the plan will vest and be

Edgar Filing: YAMANA GOLD INC - Form 6-K

issued immediately prior to the Effective Time.

Directors and executive officers of Desert Sun collectively hold, as at the date hereof, an aggregate of approximately 2,096,192 Desert Sun Shares and 7,122,997 Desert Sun Options that, following completion of the Combination, will entitle the holders thereof to acquire approximately 1,257,715 Yamana Shares and 4,273,799 Yamana Shares, respectively. The directors and executive officers of Desert Sun do not own any Yamana Shares.

DISSENT RIGHTS

Desert Sun Shareholders who oppose the special resolution are entitled to dissent in accordance with the Dissent Procedures set out in Exhibit I -- "Dissent Rights". Exhibit I -- "Dissent Right" is only a summary of the dissenting shareholder provisions of the CBCA (as modified by the Interim Order and the Plan of Arrangement), which are technical and complex. It is suggested that any Desert Sun Shareholder wishing to avail themselves of their rights under those provisions seek their own legal advice as failure to comply strictly with the provisions of the CBCA may prejudice their right of dissent.

25

THE COMBINATION

THE ARRANGEMENT

Desert Sun entered into the Arrangement Agreement that will, subject to the terms and conditions of the Arrangement Agreement, result in the business combination of Desert Sun and Yamana by way of the Arrangement, a Court-approved plan of arrangement under the CBCA. As a result of the Combination, among other things, Desert Sun will become a wholly-owned subsidiary of Yamana and each Desert Sun Shareholder (other than Dissenting Shareholders, Yamana and its affiliates) will be entitled to receive Yamana Shares in exchange for the Desert Sun Shares held by such Desert Sun Shareholder on the basis of 0.6 of a Yamana Share for each Desert Sun Share held by such Desert Sun Shareholder, all pursuant to the provisions of the Plan of Arrangement.

Upon the completion of the Arrangement, each holder of a Desert Sun Warrant or Desert Sun Option will be entitled to receive upon the subsequent exercise thereof, in accordance with its terms, and shall accept in lieu of the number of Desert Sun Shares otherwise issuable upon exercise, the number of Yamana Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was previously entitled upon such exercise.

The conditions to the Combination include, among others, approval by at least two-thirds of the votes cast by Desert Sun Shareholders at the Meeting, approval by one-half of the votes cast by disinterested Desert Sun Shareholders at the Meeting, the approval of the Court, and the conditional approval of the TSX, AMEX and AIM.

Subject to the conditions in the Arrangement Agreement being satisfied or waived, Desert Sun and Yamana Subco will apply to the Court for the Final Order approving the Plan of Arrangement under the provisions of section 192 of the CBCA. Upon obtaining the Final Order, Desert Sun will file the Articles of Arrangement with the Director. The Arrangement will become effective upon

Edgar Filing: YAMANA GOLD INC - Form 6-K

obtaining a certificate of arrangement from the Director. See "The Arrangement Agreement -- Conditions to Closing".

BACKGROUND

The following is a summary of the meetings, negotiations and discussions between Desert Sun and Yamana that preceded the execution of the Arrangement Agreement.

In the fall of 2004, Mr. Bruce Humphrey, the President and Chief Executive Officer of Desert Sun, had an informal meeting with Mr. Peter Marrone, the President and Chief Executive Officer of Yamana, and Mr. Greg McKnight, Executive Vice President, Business Development of Yamana. During the meeting, the concept of a business combination between the two companies was discussed in a preliminary fashion, but was not further pursued at that time.

On January 24, 2006, Mr. Stan Bharti, the Chairman of Desert Sun, met with Mr. Marrone and Mr. McKnight to discuss a possible transaction between Desert Sun and Yamana. As a result of this meeting, Mr. Bharti discussed the merits of a possible Yamana transaction with Mr. Humphrey and other members of the Desert Sun management and Board of Directors.

In response to a number of companies making informal approaches to the management of Desert Sun regarding possible transactions involving Desert Sun, on January 27, 2006, Desert Sun retained Sprott Securities to act as its financial advisor in connection with a possible transaction.

At the meeting of the Board of Directors held on January 27, 2006, and at other meetings of the Board of Directors at which matters relating to the Combination were discussed, Messrs Bharti and Humphrey declared their interest in the possible transaction relating to their status as directors and officers of Desert Sun who may be retained by Yamana following the Combination.

26

Subsequent to retaining Sprott Securities as its financial advisor, Desert Sun management and Sprott Securities had a number of discussions with other companies with a view to exploring possible alternative transactions that would maximize shareholder value.

On January 29, 2006, Desert Sun and Yamana entered into a confidentiality agreement to enable them to conduct due diligence reviews of each other.

As part of its initial due diligence review, during the week of January 30, 2006, Yamana conducted preliminary site visits to the Jacobina mine and performed a review of certain technical and other information relating to Desert Sun.

During the week of February 6, 2006, Desert Sun personnel conducted site visits to the principal properties of Yamana and performed a review of certain technical and other information relating to Yamana. During the week, Yamana personnel conducted additional and more extensive site visits to the Jacobina mine.

On February 12, 2006, the Board of Directors formed the Special Committee to review a possible transaction with Yamana. The Special Committee was

Edgar Filing: YAMANA GOLD INC - Form 6-K

empowered to retain legal counsel and a financial advisor. On February 13, 2006, the Special Committee retained GMP as its financial advisor and it retained Wildeboer Dellelce LLP as its legal advisors.

From February 14, 2006 to February 22, 2006, Desert Sun, Yamana and their respective legal advisors negotiated the terms and exchanged drafts of the Arrangement Agreement and the Plan of Arrangement and continued with legal, financial and technical due diligence.

On February 20, 2006, GMP delivered the GMP Fairness Opinion to the Special Committee. On February 20, 2006, the Special Committee determined that the Arrangement and the terms of the Arrangement Agreement were in the best interests of Desert Sun Shareholders and that it would recommend to the Board of Directors that the Board of Directors approve the Arrangement and the terms of the Arrangement Agreement and recommend that Desert Sun Shareholders vote to approve the Arrangement Resolution.

On February 20, 2006, Sprott Securities delivered the Sprott Securities Fairness Opinion to the Board of Directors. On February 20, 2006, the Board of Directors received presentations from senior management and outside counsel as to the results of the due diligence examination of Yamana. The Board of Directors also discussed recommendations of the Special Committee and the terms of the Arrangement Agreement and approved, among other things, the Arrangement and the terms of the Arrangement Agreement, subject to the satisfactory completion of negotiations of such agreement.

On February 22, 2006, Desert Sun and Yamana executed and delivered the Arrangement Agreement and a public announcement was made by a joint press release of Desert Sun and Yamana.

On March 1, 2006, the Board of Directors approved, among other things, the contents and mailing of this Proxy Circular.

BENEFITS OF THE COMBINATION

The Board of Directors believes that the Combination will have the following benefits for Desert Sun Shareholders:

1. the Combination offers an attractive premium of approximately 24% to the weighted average trading price of Desert Sun and Yamana for the ten-day period ending on February 21, 2006, the date prior to the date on which the transaction was announced;
2. the combined company will be a significant gold producer with one of the largest production growth profiles;
3. the combined company will be well positioned for internal growth and have the financial strength and flexibility to take advantage of consolidation and acquisition opportunities in the gold mining industry;
4. the combined company will have interests in six producing gold operations, with estimated annualized gold production of approximately 450,000 gold equivalent ounces in 2006, making it one of the largest gold producers in Brazil;

Edgar Filing: YAMANA GOLD INC - Form 6-K

5. as a result of the Combination, Desert Sun will mitigate the operational risks inherent in a one-mine company;
6. the combined company will have immediate and near-term production growth opportunities through the development of the Chapada mine and the Morro do Vento project;
7. the combined company expects to reduce expenses, including costs of production, based on the proximity of the Jacobina mine to Fazenda Brasileiro and its ability to take advantage of general and administrative merger synergies;
8. the combined company will have a market capitalization of approximately \$2.4 billion (based on the closing price of the Desert Sun Shares and the Yamana Shares on the TSX on February 22, 2006), which will facilitate the addition of the securities of the combined company to gold indices and will enhance its ability to compete for world class projects; and
9. the combined company will have an experienced management team with significant operating experience.

SPECIAL COMMITTEE AND FINANCIAL ADVISOR

A Special Committee of the Board of Directors was formed to review the Combination and reported to the Board of Directors respecting its recommendations and conclusions. The Special Committee concluded that the Arrangement is fair to Desert Sun Shareholders and that the Combination is in the best interests of Desert Sun and Desert Sun Shareholders. Further, the Special Committee recommended that the Board of Directors proceed with the Arrangement.

In reaching its conclusions and formulating its recommendations, the Special Committee considered the expected benefits from the Combination as well as a number of factors including:

- (a) information regarding Yamana, its assets and properties (see a summary of such information set forth in "Exhibit B -- Yamana Gold Inc.");
- (b) information regarding Yamana with respect to its historical and current financial condition, business and operations;
- (c) historical information regarding the market prices and trading information of the Desert Sun Shares and the Yamana Shares;
- (d) information regarding Yamana obtained by Desert Sun management from its due diligence review of Yamana and, in particular, technical information obtained during visits to Yamana properties;
- (e) Desert Sun management concluded that the significant opportunities for cost savings in Brazil that are expected to result from the Combination will not be available to third parties, hence, in their opinion, making it difficult for a third party to offer consideration in excess of what is offered under the Combination;
- (f) the anticipated size and market liquidity of the combined company, subsequent to the Arrangement;
- (g) that the Yamana Shares offered in connection with the Arrangement provide Desert Sun Shareholders with the opportunity to be

Edgar Filing: YAMANA GOLD INC - Form 6-K

shareholders of a larger, more diversified company;

- (h) Desert Sun Shareholders will retain their ability to benefit from the growth prospects represented by the combined company by receiving 0.6 of a Yamana Share for each Desert Sun Share held;

28

- (i) the Exchange Ratio implied a price of \$5.57 per Desert Sun Share representing a premium of approximately 24% based on the volume-weighted average trading prices of Yamana and Desert Sun for the ten-day period ending on February 21, 2006, the date prior to the date on which the Arrangement was announced;
- (j) the GMP Fairness Opinion and the Sprott Securities Fairness Opinion, which both concluded that the Arrangement is fair, from a financial point of view, to the Desert Sun Shareholders;
- (k) the Special Committee has relied on the fact that Sprott Securities had previously been retained as financial advisor to identify and approach potential third parties that demonstrated a real interest in pursuing a transaction at a price/consideration comparable to that offered pursuant to the Combination and that would be motivated and able to complete a transaction in a reasonable period of time;
- (l) for Canadian federal income tax purposes, Desert Sun Shareholders who hold their Desert Sun Shares as capital property generally will be able to exchange their Desert Sun Shares for Yamana Shares under the Arrangement on a tax-deferred basis under the Tax Act (see "Certain Tax Considerations to Desert Sun Shareholders -- Certain Canadian Federal Income Tax Considerations");
- (m) the view of the Desert Sun Board of Directors that the terms and conditions of the Arrangement Agreement, including the amount of the Termination Fee and the circumstances under which it is payable, do not prevent, or unreasonably deter, an unsolicited third party from proposing or making a Superior Proposal, provided that Desert Sun complies with the terms of the Arrangement Agreement;
- (n) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Desert Sun Shareholders and a majority of the votes cast at the Meeting by disinterested Desert Sun Shareholders;
- (o) the Arrangement requires approval of the Court, which will consider, among other things, the fairness of the Arrangement to Desert Sun Shareholders;
- (p) the risks associated with the completion of the Combination, and the risks associated with not completing the Combination; and
- (q) under the Arrangement, Registered Desert Sun Shareholders will have dissent rights.

The Special Committee also considered current industry, economic and market conditions and trends as well as the reasons set forth under "The Combination -- Benefits for the Combination".

FAIRNESS OPINION OF GMP

The Special Committee of Desert Sun formally engaged GMP as its financial advisor pursuant to the GMP Engagement Letter. As part of its engagement, GMP was asked by the Special Committee, among other things, to consider the proposed Combination and provide its opinion as to its fairness, from a financial point of view, to Desert Sun Shareholders. On February 20, 2006, GMP provided in writing to the Special Committee its opinion that as of that date, based upon and subject to the considerations described therein, the Arrangement is fair, from a financial point of view, to the Desert Sun Shareholders.

The full text of the GMP Fairness Opinion, which sets forth, among other things, information reviewed, matters considered and limitations on the scope of the review undertaken by GMP in rendering the GMP Fairness Opinion, is attached as Exhibit D to this Proxy Circular. The GMP Fairness Opinion was prepared solely for the benefit and use of the members of the Special Committee in its consideration of the Arrangement and addresses only the fairness of the Arrangement, from a financial point of view, to the Desert Sun Shareholders. The GMP Fairness Opinion states that it is not to be construed as a recommendation to any Desert Sun Shareholder as to whether to vote in favour of the Arrangement. The summary of the GMP Fairness Opinion set forth in this Proxy Circular is qualified in its entirety by reference to the full text of the GMP Fairness Opinion. Desert Sun Shareholders are urged to read the GMP Fairness Opinion carefully and in its entirety.

The GMP Fairness Opinion was rendered on the basis of conditions prevailing as at the date of the GMP Fairness Opinion and the condition and prospects, financial and otherwise, of Desert Sun, as reflected in the information and documents reviewed by GMP and as they were represented to GMP in discussions with management of Desert Sun. Subsequent developments may affect the GMP Fairness Opinion, and GMP does not have any obligation to update, revise, or reaffirm the GMP Fairness Opinion.

GMP is an investment dealer that provides research, corporate finance advice and services, and engages in trading and investment banking. GMP has participated in a significant number of transactions involving mining companies, including transactions involving both Desert Sun and Yamana, and its investment banking professionals have extensive experience in preparing valuations and fairness opinions. GMP prepared the GMP Fairness Opinion in an impartial and objective fashion.

GMP acts as a trader and dealer, both as principal and agent, in all major financial markets and, accordingly GMP and its clients may have, and may in the future have, long or short positions in the securities of Desert Sun, Yamana or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of Desert Sun or Yamana or on behalf of their clients for which it receives compensation. As an investment dealer, GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in Desert Sun or Yamana. GMP is not an insider, associate or affiliate (as those term are defined) of Desert Sun or Yamana or any of their respective associates or affiliates. GMP has previously acted as an indemnitor to Desert Sun in respect of four financings pursuant to which Desert Sun has raised an aggregate of \$91.2 million. See the GMP Fairness Opinion (attached hereto as Exhibit D) under the heading "Relationship with Interested Parties".

Edgar Filing: YAMANA GOLD INC - Form 6-K

Pursuant to the Engagement Letter, the Special Committee has agreed to pay GMP certain fees. Such fees are not contingent, in whole or in part, upon the successful completion of the Combination, nor are they dependent on the conclusions reached by GMP. Desert Sun has also agreed to indemnify GMP and certain related persons against certain losses, claims, damages and liabilities that may be incurred in connection with the Arrangement or their engagements.

FAIRNESS OPINION OF SPROTT SECURITIES

Desert Sun formally engaged Sprott Securities as its financial advisor pursuant to the Engagement Letter. As part of its engagement, Sprott Securities was asked by Desert Sun, among other things, to consider the proposed Combination and

30

provide its opinion as to its fairness, from a financial point of view, to Desert Sun Shareholders. On February 20, 2006, Sprott Securities provided in writing to the Board of Directors its opinion that as of that date, based upon and subject to the considerations described therein, the Arrangement is fair, from a financial point of view, to the Desert Sun Shareholders.

The full text of the Sprott Securities Fairness Opinion, which sets forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of the review undertaken by Sprott Securities in rendering the Sprott Securities Fairness Opinion, is attached as Exhibit C to this Proxy Circular. The Sprott Securities Fairness Opinion was prepared solely for the benefit and use of the members of the Board of Directors in its consideration of the Arrangement and addresses only the fairness of the Arrangement, from a financial point of view, to the Desert Sun Shareholders. The Sprott Securities Fairness Opinion states that it does not constitute a recommendation to any Desert Sun Shareholder as to whether such Desert Sun Shareholder should vote in favour of the Arrangement or how such Desert Sun Shareholder should vote with respect to the Arrangement should the Arrangement or any other matter come to a vote of Desert Sun Shareholders. The summary of the Sprott Securities Fairness Opinion set forth in this Proxy Circular is qualified in its entirety by reference to the full text of the Sprott Securities Fairness Opinion. Desert Sun Shareholders are urged to read the Sprott Securities Fairness Opinion carefully and in its entirety.

The Sprott Securities Fairness Opinion was rendered on the basis of conditions prevailing as at the date of the Sprott Securities Fairness Opinion and the condition and prospects, financial and otherwise, of Desert Sun, as reflected in the information and documents reviewed by Sprott Securities and as they were represented to Sprott Securities in discussions with management of Desert Sun. Subsequent developments may affect the Sprott Securities Fairness Opinion, and Sprott Securities does not have any obligation to update, revise, or reaffirm the Sprott Securities Fairness Opinion.

Sprott Securities is a licensed and registered investment dealer that provides investment research and corporate finance advice and services, and engages in trading and investment banking. Sprott Securities has participated in a significant number of transactions involving mining companies, including transactions involving both Desert Sun and Yamana, and its investment banking professionals have experience with advising with respect to mergers, acquisitions, divestitures, valuations, fairness opinions and other capital

Edgar Filing: YAMANA GOLD INC - Form 6-K

market matters.

In the last 24 months, Sprott Securities and its affiliates provided to the parties to the Arrangement Agreement those services set out in the Sprott Securities Fairness Opinion (which is attached hereto as Exhibit C) under the heading "Sprott's Engagement, Background and Assignment".

Pursuant to the Sprott Securities Engagement Letter, Desert Sun has agreed to pay Sprott Securities an advisory fee equal to 0.5% of the value attributed to Desert Sun in the Arrangement, which is payable upon completion thereof, and reimburse Sprott Securities for all expenses reasonably incurred by Sprott Securities in connection with its rendering of financial advisory services, and Desert Sun has also agreed to indemnify Sprott Securities and certain related persons against certain losses, claims, damages and liabilities that may be incurred in connection with the Arrangement or their engagements.

RECOMMENDATION OF THE BOARD OF DIRECTORS

After considering the report of the Special Committee and the Sprott Securities Fairness Opinion, the Board of Directors adopted the Special Committee's recommendation, concluded that the Arrangement is in the best interests of Desert Sun and fair to Desert Sun Shareholders and authorized the entry by Desert Sun into the Arrangement Agreement and all related agreements. The Board of Directors has unanimously approved the Arrangement Agreement and the Plan of Arrangement and unanimously recommends that the Desert Sun Shareholders vote IN FAVOUR of the Arrangement Resolution at the Meeting.

In reaching its conclusions and formulating its recommendations, the Board of Directors considered a number of factors, including the recommendation of the Special Committee, the Sprott Securities Fairness Opinion, the expected benefits of the Combination, the risks associated with completing the Combination as well as the factors listed above considered by the Special Committee.

The discussion of the information and factors considered and given weight by the Board of Directors is not intended to be exhaustive, but is believed to include all material factors considered by the Board of Directors. In reaching the

31

determination to approve and recommend the Arrangement Resolution, the Board of Directors did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

SUPPORT AGREEMENTS

Each of the officers and directors of Desert Sun have agreed:

1. to vote or cause to be voted the Desert Sun Shares beneficially owned by him or her or over which he or she exercises control or direction in favour of the Arrangement Resolution;
2. except as permitted by the Arrangement Agreement, not to initiate, solicit, promote or encourage inquiries or the submission of proposals in respect of any Acquisition Proposal or take any other action that

Edgar Filing: YAMANA GOLD INC - Form 6-K

would or could reasonably reduce the likelihood of success of completion of the Combination; and

3. not to sell, transfer, option or otherwise dispose of any Desert Sun Shares beneficially owned by him or her or over which he or she exercises control or direction.

The obligations of such officers and directors will terminate to the extent there is a Superior Proposal and otherwise if the Arrangement Agreement is terminated in accordance with its terms.

Such officers and directors of Desert Sun collectively beneficially own and exercise control or direction over an aggregate of 2,096,192 Desert Sun Shares, representing approximately 1.99% of the Desert Sun Shares outstanding.

COURT APPROVAL AND COMPLETION OF THE ARRANGEMENT

The Arrangement must be approved by the Court. Prior to the mailing of this Proxy Circular, Desert Sun obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and Notice of Application for the Final Order is attached to this Proxy Circular as Exhibits G and H, respectively.

Subject to the approval of the Arrangement Resolution by the Desert Sun Shareholders at the Meeting, the hearing in respect of the Final Order is scheduled to take place on April 4, 2006 at 10:00 a.m. (Toronto time) or shortly thereafter in the Court at 393 University Avenue, 8th Floor, Toronto, Ontario. All Desert Sun Shareholders who wish to participate or be represented or to present evidence or arguments at that hearing must serve and file a notice of appearance as set out in the Interim Order and satisfy all other applicable requirements. At the hearing in respect of the Final Order, the Court will consider, among other things, the fairness and reasonableness of the Arrangement. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct, subject to compliance with such terms and conditions, if any, as the Court may deem appropriate.

Assuming that the Final Order is granted and the other conditions in respect of the Arrangement as set out in the Arrangement Agreement are satisfied or waived, it is anticipated that the Articles of Arrangement will be filed with the Director to give effect to the Plan of Arrangement and the various other documents necessary to complete the Arrangement as contemplated under the Arrangement Agreement will be executed and delivered.

It is currently anticipated that the Effective Date will be on or about April 5, 2006.

DESCRIPTION OF THE PLAN OF ARRANGEMENT

Subject to the conditions in the Arrangement Agreement being satisfied or waived, Desert Sun will apply to the Court for the Final Order approving the Plan of Arrangement under section 192 of the CBCA. In connection with the Arrangement, Desert Sun and Yamana Subco will amalgamate under the CBCA and each Desert Sun Shareholder (other than Dissenting Shareholders, Yamana and its affiliates) will be entitled to receive Yamana Shares in exchange for the Desert Sun Shares held by such Desert Sun Shareholder on the basis of 0.6 of a Yamana Share for each Desert Sun Share held by such Desert Sun Shareholder, all pursuant to the provisions of the Plan of Arrangement.

Edgar Filing: YAMANA GOLD INC - Form 6-K

On the Effective Date and pursuant to the provisions of the Plan of Arrangement, the following will occur without further act or formality:

- (a) Desert Sun and Yamana Subco will amalgamate and continue as one corporation on the terms prescribed in the Plan of Arrangement;
- (b) all Desert Sun Shares held by Yamana Subco will be cancelled without any repayment of capital in respect thereof;
- (c) all Desert Sun Shares held by Desert Sun Shareholders (other than Dissenting Shareholders) will be exchanged for Yamana Shares on the basis of 0.6 of a Yamana Share for each Desert Sun Share, and each Desert Sun Share so exchanged will be cancelled without any repayment of capital in respect thereof;
- (d) each Desert Sun Warrant will entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of Yamana Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at a price per Yamana Share issued of \$4.167;
- (e) each Desert Sun Option will entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of Yamana Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at a price per Yamana Share issued adjusted to reflect the Combination. Desert Sun Options shall continue to be governed by and be subject to the terms of the Desert Sun Stock Option Plan and applicable agreement thereunder except to the extent that such Desert Sun Option will expire on the earlier of the expiry date for such option and six months after the Effective Date (instead of in 90 days as provided in the Stock Option Plan) if the holder thereof ceases to be an employee, consultant or director of Desert Sun as of the Effective Date and does not become an employee, consultant or director of Yamana or a material subsidiary thereof on that date;
- (f) each common share of Yamana Subco will be exchanged for one common share of Amalco;
- (g) Desert Sun Shareholders (other than Dissenting Shareholders) will become shareholders of Yamana; and
- (h) Amalco will be a wholly-owned subsidiary of Yamana.

As a result of the Arrangement, based on the number of Yamana Shares outstanding on February 28, 2006, existing Desert Sun Shareholders will hold approximately 24% of the approximately 262.3 million Yamana Shares to be outstanding upon completion of the Arrangement, assuming no exercise of options or warrants of Desert Sun and Yamana outstanding subsequent to February 28, 2006. After giving effect to the Arrangement, approximately 30.5 million Yamana Shares will remain reserved for issuance upon exercise of Yamana and Desert Sun options and warrants (assuming that on the Effective Date the options and

Edgar Filing: YAMANA GOLD INC - Form 6-K

warrants of Yamana and Desert Sun outstanding on February 28, 2006, as further described below, have not been exercised or otherwise expired and no new convertible securities of Yamana or Desert Sun have been issued or granted). Pursuant to the share compensation plan of Desert Sun, all Desert Sun Shares previously granted but not yet issued under the plan will vest and be issued immediately prior to the Effective Date, and participants under the share compensation plan will not have any continuing rights to receive Yamana Shares under the share compensation plan.

As of February 28, 2006, Yamana had convertible securities and options outstanding entitling the holders thereof, upon exercise, to acquire a total of approximately 12.9 million Yamana Shares. If all outstanding convertible securities and options of Yamana were exercised and converted into Yamana Shares prior to the Effective Date, a total of 275,238,818 Yamana Shares would be outstanding and, following the Arrangement, Desert Sun Shareholders would hold approximately 23% of the total outstanding Yamana Shares. In addition, Desert Sun Warrants and Desert Sun Options outstanding as of February 28, 2006 entitle the holders thereof, upon exercise, to acquire a total of 28,508,370 Desert Sun Shares, which upon completion of the Arrangement will entitle the holders thereof, upon

33

exercise, to acquire a total of approximately 17,105,022 Yamana Shares. If all outstanding Desert Sun Warrants and Desert Sun Options were exercised following the Arrangement, there would be a total of approximately 292,808,847 Yamana Shares outstanding on a fully diluted basis and Desert Sun Shareholders would hold approximately 27.5% of the total outstanding Yamana Shares.

The following table sets forth information regarding the approximate number of Yamana Shares to be held by Desert Sun Shareholders and Yamana shareholders upon completion of the Arrangement (assuming that no Yamana or Desert Sun outstanding warrants or options are exercised following February 28, 2006).

	Number of Yamana Shares	Approximate % of I Outstanding Yaman
Current Desert Sun Shareholders.....	63.1 million	24%
Current Yamana Shareholders.....	199.2 million	76%
Total.....	262.3 million	100%

PROCEDURE FOR THE EXCHANGE OF DESERT SUN SHARE CERTIFICATES

A Letter of Transmittal (printed on blue paper) is included in the materials accompanying this Proxy Circular for use in exchanging certificates representing Desert Sun Shares. The Letter of Transmittal should be completed and delivered to CIBC Mellon in accordance with the instructions contained in the Letter of Transmittal. The Letter of Transmittal form is also available via SEDAR at www.sedar.com. Upon the return of a properly completed Letter of Transmittal, together with certificates representing Desert Sun Shares (and such other documentation as required by CIBC Mellon), certificates for the appropriate number of Yamana Shares will be issued without charge. No fractional Yamana Shares will be issued.

Edgar Filing: YAMANA GOLD INC - Form 6-K

Desert Sun Shareholders should, as soon as possible, deliver to CIBC Mellon at any of the offices of CIBC Mellon listed in the Letter of Transmittal the following:

- (a) the certificate or certificates representing the Desert Sun Shares that the Desert Sun Shareholder wishes to have exchanged for Yamana Shares;
- (b) a Letter of Transmittal in the accompanying form as required by the rules and instructions set out in the Letter of Transmittal; and
- (c) any other documents specified in the instructions set out in the Letter of Transmittal.

Yamana Shares will be issued for Desert Sun Shares and delivered by CIBC Mellon to appropriate Desert Sun Shareholders as soon as practicable following the Effective Date, but only if CIBC Mellon has actually received the above documents. The Effective Date is expected to occur on or about April 5, 2006, provided that all other regulatory approvals have been obtained. If on such date any required regulatory approval has not yet been obtained, the Effective Date will be the date immediately following the date the last of such approvals is obtained. Except as otherwise provided in the instructions to the Letter of Transmittal, an Eligible Institution must guarantee the signature on the Letter of Transmittal. If a Letter of Transmittal is signed by a person other than the registered owner(s) of the certificate(s) to which the Letter of Transmittal relates, and in certain other circumstances as set forth in the Letter of Transmittal, the deposited certificate(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered owner(s), with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution.

FRACTIONAL SHARES

No fractional Yamana Shares will be issued to Desert Sun Shareholders upon the surrender of Desert Sun Shares for exchange. Any fractional number of Yamana Shares will be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5).

34

STOCK EXCHANGE LISTINGS

The Desert Sun Shares are listed and posted for trading on the TSX under the symbol "DSM", on AMEX under the symbol "DEZ" and are posted for trading on the Frankfurt and Berlin Stock Exchanges under the symbol "DRT". Yamana Shares are listed and posted for trading on the TSX under the symbol "YRI", on AMEX under the symbol "AUU", and on AIM under the symbol "YAU".

It is a condition to the Arrangement that the Yamana Shares issued pursuant to the Arrangement be approved for listing on the TSX, AMEX and AIM. The Desert Sun Warrants are to be listed on the TSX as share purchase warrants of Yamana.

Following the Arrangement, the Desert Sun Shares will be de-listed from the TSX and AMEX.

REGULATORY MATTERS

Edgar Filing: YAMANA GOLD INC - Form 6-K

BRAZILIAN ANTI-TRUST LAW

Under Brazilian Law No. 8,884, enacted on June 11, 1994, certain merger and acquisition transactions are subject to the review of the Brazilian Antitrust System, which is comprised of (i) the Secretariat of Economic Monitoring, which is the body that is responsible to the Ministry of Finance, (ii) the secretariat of Economic Law, which is the body that is responsible to the Ministry of Justice, and (iii) the Administrative Council for Economic Defence, which is the body that is to render the final approval.

Yamana and Desert Sun are evaluating whether a filing is required to be submitted to the Brazilian antitrust authorities in respect of the Combination.

QUALIFICATION AND RESALE OF YAMANA SHARES

CANADA

The distribution of Yamana Shares issuable pursuant to the Arrangement will be exempt from the prospectus and registration requirements of securities legislation in each province and territory of Canada. Further, the distribution of Yamana Shares issuable upon exercise of Desert Sun Warrants or Desert Sun Options will be exempt from the prospectus and registration requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares pursuant to "control distributions", Yamana Shares issued pursuant to the Arrangement or upon exercise of Desert Sun Warrants and Desert Sun Options may be resold in each province and territory in Canada, subject in certain circumstances, to the usual conditions that no unusual effort has been made to prepare the market or create demand for the Yamana Shares and that no extraordinary commission or consideration is paid for the Yamana Shares. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares pursuant to "control distributions", Desert Sun Warrants may be resold in each province and territory in Canada, subject in certain circumstances, to the usual conditions that no unusual effort has been made to prepare the market or create demand for the Yamana Shares and that no extraordinary commission or consideration is paid for the Yamana Shares.

UNITED STATES

The Yamana Shares to be issued pursuant to the Arrangement (including those to be issued upon any subsequent exercise of Desert Sun Options and Desert Sun Warrants) have not been and will not be registered under U.S. Securities Act and will instead be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities

have been approved by any court of competent jurisdiction expressly authorized by law to grant such approval, after a hearing regarding the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. The Court is authorized

Edgar Filing: YAMANA GOLD INC - Form 6-K

to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on March 1, 2006 and, subject to the approval of the Arrangement by Desert Sun Shareholders, a final hearing on the Arrangement will be held on April 4, 2006 by the Court. See "The Arrangement Agreement -- Court Approval and Completion of the Combination".

The Yamana Shares to be issued in connection with the Arrangement will be freely transferable under United States federal securities laws and will not bear any restrictive legend imposed as a result of the operation of the U.S. Securities Act, except with respect to Yamana Shares held by persons who are deemed to be "affiliates" (as such term is defined under the U.S. Securities Act) of Desert Sun, Yamana or Yamana Subco, prior to the Arrangement or of Yamana or Amalco following the Arrangement. Persons who may be deemed to be affiliates of a company generally include individuals or entities that control, are controlled by, or are under common control with, such company and generally include executive officers and directors of such company as well as principal shareholders of such company.

Yamana Shares acquired by persons who are deemed to be affiliates of Desert Sun, Yamana or Yamana Subco, prior to the Arrangement, and of Yamana or Amalco, following the Arrangement, may be resold by such persons only in transactions permitted by the applicable resale provisions of the U.S. Securities Act. Subject to certain limitations, such affiliates may immediately resell Yamana Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S. Yamana Shares held by such affiliates may also be resold in compliance with the resale provisions of Rule 145(d)(1), (2), or (3) under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. Rule 145(d)(1) generally provides that such affiliates may not sell the Yamana Shares received pursuant to the Arrangement unless pursuant to an effective registration statement or in accordance with the volume, current public information and manner of sale limitations of Rule 144. These limitations generally require that any sales made by an affiliate in any three-month period not exceed the greater of 1% of the outstanding Yamana Shares or, if the Yamana Shares are listed on a United States securities exchange, the average weekly trading volume over the four calendar weeks preceding the placement of the sell order, and that sales be made in unsolicited, open market "brokers' transactions" at times when certain information specified by the Rule 144 is publicly available with respect to Yamana. Rules 145(d)(2) and (3) generally provide that these limitations lapse for non-affiliates of Yamana after a period of one or two years, depending upon whether information continues to be publicly available with respect to Yamana.

After the Arrangement, the Desert Sun Warrants and Desert Sun Options in each case exercisable for Yamana Shares, may be exercised only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. As a result, the Desert Sun Warrants and Desert Sun Options may only be exercised by a holder who represents that at the time of exercise the holder is not then located in the United States, is not a U.S. person, as defined in Rule 902 of Regulation S under the U.S. Securities Act, and is not exercising the Desert Sun Warrants or Desert Sun Options for the account or benefit of a U.S. person or a person in the United States, or the holder provides a legal opinion or other evidence reasonably satisfactory to Yamana to the effect that the exercise of the Desert Sun Warrants does not require registration under the U.S. Securities Act or state securities laws.

In addition, any Yamana Shares issuable upon the exercise of the Desert Sun Warrants or Desert Sun Options in the United States or for the account or benefit of a U.S. person or a person in the United States will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, certificates representing such Yamana Shares will bear a legend to that effect, and such Yamana Shares may be resold only pursuant to an exemption from the

Edgar Filing: YAMANA GOLD INC - Form 6-K

registration requirements of the U.S. Securities Act and state securities laws, after providing an opinion of counsel or other documentation satisfactory to Yamana to such effect. Subject to certain limitations, the Desert Sun Warrants may be resold outside the United States without registration under the U.S. Securities Act pursuant to Regulation S.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the Yamana Shares received upon completion of the Arrangement. All holders of such securities are urged to consult with their own counsel to ensure that the resale of their securities complies with applicable securities legislation.

36

THE ARRANGEMENT AGREEMENT

On February 22, 2006, Yamana, Desert Sun and Yamana Subco entered into the Arrangement Agreement, a copy of which has been filed and is available for viewing on SEDAR, and which has been incorporated by reference in this Proxy Circular. The following is a summary of the material terms of the Arrangement Agreement. This summary is qualified in its entirety by reference to the full text of the Arrangement Agreement.

GENERAL

The Arrangement Agreement is dated as of February 22, 2006 and is made among Desert Sun, Yamana and Yamana Subco. The Arrangement Agreement provides for the combination of the businesses of Desert Sun and Yamana by way of a plan of arrangement under the CBCA.

EFFECTIVE DATE

After obtaining the approval of Desert Sun Shareholders, the Final Order, and upon the other conditions in the Arrangement Agreement, including receipt of all regulatory approvals, being satisfied or waived, Desert Sun intends to send the Articles of Arrangement to the Director for endorsement and filing. The Arrangement will become effective when the Director issues the Certificate.

EXCHANGE RATIO

Under the Arrangement, Desert Sun will amalgamate with Yamana Subco, a newly-formed, wholly-owned subsidiary of Yamana, and each Desert Sun Shareholder will be entitled to receive 0.6 of a Yamana Share for each Desert Sun Share on the terms set out in the Plan of Arrangement.

TREATMENT OF DESERT SUN WARRANTS AND DESERT SUN OPTIONS

The terms of the Arrangement Agreement confirm that each Desert Sun Warrant shall entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of Yamana Shares which the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered

Edgar Filing: YAMANA GOLD INC - Form 6-K

holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at an exercise price equal to the current exercise price per Desert Sun Warrant exercised, with the effect that each Yamana Share issued upon exercise of Desert Sun Warrants will be issued at a price of \$4.167.

Each Desert Sun Option will entitle the holder to receive upon the exercise thereof, in lieu of the number of Desert Sun Shares otherwise issuable upon the exercise thereof, the number of Yamana Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Desert Sun Shares to which such holder was theretofore entitled upon such exercise, at a price per Yamana Share issued adjusted to reflect the Arrangement. Desert Sun Options shall continue to be governed by and be subject to the terms of the Desert Sun stock option plan and applicable agreement thereunder except to the extent that such Desert Sun Option will expire on the earlier of the expiry date for such option and six months after the Effective Date (instead of in ninety days as provided in the Stock Option Plan) if the holder thereof ceases to be an employee, consultant or director of Desert Sun as of the Effective Date and does not become an employee, consultant or director of Yamana or a material subsidiary thereof on that date.

37

Based on the number of Desert Sun Options and Desert Sun Warrants outstanding on February 28, 2006, upon completion of the Arrangement, holders of Desert Sun Warrants will be entitled to purchase an aggregate of approximately 11,976,724 Yamana Shares upon payment of \$4.167 per Yamana Share (0.6 of a Yamana Share for each Desert Sun Warrant at an exercise price of \$2.50 per warrant) issued at any time prior to 5:00 p.m. on November 20, 2008. Holders of Desert Sun Options will be entitled to purchase an aggregate of approximately 5,128,298 Yamana Shares at prices ranging from \$0.63 to \$4.77 per Yamana Share issued with the latest expiry date being January 3, 2011. Pursuant to the share compensation plan of Desert Sun, all Desert Sun Shares previously granted but not yet issued under the plan will automatically vest and be issued upon the change of control of Desert Sun, and participants under the share compensation plan will not have any continuing rights to receive Yamana Shares under the share compensation plan.

REPRESENTATIONS AND WARRANTIES

Yamana, Yamana Subco and Desert Sun have made certain representations and warranties in the Arrangement Agreement, which representations and warranties shall survive the execution and delivery of the Arrangement Agreement and shall terminate on the Effective Date.

These representations and warranties relate to, among other things: (a) their respective corporate organization, existence and similar corporate matters; (b) their respective share capital; (c) the authorization, execution, delivery and enforceability of the Arrangement Agreement; (d) directors' approvals; (e) the identification of their respect material subsidiaries; (f) there being no default under, or any event, condition or occurrence which, after notice or lapse of time or both, would constitute a default under any contract, agreement or licence that would, individually or in the aggregate, have a Material Adverse Effect on Desert Sun or Yamana, as the case may be; (g) except as disclosed, since December 31, 2004, Desert Sun and Yamana have conducted their respective businesses in the ordinary and regular course of business consistent with past practice; (h) employment and labour matters; (i) the

Edgar Filing: YAMANA GOLD INC - Form 6-K

audited consolidated financial statements for the financial years ended December 31, 2005 and 2004 in the case of Desert Sun and December 31, 2004 and February 29, 2004 in the case of Yamana, and the nine month period ended September 30, 2005 having been prepared in accordance with Canadian generally accepted accounting principles consistently applied; (j) completeness and accuracy of financial and corporate books and records; (k) the absence of material litigation; (l) title to properties and condition of assets; (m) insurance matters; (n) environmental matters; (o) the filing of tax returns, the payment of taxes and other tax matters; (p) neither party owning or licensing any intellectual property material to its business; (q) pension and employee benefits; (r) reporting issuer and listing status; (s) the filing with securities regulatory authorities and stock exchanges of all forms, reports and other documents required to be filed, the compliance in all material respects of such documents with the requirements of applicable securities legislation and such documents not containing any misrepresentation at the time of their filing; (t) compliance with applicable laws; (u) there being no cease trade order and no investigation that may operate to prevent or restrict trading of their respective securities; (v) there being no option on assets; (w) absence of non-competition agreements; (x) location of principal offices; (y) foreign private issuer and investment company status; (z) in respect of Desert Sun, that Desert Sun has made full disclosure; (aa) in respect of Desert Sun, that all applicable brokers' commissions have been disclosed; and (bb) in respect of Desert Sun, its status as not a "non-Canadian" for tax purposes.

COVENANTS

Until the Effective Date or the date upon which the Arrangement Agreement is terminated, Desert Sun is required to, and to cause the Desert Sun Subsidiary to, conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice. In addition, Desert Sun is required (except as contemplated by the Arrangement Agreement or as disclosed to the other party in writing or the other party may agree in writing) to, and to cause the Desert Sun Subsidiary to, among other things:

- (a) convene the Meeting as soon as practicable and use its best efforts to convene the Meeting no later than April 11, 2006 or such later date as may be mutually agreed upon with Yamana, and solicit proxies to be voted at the Meeting in favour of the Arrangement;
- (b) not directly or indirectly do or permit to occur any of the following:

38

- i. issue, sell, pledge, lease, dispose of, encumber or create any encumbrance or agree to issue, sell, pledge, lease, dispose of, or encumber or create any encumbrance on, any shares or options, warrants, calls, conversion privileges or rights of any kind to acquire any shares of Desert Sun or the Desert Sun Subsidiary, other than pursuant to the exercise of Desert Sun Options or Desert Sun Warrants currently outstanding;
- ii. other than under existing contracts, agreements or commitments, sell, lease, or otherwise dispose of, or permit the Desert Sun Subsidiary to sell, lease or otherwise dispose of, any property, assets or enter into any agreement in respect of any of the foregoing;
- iii. amend or propose to amend its articles or by-laws or the terms of

Edgar Filing: YAMANA GOLD INC - Form 6-K

the Desert Sun Options or the Desert Sun Warrants;

- iv. split, combine or reclassify any of the Desert Sun Shares or any of shares of the Desert Sun Subsidiary, or declare any dividend or other distribution;
 - v. redeem, purchase or offer to purchase any Desert Sun Common Shares and, other than pursuant to the Desert Sun Share Option Plan, any options or obligations or rights under existing contracts, agreements and commitments;
 - vi. reorganize, amalgamate or merge with another person;
 - vii. (A) satisfy or settle any claim or dispute that is, individually or in the aggregate, in excess of a specified amount; (B) relinquish any contractual rights that are, individually or in the aggregate, in excess of a specified amount; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments other than in the ordinary and regular course of business and not for speculative purposes;
 - viii. incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money;
 - ix. except as required by Canadian GAAP, make any changes to the existing accounting practices of Desert Sun or make any material tax election inconsistent with past practice; or
 - x. enter into, or cause the Desert Sun Subsidiary to enter into, new commitments of a capital expenditure nature or incur any new contingent liabilities other than (A) ordinary course expenditures; (B) expenditures required by law; and (C) expenditures made in connection with transactions contemplated in this Agreement;
- (c) enter into or modify any employment, consulting, severance, collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, benefits, incentive compensation, severance or termination pay to, or make any loan to, any officer or director of Desert Sun;
- (d) use its commercially reasonable efforts to cause its insurance (or re-insurance) policies not to be cancelled or terminated or any other coverage under those policies to lapse;
- (e) not take any action, or refrain from taking any action, that would be inconsistent with the completion of the Arrangement, would impede the Arrangement or would render, or reasonably be expected to render, any of its representations or warranties in the Arrangement Agreement untrue in any material respect and promptly notify the other party of:
- i. any Material Adverse Change or Material Adverse Effect or any change, event, occurrence or state of facts that could reasonably be expected to have a Material Adverse Change or Material Adverse Effect;

Edgar Filing: YAMANA GOLD INC - Form 6-K

- ii. any material complaint, investigation or hearing;
 - iii. any breach of a covenant in the Arrangement Agreement;
 - iv. any event that would render any representation or warranty contained in the Arrangement Agreement untrue or inaccurate in any material respect;
- (f) not enter into, renew or modify in any respect any material contract, agreement, lease, commitment or arrangement to which it is a party or by which it is bound;
- (g) use all commercially reasonable efforts to satisfy or cause the satisfaction of the conditions precedent to its obligations under the Arrangement Agreement;
- (h) use commercially reasonable best efforts to conduct itself so as to keep Yamana fully informed as to the material decisions or actions required to be made with respect to the operation of its business;
- (i) deliver title opinions with respect to the Bahia Gold Belt property and the Jacobina mine; and
- (j) use commercially reasonable best efforts to cause each of Michael Hoffman, Gerald McCarvill, Naomi Nemeth, William Pearson, Peter Tagliamonte, Anthony Wonnacott and Stephen Woodhead to enter into any amendment to their respective Desert Sun Consulting Agreements to provide certain tax indemnities.

Furthermore, Desert Sun has covenanted that it will carry out the terms of the Interim Order and use all commercially reasonable efforts to obtain the approval of its shareholders.

CONDITIONS TO CLOSING

MUTUAL CONDITIONS PRECEDENT

The Arrangement Agreement provides that the obligation of each of Yamana, Yamana Subco and Desert Sun to complete the Arrangement is subject to the satisfaction, on or before the Effective Date, of the following conditions, each of which may be waived by Yamana, Yamana Subco and Desert Sun in writing, at any time:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, acting reasonably, on appeal or otherwise;
- (b) the Arrangement and, if required, all other material transactions contemplated or necessary to complete the Arrangement, with or without amendment, shall have been approved at the Meeting by the Desert Sun Shareholders in accordance with the provisions of the CBCA, the Interim Order and the requirements of any applicable regulatory authority;
- (c) the Final Order shall have been granted in form and substance satisfactory to the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, acting reasonably, on appeal or otherwise;

Edgar Filing: YAMANA GOLD INC - Form 6-K

- (d) the Articles of Arrangement shall be in form and substance satisfactory to the parties hereto, acting reasonably;
- (e) there shall not be in force any applicable law, ruling, order or decree, and there shall not have been any action taken under any law or by any governmental entity or other regulatory authority, that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms or results or could reasonably be expected to result in a judgment, order, decree

40

or assessment of damages, directly or indirectly, relating to the Arrangement that has, or could reasonably be expected to have, a Material Adverse Effect on Desert Sun or Yamana;

- (f) (A) the TSX and AIM shall have conditionally approved the listing thereon, and AMEX shall have authorized for listing, of the Yamana Shares to be issued pursuant to the Arrangement (including the Yamana Shares that, as a result of the Arrangement, are issuable upon the exercise of the Desert Sun Options and the Desert Sun Warrants) as of the Effective Date, or as soon as possible thereafter, and (B) the TSX shall have, if required, accepted notice for filing of all transactions of Desert Sun contemplated or necessary to complete the Arrangement, subject only to compliance with the usual requirements of the TSX, AMEX and AIM, as applicable;
- (g) (A) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any governmental entity and the expiry of any waiting periods, in connection with, or required to permit, the completion of the Arrangement, and (B) all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements (other than as contemplated in the disclosure letters exchanged between Desert Sun and Yamana), the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Desert Sun, Yamana or Yamana Subco or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to each party hereto;
- (h) the Yamana Shares to be issued in the United States pursuant to the Arrangement are exempt from registration requirements under Section 3(a)(10) of the U.S. Securities Act and the Yamana Shares to be distributed in the United States pursuant to the Arrangement are not subject to resale restrictions in the United States under the U.S. Securities Act, (other than as may be prescribed by Rule 144 and Rule 145 under the U.S. Securities Act); and
- (i) the Arrangement Agreement shall not have been terminated.

ADDITIONAL CONDITIONS PRECEDENT TO THE OBLIGATIONS OF YAMANA AND YAMANA SUBCO

The obligations of Yamana to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among

Edgar Filing: YAMANA GOLD INC - Form 6-K

others, (i) the representations and warranties of Desert Sun under the Arrangement Agreement being true and correct, except where failure or breaches of representations and warranties would not either individually or in the aggregate in the reasonable judgement of Yamana have a Material Adverse Effect on Desert Sun; (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on Desert Sun; (iii) Desert Sun having complied in all material respects with its covenants in the Arrangement Agreement; (iv) Desert Sun Shareholders holding no more than 5% of the outstanding Desert Sun Shares shall have exercised their right of dissent in respect of the Arrangement Resolution; and (v) each of Stan Bharti and Bruce Humphrey shall have accepted Yamana Shares in consideration of one-half of the "change in control" payment owing to each of them under their respective consulting agreement.

ADDITIONAL CONDITIONS PRECEDENT TO THE OBLIGATIONS OF DESERT SUN

The obligations of Desert Sun to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Yamana under the Arrangement Agreement being true and correct, except where failure or breaches of representations and warranties would not either individually or in the aggregate in the reasonable judgement of Desert Sun have a Material Adverse Effect on Yamana; (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on Yamana; (iii) Yamana having complied in all material respects with its covenants in the Arrangement Agreement.

41

NON-SOLICITATION AND SUPERIOR PROPOSAL

Pursuant to the Arrangement Agreement, Desert Sun has agreed that it will not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Desert Sun or the Desert Sun Subsidiary, or otherwise: (a) solicit, initiate or promote (including by way of furnishing information or entering into any form of agreement or understanding) any inquiries or proposals regarding any Acquisition Proposal or potential Acquisition Proposal; (b) participate in any discussions or negotiations regarding any Acquisition Proposal or potential Acquisition Proposal; (c) agree to, approve or recommend any Acquisition Proposal or potential Acquisition Proposal; (d) accept or enter into any agreement, understanding or arrangement related to any Acquisition Proposal or potential Acquisition Proposal; or make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the recommendation of the directors of Desert Sun to approve the Combination. Notwithstanding the foregoing, nothing will prevent or restrict the Board of Directors from, prior to the approval of the Arrangement by Desert Sun Shareholders, considering or negotiating any unsolicited bona fide Acquisition Proposal that would be a Superior Proposal or from approving or recommending to Desert Sun Shareholders, or entering into any agreement in respect of, a Superior Proposal in accordance with the terms of the Arrangement Agreement. Desert Sun must notify Yamana within 24 hours of the receipt by any director or officer of Desert Sun of any Acquisition Proposal, any amendment to the foregoing, or any request for non-public information relating to Desert Sun or the Desert Sun Subsidiary. See "The Combination -- Non-Solicitation".

Neither Desert Sun nor the directors thereof shall accept, approve or

Edgar Filing: YAMANA GOLD INC - Form 6-K

recommend or enter into any agreement in respect of an Acquisition Proposal on the basis that it would constitute a Superior Proposal, unless (i) Desert Sun has provided Yamana with a copy of the documents provided with any information not previously provided to Yamana; (ii) such Superior Proposal does not provide for the payment of any break, termination or other fees or expenses to the other party in the event that Desert Sun completes the Combination or any other similar transaction with Yamana or any of its affiliates agreed to prior to any termination of the Arrangement Agreement (provided that a Superior Proposal may provide for the payment of expenses to the other party in the event that Desert Sun and Yamana do not enter into an amended agreement in respect of the Superior Proposal, Yamana provides notice that it wishes the Meeting to proceed, a further Superior Proposal is subsequently made by another party and Yamana ultimately succeeds); (iii) Desert Sun has provided Yamana with a copy of the information containing such Acquisition Proposal; and (iv) five business days have elapsed from the later of the date on which Yamana received notice of the determination of the Board of Directors to accept, approve, recommend or enter into any agreement in respect of such Superior Proposal and the date Yamana received a copy of the Acquisition Proposal, and Yamana has not within such five business day period agreed to at least match the value per Desert Sun Share of such Superior Proposal. See "The Combination -- Superior Proposal".

AMENDMENT AND WAIVER

The Arrangement Agreement, including the Plan of Arrangement, may be amended by written agreement of the parties at any time before or after the Meeting without, subject to applicable law, further notice to or authorization on the part of the Desert Sun Shareholders and any such amendment may, without limitation, (i) change the time for the performance of any of the obligations or acts of any of the parties to the Arrangement Agreement; (ii) waive any inaccuracies in or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement; (iii) waive compliance with or modify any of the covenants in the Arrangement Agreement and waive or modify the performance of any of the obligations of any of the parties hereto; and (iv) waive compliance with or modify any condition under the Arrangement Agreement.

TERMINATION AND TERMINATION FEES

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

1. by mutual written consent of the parties;
2. by either party if:
 - a. a mutual condition or a condition in its favour is not satisfied;
or
 - b. the Effective Date is not on or before the Completion Deadline, provided however, if the Arrangement has not been completed by such date because the Meeting has not been held due to the fault of Desert Sun, then Desert Sun shall not be entitled to terminate the Arrangement Agreement; or
 - c. the Meeting is held and completed and the Desert Sun Shareholders

Edgar Filing: YAMANA GOLD INC - Form 6-K

do not approve the Arrangement Resolution; or

3. by Yamana or Yamana Subco if there is a Superior Proposal and the directors of Desert Sun withdraw or modify in any manner adverse to Yamana or Yamana Subco their approval or recommendation of the Arrangement, or shall fail, after being requested by Yamana in writing, to reaffirm its approval or recommendation of the Arrangement, or shall have accepted, approved, recommended or entered into any agreement in respect of any Superior Proposal.

If Yamana terminates the Arrangement Agreement in connection with:

1. a Superior Proposal and the Board of Directors of Desert Sun has (i) withdrawn or modified in a manner adverse to Yamana their approval or recommendation of the Arrangement; (ii) failed, after being requested by Yamana in writing, to reaffirm its approval or recommendation of the Arrangement as promptly as possible, but in any event within two business days, or (iii) accepted, approved or recommended or entered into an agreement in respect of any Superior Proposal;
2. Desert Sun failing to satisfy, in any material respect, its covenants regarding non-solicitation and superior proposals, as described under the heading "The Arrangement Agreement -- Non-Solicitation and Superior Proposal";
3. Desert Sun failing to submit the Arrangement for approval to the Desert Sun Shareholders, in accordance with the terms of the Arrangement Agreement, or failing to solicit proxies in connection therewith;

then Desert Sun shall pay Yamana an amount in cash equal to \$21.5 million. Desert Sun shall also have to pay such break fee if an Acquisition Proposal has been made to Desert Sun and made known to Desert Sun Shareholders generally and not withdrawn publicly prior to the Meeting, the Desert Sun Shareholders do not approve the Arrangement and Desert Sun completes an Acquisition Proposal with such third party within nine months following the termination of the Arrangement. Such payment shall be made within five days following the completion of the Acquisition Proposal. Desert Sun shall not be obligated to make more than one such termination payment.

In addition, in the event that Desert Sun enters into an agreement to implement a Superior Proposal, Yamana may require that Desert Sun hold the Meeting, and place the Arrangement Resolution before the Desert Sun Shareholders for approval.

INDEMNIFICATION AND INSURANCE

Yamana covenants that all rights to indemnification or exculpation in favour of current and former officers and directors of Desert Sun and its subsidiaries as provided in their respective articles, by-laws, any agreement or directors' and officers' insurance policies will survive (or be replaced with substantially similar coverage by another provider) the completion of the Arrangement, in full force and effect for a period of five years, in the case of such insurance policies.

EXPENSES

The Arrangement Agreement provides that each of Desert Sun and Yamana shall pay its own expenses incurred in connection with the Combination.

RISK FACTORS

Desert Sun Shareholders should carefully consider the following risk factors in evaluating whether to approve the Arrangement. These risk factors should be considered in conjunction with the other information included in this Proxy Circular.

RISK FACTORS RELATING TO THE ARRANGEMENT

FAILURE TO COMPLETE THE ARRANGEMENT COULD NEGATIVELY AFFECT DESERT SUN'S SHARE PRICE, FUTURE BUSINESS AND OPERATIONS

Risks to which Desert Sun is subject relating to the Arrangement not being completed include:

- (a) the price of the Desert Sun Shares may decline to the extent that the relevant current market price reflects a market assumption that the Arrangement will be completed;
- (b) certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees incurred by Desert Sun, must be paid by Desert Sun even if the Arrangement is not completed. In addition, if the Arrangement is not completed, Desert Sun may be required to pay Yamana the Termination Fee. The Termination Fee could adversely affect Desert Sun's financial condition; and
- (c) if the Arrangement is terminated and the Board of Directors decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the price to be paid by Yamana pursuant to the Arrangement.

In addition, Desert Sun employees may experience uncertainty about their future roles with Yamana until Yamana's strategies with respect to Desert Sun are announced and executed. This may adversely affect Desert Sun's ability to attract or to retain key management and personnel.

RISKS ASSOCIATED WITH THE FIXED EXCHANGE RATIO

Pursuant to the provisions of the Plan of Arrangement, each Desert Sun Share will be exchanged for 0.6 of a Yamana Share. The Exchange Ratio is fixed and it will not increase or decrease due to fluctuations in the market price of either the Yamana Shares or the Desert Sun Shares. The market value of the consideration that Desert Sun Shareholders will receive in the Arrangement will depend on the market price of the Yamana Shares on the Effective Date. If the market price of the Yamana Shares increases or decreases, the market value of the Yamana Shares that Desert Sun Shareholders will receive will correspondingly increase or decrease. Because the date that the Arrangement is completed will be later than the date of the Meeting, the price of the Yamana Shares on the Effective Date may be higher or lower than the price on the date of the Meeting. In addition, the number of Yamana Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of Desert Sun Shares. Many of the factors that affect the market price of the Yamana Shares and the Desert Sun Shares are beyond the control of Yamana and Desert Sun, respectively. These factors include fluctuations in commodity

Edgar Filing: YAMANA GOLD INC - Form 6-K

prices, most importantly gold and copper, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

DESERT SUN DIRECTORS AND EXECUTIVE OFFICERS MAY HAVE INTERESTS IN THE ARRANGEMENT THAT ARE DIFFERENT FROM THOSE OF DESERT SUN SHAREHOLDERS

In considering the recommendation of the Desert Sun Board of Directors to vote in favour of the Arrangement Resolution, Desert Sun Shareholders should be aware that certain members of the Desert Sun Board of Directors and management team have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Desert Sun Shareholders generally. See "The Combination -- Interests of Certain Persons in the Arrangement".

44

UNCERTAINTIES ASSOCIATED WITH THE ARRANGEMENT

The Arrangement will involve the integration of companies that previously operated independently. An important factor in the success of the Arrangement will be the ability of the management of the combined entity in managing Desert Sun and, if appropriate, integrating all or part of the operations, systems, technologies and personnel of the two companies following the completion of the transaction. The Arrangement and/or the integration of the two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees, customers or suppliers. There can be no assurance that the Arrangement and business integration will be successful or that the combination will not adversely affect the business, financial condition or operating results of the combined entity. In addition, the combined entity may incur charges related to the Arrangement and related to integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the Arrangement or that the benefits expected from the Arrangement will be realized.

RISK FACTORS RELATING TO YAMANA

Please refer to Exhibit B -- "Yamana Gold Inc. -- Risk Factors" for a discussion of risk factors relating to the business of Yamana and an investment in Yamana Shares.

CERTAIN TAX CONSIDERATIONS TO DESERT SUN SHAREHOLDERS

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations of the Arrangement generally applicable to Desert Sun Shareholders who, for the purposes of the Tax Act and at all relevant times, (i) deal at arm's length with both Yamana and Desert Sun, (ii) are not affiliated with either Yamana or Desert Sun, and (iii) hold their Desert Sun Shares as capital property. Desert Sun Shares will generally be considered capital property to a Desert Sun Shareholder unless the Desert Sun Shareholder holds the Desert Sun Shares in the course of carrying on a business or has acquired the Desert Sun Shares in a transaction or transactions considered to be an adventure

Edgar Filing: YAMANA GOLD INC - Form 6-K

in the nature of trade. Desert Sun Shareholders who are resident in Canada for purposes of the Tax Act and whose Desert Sun Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have such Desert Sun Shares and every "Canadian security" (as defined in the Tax Act) owned by such holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. This summary does not apply to a Desert Sun Shareholder that is a "financial institution" within the meaning of subsection 142.2(1) of the Tax Act.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, and Desert Sun's understanding of the current published administrative practices of the CRA as of the date hereof. This summary also takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"). However, no assurances can be given that the Proposed Amendments will be enacted in the form proposed, or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or changes in the administrative practices of the CRA. This summary also does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations summarized herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal, business or tax advice or representations to any particular Desert Sun Shareholder. Accordingly, Desert Sun Shareholders should consult their own tax advisors for advice regarding the income tax consequences of the Arrangement having regard to their particular circumstances.

This summary is not applicable to a Desert Sun Shareholder who acquired their Desert Sun Shares pursuant to the exercise of an employee stock option and any such Desert Sun Shareholder should consult their tax advisor with respect to the tax consequences of the Arrangement.

45

DESERT SUN SHAREHOLDERS RESIDENT IN CANADA

The following portion of the summary is generally applicable to a Desert Sun Shareholder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax convention, is, or is deemed to be, resident in Canada.

ARRANGEMENT -- EXCHANGE OF SHARES

A Desert Sun Shareholder who receives Yamana Shares in exchange for its Desert Sun Shares under the Arrangement will realize neither a capital gain nor a capital loss as a result of the Arrangement. Such a Desert Sun Shareholder will be considered to have disposed of its Desert Sun Shares for proceeds of disposition equal to the aggregate adjusted cost base of its Desert Sun Shares immediately before the Arrangement and to have acquired Yamana Shares at an aggregate cost equal to such proceeds of disposition.

For the purpose of determining at any time the adjusted cost base of Yamana Shares acquired by a Desert Sun Shareholder under the Arrangement, the cost of

Edgar Filing: YAMANA GOLD INC - Form 6-K

such Yamana Shares must be averaged with the adjusted cost base to the holder of all other Yamana Shares held by the holder at that time.

DISPOSITION OF YAMANA SHARES

A holder who disposes of Yamana Shares will realize a capital gain (or capital loss) to the extent that the proceeds of disposition thereof, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such holder. The income tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Taxation of Capital Gains and Capital Losses".

TAXATION OF CAPITAL GAINS AND CAPITAL LOSSES

One-half of capital gains will be taxable capital gains which must be included in income and one-half of capital losses will be allowable capital losses that may be deducted against taxable capital gains realized in the year of disposition. Subject to the detailed rules contained in the Tax Act, any unused allowable capital loss may be applied to reduce net taxable capital gains realized by the holder in the three preceding and in all subsequent taxation years. Recognition of capital losses otherwise realized may be denied in various circumstances set out in the Tax Act. The amount of any capital loss realized by a corporate holder on a disposition of Yamana Shares may be reduced by the amount of dividends received, if any, or deemed to be received on the shares, to the extent and under the circumstances provided in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns the shares or where a trust or partnership of which a corporation is a beneficiary or a member, respectively, is a member of a partnership or a beneficiary of a trust that owns the shares.

A holder that is a Canadian-controlled private corporation throughout the relevant taxation year may be subject to an additional refundable tax of 6 (2)/3% on taxable capital gains. This additional tax will be refunded to the holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Where the holder is an individual or a trust, other than certain trusts, the realization of a capital gain may result in a liability for alternative minimum tax under the Tax Act.

ARRANGEMENT -- DISSENTING DESERT SUN SHAREHOLDERS

A Dissenting Shareholder who receives from Yamana a payment in an amount equal to the fair value of the Dissenting Shareholder's Desert Sun Shares will be considered to have disposed of the Desert Sun Shares for proceeds of disposition equal to the amount received by the Dissenting Shareholder (less the amount of any interest awarded by a court in respect of such payment). Such a disposition of Desert Sun Shares by a Dissenting Shareholder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Dissenting Shareholder of those Desert Sun Shares immediately before the

Edgar Filing: YAMANA GOLD INC - Form 6-K

disposition. The income tax treatment of capital gains and capital losses is discussed in greater detail above under the subheading "Taxation of Capital Gains and Capital Losses".

Any interest awarded by a court to a Dissenting Shareholder will be included in such Dissenting Shareholder's income for purposes of the Tax Act.

DESERT SUN SHAREHOLDERS NOT RESIDENT IN CANADA

The following summary is generally applicable to a Desert Sun Shareholder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax convention, is neither resident nor deemed to be resident in Canada, and who does not use or hold and is not deemed to use or hold Desert Sun Shares in carrying on a business in Canada (a "Non-Resident Shareholder"). Special rules, which are not discussed in this summary, may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

ARRANGEMENT -- EXCHANGE OF SHARES

A Non-Resident Shareholder who exchanges Desert Sun Shares for Yamana Shares under the Arrangement will generally be subject to the same tax consequences as a Canadian resident holder on the Arrangement, as discussed above. Accordingly, a Non-Resident Shareholder who receives Yamana Shares in exchange for Desert Sun Shares on the amalgamation will generally realize neither a capital gain nor a capital loss.

DISPOSITION OF YAMANA SHARES

A Non-Resident Shareholder who disposes of Yamana Shares will not be subject to tax under the Tax Act on any gain arising on the disposition of such shares unless such shares constitute "taxable Canadian property" of the holder for the purposes of the Tax Act. In addition, if such shares do constitute taxable Canadian property, the Non-Resident Shareholder may be exempt from tax under an applicable income tax convention.

47

Generally, Yamana Shares will not be taxable Canadian property of a Non-Resident Shareholder at a particular time provided that (i) the Yamana Shares are not deemed to be taxable Canadian property to the holder, and (ii) the Yamana Shares are listed on a prescribed stock exchange (which currently includes the TSX) and the holder, persons with whom the holder does not deal at arm's length, or the holder together with such persons, has not owned 25% or more of the issued shares of any class or series of the capital stock of Yamana at any time within the 60 month period immediately preceding the particular time. Any Yamana Shares received by a Non-Resident Shareholder in exchange for Desert Sun Shares which constitute taxable Canadian property to the Non-Resident Shareholder will be deemed to be taxable Canadian property to the Non-Resident Shareholder.

Generally, a Non-Resident Shareholder who realizes a capital gain on a disposition of Yamana Shares which constitute taxable Canadian property of the holder and which is not exempt from tax under an applicable income tax convention will be subject to the tax treatment described above under the subheading "Desert Sun Shareholders Resident in Canada -- "Taxation of Capital

Edgar Filing: YAMANA GOLD INC - Form 6-K

Gains and Capital Losses".

ARRANGEMENT -- DISSENTING NON-RESIDENT SHAREHOLDERS

A Non-Resident Shareholder who is a Dissenting Shareholder and who receives from Yamana the fair value of such Non-Resident Shareholder's Desert Sun Shares will not be subject to tax under the Tax Act in respect of such disposition of Desert Sun Shares provided such shares do not constitute "taxable Canadian property" of the Non-Resident Shareholder. See above under the subheading "Desert Sun Shareholders Not Resident in Canada, Disposition of Yamana Shares" for a general discussion of the tax treatment of capital gains realized on a disposition of Desert Sun Shares which constitute taxable Canadian property to the holder.

Any interest paid to a Non-Resident Shareholder consequent upon the exercise of dissent rights will be subject to Canadian withholding tax at a rate of 25%, unless the rate is reduced under the provisions of an applicable income tax convention. Non-Resident Shareholders who are contemplating exercising their dissent rights should consult their own tax advisors.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

Notice Pursuant To IRS Circular 230: Anything contained in this Proxy Circular concerning any U.S. federal tax issue is not intended or written to be used, and it cannot be used by a U.S. Holder (as defined below), for the purpose of avoiding U.S. federal tax penalties under the Internal Revenue Code. This summary was written to support the promotion or marketing of the transactions or matters addressed by this Proxy Circular. Each U.S. Holder should seek U.S. federal tax advice based on such U.S. Holder's particular circumstances from an independent tax advisor.

The following summary describes the material U.S. federal income tax considerations generally applicable to U.S. Holders of Desert Sun Shares who exchange their Desert Sun Shares for Yamana Shares under the Arrangement and U.S. Holders of Desert Sun Shares who exercise their right to dissent in accordance with the dissent procedures set out in Exhibit I -- "Dissent Rights". This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), proposed, temporary and final U.S. Treasury regulations under the Code, Internal Revenue Service ("IRS") rulings and judicial decisions, all as in effect as of the date of this Proxy Circular and all of which are subject to change (possibly with retroactive effect) or to differing interpretations. This summary applies only to holders of Desert Sun Shares that hold their Desert Sun Shares, and will hold any Yamana Shares that they receive under the Arrangement, as capital assets within the meaning of Section 1221 of the Code. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular holder of Desert Sun Shares in light of such holder's particular circumstances or to holders of Desert Sun Shares subject to special treatment under the U.S. federal income tax laws, including:

- o banks, insurance companies, trusts and financial institutions;
- o tax-exempt organizations;

48

- o mutual funds;

Edgar Filing: YAMANA GOLD INC - Form 6-K

- o persons that have a functional currency other than the U.S. dollar;
- o traders in securities who elect to apply a mark-to-market method of accounting;
- o dealers in securities or foreign currency;
- o holders of Desert Sun Shares who received their shares in compensatory transactions;
- o holders of Desert Sun Shares who hold their shares as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- o holders of Desert Sun Options or Desert Sun Warrants; and
- o holders who will hold 5% or more of the Yamana Shares, either directly, indirectly through one or more entities, or as a result of certain constructive ownership rules of the Code, following the exchange of Desert Sun Shares for Yamana Shares under the Arrangement.

For purposes of this summary, a U.S. Holder is:

- o an individual who is a U.S. citizen or resident alien for U.S. federal income tax purposes;
- o a corporation, or entity classified as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- o an estate that is subject to U.S. federal income tax on its worldwide income; or
- o a trust if (i) a U.S. court is able to exercise supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership holds Desert Sun Shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold Desert Sun Shares should consult their tax advisors regarding the U.S. federal income tax consequences to them of the Arrangement.

PASSIVE FOREIGN INVESTMENT COMPANY RULES

Special U.S. federal income tax rules will apply to U.S. Holders if Desert Sun currently is or has been a passive foreign investment company (a "PFIC") at any time during which the U.S. Holder has held Desert Sun Shares. A non-U.S. corporation generally is classified as a PFIC for U.S. federal income tax purposes in any taxable year if, either (i) at least 75% of its gross income is "passive" income (the "income test"), or (ii) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). For purposes of the income test and the asset test, if a non-U.S. corporation owns, directly or indirectly, at least 25% (by value) of the stock of another corporation, the non-U.S. corporation will be treated as if it held its proportionate share of the assets of the latter corporation and received directly its proportionate share of the income of that latter corporation.

Edgar Filing: YAMANA GOLD INC - Form 6-K

Passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person), certain net gains from the sales of commodities such as oil and natural gas, annuities and gains from assets that produce passive income. Passive income does not include, however, any income that is interest, a dividend or a rent or royalty received or accrued from a related person to the extent that the amount is properly allocable to income of the related person that is not passive income. For these purposes, a related person includes a subsidiary controlled by the non-U.S. corporation, where control means ownership, directly or indirectly,

49

of stock possessing more than 50% of the total voting power of all classes of stock entitled to vote or of the total value of the stock of a corporation.

The Code and applicable U.S. Treasury regulations exclude active business gains from transactions in commodities from the definition of passive income if substantially all of the non-U.S. corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in a trade or business.

Under the Code, if a non-U.S. corporation is a PFIC in any taxable year that a U.S. person holds shares, the non-U.S. corporation generally is considered a PFIC with respect to the U.S. person for all subsequent years after the first taxable year in the U.S. person's holding period in which the non-U.S. corporation was a PFIC.

A U.S. person who holds shares of a PFIC is taxed at ordinary income tax rates on any gain realized on the sale or exchange of the shares and on any "excess distributions" received. Excess distributions are amounts received by a U.S. person with respect to its shares in any taxable year that exceed 125% of the average distributions received by the U.S. person in the shorter of either the three previous years or the U.S. person's holding period for the shares before the current taxable year. Gain and excess distributions are allocated ratably to each day that the U.S. person held shares. Amounts allocated to the current taxable year and to years before the non-U.S. corporation became a PFIC are treated as ordinary income. In addition, amounts allocated to each taxable year beginning with the year the non-U.S. corporation first became a PFIC are taxed at the highest rate in effect for that year on ordinary income. The tax is subject to an interest charge at the rate applicable to underpayments of income tax. Under certain circumstances, a U.S. person may make certain elections to mitigate some of the adverse U.S. federal income tax consequences of holding shares of a PFIC. U.S. persons generally are required to file IRS Form 8621 for each year in which they hold shares of a PFIC.

Desert Sun believes that it may have been a PFIC for one or more years prior to 2005 since it had no income other than passive income.

THE ARRANGEMENT

For U.S. federal income tax purposes, Yamana and Desert Sun have agreed to treat the Arrangement as a reorganization under the provisions of Section 368(a) of the Code. Even if the Arrangement qualifies as a reorganization, however, the PFIC rules discussed in the preceding section may require U.S. Holders who have held Desert Sun Shares at any time during which Desert Sun was a PFIC to recognize taxable gain (but not loss) on the exchange of their Desert Sun Shares for Yamana Shares, as discussed below. U.S. Holders should consult their tax

Edgar Filing: YAMANA GOLD INC - Form 6-K

advisors regarding the U.S. federal income tax consequences to them of the Arrangement.

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement to U.S. Holders. Accordingly, there can be no assurance that the Arrangement will qualify as a reorganization under the provisions of Section 368(a) of the Code or that the IRS will not challenge the status of the Arrangement as a reorganization. The requirements that must be satisfied in order for the Arrangement to qualify as a reorganization are complex, and each U.S. Holder should consult its own tax advisor regarding these requirements. Except as discussed under "Treatment if the Arrangement does not qualify as a reorganization", the remainder of this discussion assumes that the Arrangement will qualify as a reorganization under the provisions of Section 368(a) of the Code for U.S. federal income tax purposes.

TREATMENT IF DESERT SUN IS A PFIC WITH RESPECT TO A U.S. HOLDER

The discussion in this section assumes that Desert Sun is or has been a PFIC with respect to a U.S. Holder at any time during which a U.S. Holder has held Desert Sun Shares and that such U.S. Holder has not made a timely qualified electing fund ("QEF") election with respect to Desert Sun.

The exchange of Desert Sun Shares for Yamana Shares under the Arrangement should be a taxable transaction to a U.S. Holder as long as Yamana is not a PFIC for 2006. In such case, a U.S. Holder should recognize gain upon exchanging its Desert Sun Shares for Yamana Shares. Such gain should be equal to the difference between the fair market value of the Yamana Shares received in the Arrangement and the U.S. Holder's adjusted tax basis in the Desert Sun Shares exchanged in

50

the Arrangement. Such gain should be recognized on a share-by-share basis and should be taxable as an "excess distribution" under the PFIC rules. An excess distribution should be allocated ratably to each day that the U.S. Holder held Desert Sun Shares. Amounts allocated to the current taxable year and to years before Desert Sun became a PFIC should be treated as ordinary income. In addition, amounts allocated to each taxable year beginning with the year Desert Sun first became a PFIC should be taxed at the highest rate in effect for that year on ordinary income. The tax should be subject to an interest charge at the rate applicable to underpayments of income tax.

A U.S. Holder generally should not be permitted to recognize a loss on the exchange of Desert Sun Shares for Yamana Shares under the Arrangement. The U.S. Holder's basis in the Yamana Shares received should be adjusted to reflect the gain recognized.

If, contrary to Yamana's current expectation (discussed below), Yamana is determined to be a PFIC for 2006, and Desert Sun has also been a PFIC at any time during which a U.S. Holder has held Desert Sun Shares, such a U.S. Holder of Desert Sun Shares should not be required to recognize gain on the exchange of its Desert Sun Shares for Yamana Shares under the Arrangement. The aggregate adjusted tax basis of the Yamana Shares received under the Arrangement should be equal to the aggregate adjusted tax basis of the Desert Sun Shares surrendered for the Yamana Shares. The holding period of the Yamana Shares received should include the period during which the U.S. Holder held the Desert Sun Shares.

Edgar Filing: YAMANA GOLD INC - Form 6-K

The treatment of any U.S. Holders who have properly made a "mark-to-market" election with respect to their Desert Sun Shares is unclear. Such U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences to them of the Arrangement.

A U.S. Holder of Desert Sun Shares that exercises its right to dissent in accordance with the dissent procedures set out in Exhibit I -- "Dissent Rights" generally will recognize gain or loss measured by the difference between the amount of cash received and the adjusted tax basis of the Desert Sun Shares surrendered. Such gain, if any, will be taxable in the manner described above in the second paragraph of this section.

If a U.S. Holder of Desert Sun Shares that exercises its right to dissent receives any interest, such interest will be subject to Canadian withholding tax. The amount of such interest, before reduction for Canadian withholding tax, generally will be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Such interest will be income from sources without the United States, and for taxable years beginning on or before December 31, 2006, generally will be "high withholding tax interest" for U.S. foreign tax credit limitation purposes as long as Canadian tax is withheld at a rate of at least 5%.

TREATMENT IF DESERT SUN IS NOT A PFIC WITH RESPECT TO A U.S. HOLDER

If Desert Sun has not been a PFIC at any time during which a U.S. Holder has held Desert Sun Shares, the U.S. Holder of Desert Sun Shares should not be required to recognize gain on the exchange of its Desert Sun Shares for Yamana Shares under the Arrangement. The aggregate adjusted tax basis of the Yamana Shares received under the Arrangement should be equal to the aggregate adjusted tax basis of the Desert Sun Shares surrendered for the Yamana Shares. The holding period of the Yamana Shares received should include the period during which the U.S. Holder held the Desert Sun Shares.

A U.S. Holder of Desert Sun Shares that exercises its right to dissent in accordance with the dissent procedures set out in Exhibit I -- "Dissent Rights" generally will recognize gain or loss measured by the difference between the amount of cash received and the adjusted tax basis of the Desert Sun Shares surrendered. Such gain or loss will generally be a capital gain or loss, and will generally be long-term if, at the time the Desert Sun Shares are exchanged, the U.S. Holder has held the Desert Sun Shares for more than one year. Net long-term capital gains of non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss that a U.S. Holder recognizes generally will be treated as income or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

If a U.S. Holder of Desert Sun Shares that exercises its right to dissent receives any interest, such interest will be subject to Canadian withholding tax. The amount of such interest, before reduction for Canadian withholding tax, generally will be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's

regular method of accounting for U.S. federal income tax purposes. Such interest will be income from sources outside the United States, and for taxable years

Edgar Filing: YAMANA GOLD INC - Form 6-K

beginning on or before December 31, 2006, generally will be "high withholding tax interest" for U.S. foreign tax credit limitation purposes as long as Canadian tax is withheld at a rate of at least 5%.

TREATMENT IF THE ARRANGEMENT DOES NOT QUALIFY AS A REORGANIZATION

If the Arrangement does not qualify as a reorganization under the provisions of Section 368(a) of the Code and Desert Sun has been a PFIC at any time during which a U.S. Holder has held Desert Sun Shares, a U.S. Holder generally will recognize gain or loss equal to the difference between the fair market value of the Yamana Shares received in the Arrangement and the adjusted tax basis in the Desert Sun Shares exchanged in the Arrangement. Such gain, if any, will be taxable in the manner described above in the second paragraph under "Treatment if Desert Sun is a PFIC with respect to a U.S. Holder.

If the Arrangement does not qualify as a reorganization under the provisions of Section 368(a) of the Code and Desert Sun has not been a PFIC at any time during which a U.S. Holder has held Desert Sun Shares, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference, between the fair market value of the Yamana Shares received in the Arrangement and the tax basis in the Desert Sun Shares exchanged in the Arrangement. Such gain or loss will generally be a capital gain or loss, and will generally be long-term if, at the time the Desert Sun Shares are exchanged, the U.S. Holder has held the Desert Sun Shares for more than one year. Net long-term capital gains of non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss that a U.S. Holder recognizes generally will be treated as income or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

INFORMATION REPORTING AND RECORDKEEPING REQUIREMENTS

Certain information reporting requirements on IRS Form 8621 generally will apply to a U.S. Holder under the Arrangement with respect to whom Desert Sun is a PFIC if the U.S. Holder exchanges its Desert Sun Shares for Yamana Shares or otherwise disposes of its Desert Sun Shares. Special reporting requirements will also apply if a U.S. Holder with respect to whom Desert Sun is a PFIC exchanges its Desert Sun Shares for Yamana Shares and Yamana is a PFIC. In addition, assuming the Arrangement qualifies as a reorganization under the provisions of the Section 368(a) of the Code, each U.S. Holder of Desert Sun Shares that receives Yamana Shares under the Arrangement generally will be required to file a statement with its U.S. federal income tax return providing its basis in the Desert Sun Shares surrendered and the fair market value of the Yamana Shares received, and to retain permanent records of this information relating to the Arrangement. U.S. Holders should consult their tax advisors regarding the information reporting and recordkeeping requirements applicable to them in connection with the Arrangement.

OWNERSHIP OF YAMANA SHARES

DISTRIBUTIONS ON YAMANA SHARES

Subject to the PFIC rules discussed below, the gross amount of any cash distribution with respect to Yamana Shares (before reduction for Canadian withholding taxes) will be taxable to U.S. Holders of Yamana Shares as a dividend to the extent of Yamana's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any cash distribution exceeds Yamana's current and accumulated earnings and profits, as determined under U.S. federal income tax principles,

Edgar Filing: YAMANA GOLD INC - Form 6-K

such distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the Yamana Shares (thereby increasing the amount of gain or decreasing the amount of loss that a U.S. Holder would recognize on a subsequent disposition of Yamana Shares). Any balance in excess of the adjusted basis will be treated as capital gain.

Subject to certain limitations, dividends paid to noncorporate U.S. Holders, including individuals, may be eligible for a reduced rate of U.S. federal income taxation if Yamana is deemed to be a "qualified foreign corporation" for U.S. federal income tax purposes. A qualified foreign corporation includes a non-U.S. corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and

52

that the U.S. Treasury Department has determined to be satisfactory for purposes of the qualified dividend provisions of the Code. The U.S. Treasury Department has determined that the income tax treaty between the United States and Canada is satisfactory for purposes of the qualified dividend provisions of the Code. A non-U.S. corporation will also be treated as a qualified foreign corporation with respect to a dividend paid if the stock with respect to which such dividend was paid is regularly traded on an established securities market in the U.S. A qualified foreign corporation does not include a non-U.S. corporation that is a PFIC for the taxable year in which a dividend is paid or for the preceding taxable year.

Dividends paid on the Yamana Shares should be eligible for this reduced rate of U.S. federal income taxation as long as Yamana is not a PFIC and either Yamana is eligible for the benefits of the income tax treaty between the United States and Canada or the Yamana Shares are regularly traded on an established U.S. securities market.

Distributions will be includable in a U.S. Holder's gross income on the date actually or constructively received by the U.S. Holder. These dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

If Yamana pays dividends on the Yamana Shares in Canadian dollars, the U.S. dollar value of such dividends should be calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If Canadian dollars are converted into U.S. dollars on the date of actual or constructive receipt of such dividends, a U.S. Holder's tax basis in such Canadian dollars will be equal to their U.S. dollar value on that date and, as a result, the U.S. Holder generally should not be required to recognize any foreign currency exchange gain or loss. Any gain or loss recognized on a subsequent conversion or other disposition of the Canadian dollars generally will be treated as U.S. source ordinary income or loss.

A U.S. Holder may be entitled to claim a U.S. foreign tax credit for or deduct Canadian taxes that are withheld on dividends received by the U.S. Holder, subject to applicable limitations in the Code. For taxable years beginning on or before December 31, 2006, dividends paid on the Yamana Shares generally will constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" and will be treated as income from sources without the United States for U.S. foreign tax credit limitation purposes. For taxable years beginning after December 31, 2006, such dividends generally will constitute "passive category income" or "general category income" for U.S.

Edgar Filing: YAMANA GOLD INC - Form 6-K

foreign credit limitation purposes. The amount of foreign income taxes that may be claimed as a credit in any year is subject to complex limitations and restrictions, which must be determined on an individual basis by each holder. U.S. Holders are urged to consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

SALE, EXCHANGE OR OTHER DISPOSITION OF YAMANA SHARES

Subject to the PFIC rules discussed below, upon the sale, exchange or other disposition of Yamana Shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition of Yamana Shares and the U.S. Holder's adjusted tax basis in the Yamana Shares. The capital gain or loss generally will be long-term capital gain or loss if, at the time of sale, exchange or other disposition, the U.S. Holder has held the Yamana Shares for more than one year. Net long-term capital gains of noncorporate U.S. Holders, including individuals, are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss that a U.S. Holder recognizes generally will be treated as gain or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

PASSIVE FOREIGN INVESTMENT COMPANY RULES

As discussed under "Exchange of Desert Sun Shares for Yamana Shares -- Passive Foreign Investment Company Rules", above, special rules apply in determining whether a non-U.S. corporation is a PFIC. Yamana anticipates that it should be considered to be engaged in the active conduct of a commodities business (as discussed above), and does not expect to be a PFIC for 2006. Because this conclusion is a factual determination that is made annually and is subject to change, there can be no assurances that Yamana will not be a PFIC for 2006 or any future taxable year. Under the Code, if Yamana were considered to be a PFIC in any taxable year that a U.S. Holder held Yamana Shares, Yamana generally would be considered a PFIC for all taxable years that such U.S. Holder held Yamana Shares after the first taxable year that Yamana was considered to be a PFIC.

53

In general, if Yamana were a PFIC, a U.S. Holder would be taxed at ordinary income tax rates on any gain realized on the sale or exchange of the Yamana Shares and on any "excess distributions" received. Excess distributions are amounts received by a U.S. Holder with respect to Yamana Shares in any taxable year that exceed 125% of the average distributions received by the U.S. Holder in the shorter of either the three previous years or the U.S. Holder's holding period for the Yamana Shares before the current taxable year. Gain and excess distributions would be allocated ratably to each day that that U.S. Holder held Yamana Shares. Amounts allocated to the current taxable year and to years before Yamana became a PFIC would be treated as ordinary income. In addition, amounts allocated to each taxable year beginning with the year Yamana first became a PFIC would be taxed at the highest rate in effect for that year on ordinary income. The tax would be subject to an interest charge at the rate applicable to underpayments of income tax.

Rather than being subject to this tax regime, a U.S. Holder could:

- o make a QEF election to be taxed currently on its pro rata portion of Yamana's income and gain, whether or not such income or gain were

Edgar Filing: YAMANA GOLD INC - Form 6-K

distributed in the form of dividends or otherwise; or

- o make a "mark-to-market" election and thereby agree, for the year of the election and each subsequent tax year, to recognize ordinary gain or, to the extent of any prior ordinary gain, ordinary loss based on the increase or decrease in market value for such taxable year. A U.S. Holder's basis in its shares would be adjusted to reflect any such income or loss amounts.

A QEF election generally should be made for the first taxable year in which a corporation is a PFIC.

If Yamana were a PFIC, a U.S. Holder would be required to file IRS Form 8621 for each year in which the U.S. Holder held Yamana Shares.

U.S. Holders are strongly urged to consult their own tax advisors regarding possible classification of Yamana as a PFIC and the adverse U.S. federal income tax consequences that would result from such classification.

INFORMATION REPORTING AND BACKUP WITHHOLDING

In general, unless a U.S. Holder belongs to a category of certain exempt recipients (such as corporations), information reporting requirements will apply to dividends as well as proceeds of sales of Yamana Shares that are effected through the U.S. office of a broker or the non-U.S. office of a broker that has certain connections with the United States. Backup withholding may apply to these payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of exempt status, fails to report in full dividend and interest income or, in certain circumstances, fails to comply with applicable certification requirements. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. Holder's U.S. federal income tax, provided the U.S. Holder furnishes the required information to the IRS in a timely manner.

ELIGIBILITY FOR INVESTMENT IN CANADA OF YAMANA SHARES

Provided Yamana Shares are listed on a prescribed stock exchange (which currently includes the TSX and the AMEX), Yamana Shares will be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs and RESPs.

54

ANNUAL BUSINESS TO BE CONSIDERED BY DESERT SUN SHAREHOLDERS

ELECTION OF DIRECTORS

The directors of Desert Sun are elected annually and hold office until the next annual meeting of shareholders of Desert Sun, or any adjournment thereof, or until their successors are elected or appointed unless a director's office is earlier vacated under the articles of Desert Sun or the CBCA or he or she becomes disqualified to act as a director.

The Board of Directors currently consists of six directors (the "Nominees"). The following table provides the names of the Nominees and information concerning such Nominees. The persons in the enclosed form of proxy intend to vote for the election of the Nominees. Desert Sun management does not

Edgar Filing: YAMANA GOLD INC - Form 6-K

contemplate that any of the Nominees will be unable to serve as a director. If prior to the Meeting any of such Nominees is unable to or unwilling to serve, the persons named in the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting.

Name and Municipality of Residence -----	Position with Desert Sun -----	Principal ----- Occupation -----
GERALD P. MCCARVILL (3) (4) (Toronto, Canada)	Vice-Chairman and a Director since July 2002	Business Executive
STAN BHARTI (Toronto, Canada)	Chairman and Director since February 2002	Professional Engineer
BRUCE HUMPHREY (Brampton, Canada)	President, Chief Executive Officer and a Director since October 2004	Mining Engineer
PETER BOJTOS (2) (4) (5) (Lakewood, United States)	Director since June 2002	Professional Engineer
NANCY MCINERNEY-LACOMBE (2) (3) (5) (Toronto, Canada)	Director since July 2003	Business Executive
KENNETH TAYLOR (2) (3) (4) (5) (New York, United States)	Director since September 2002	Business Consultant

Notes:

- (1) The information as to Desert Sun Shares owned or over which the Nominees exercise control or direction not being within the knowledge of Desert Sun has been furnished by the respective Nominee.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Nominating Committee.
- (5) Member of the Corporate Governance Committee.

IF ANY OF THE FOREGOING NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the re-appointment of McGovern, Hurley, Cunningham,

Edgar Filing: YAMANA GOLD INC - Form 6-K

LLP, as auditors of the Corporation until the close of the next annual meeting of Desert Sun Shareholders or until its successor is appointed and to authorize the directors to fix their remuneration. McGovern, Hurley, Cunningham, LLP were first appointed auditors on February 24, 2003, when they took over from DeVisser Grey, Chartered Accountants.

For the year ended December 31, 2005, Desert Sun paid McGovern, Hurley, Cunningham, LLP total fees of \$165,800. These fees consisted of \$154,900 for audit-related services, \$10,900 for tax compliance and advisory services and no other fees. Audit-related fees include fees relating to the preparation of prospectuses and consultations regarding financial accounting and reporting standards.

SPECIAL BUSINESS TO BE CONSIDERED BY DESERT SUN SHAREHOLDERS

In order for the Arrangement to be effected, the Desert Sun Shareholders will be asked to consider and, if deemed advisable, to approve the Arrangement Resolution at the Meeting. The Arrangement Resolution (the text of which appears as Exhibit F to this Proxy Circular) must be approved by an affirmative vote of not less than two-thirds of the votes cast in respect thereof by Desert Sun Shareholders at the Meeting and a simple majority of the votes cast by disinterested Desert Sun Shareholders at the Meeting. As of the date hereof, Mr. Bharti owns or controls, directly or indirectly, 1,149,999 Desert Sun Shares (1.1%), which Desert Sun Shares will be excluded for the purpose of the majority of the vote of the disinterested Desert Sun Shareholders.

In the absence of a specification made in the form of proxy to the contrary, the persons named in the form of proxy intend to vote IN FAVOUR OF the Arrangement Resolution.

56

EXHIBIT A DESERT SUN MINING CORP. DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Proxy Circular from documents filed with the various securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary and General Counsel of Desert Sun at 65 Queen Street West, Suite 810, Toronto, Ontario M5H 2M5, phone number (416) 861-5879. These documents are also available through the Internet on SEDAR, which can be accessed online at www.sedar.com. For the purposes of the Province of Quebec, this Proxy Circular contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary and General Counsel of Desert Sun at the above mentioned address and telephone number.

The following documents, filed by Desert Sun with the securities commissions or similar regulatory authorities in each of the Provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this Proxy Circular:

- (a) the renewal annual information form (the "Desert Sun AIF") of Desert Sun dated March 30, 2005 for the financial year ended December 31, 2004, other than the documents specifically incorporated by reference in the Desert Sun AIF;

Edgar Filing: YAMANA GOLD INC - Form 6-K

- (b) audited comparative consolidated financial statements of Desert Sun as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the twelve-month period ended December 31, 2005, the 16-month period ended December 31, 2004 and the twelve-month period ended August 31, 2003, together with the auditors' report thereon and the notes thereto and management's discussion and analysis in respect thereof;
- (c) material change report dated January 19, 2005 relating to the results of a reconnaissance diamond drill program to test target areas in the northern portion of the Bahia Gold Belt in Northeastern Brazil;
- (d) material change report dated March 4, 2005 relating to an increase in the estimate of mineral reserves at the Jacobina mine;
- (e) material change report dated March 4, 2005 relating to an offering of units of Desert Sun for gross proceeds of \$25 million;
- (f) material change report dated November 28, 2005 relating to an offering of units of Desert Sun for gross proceeds of \$40 million;
- (g) material change report dated February 15, 2006 relating to the increase in the estimates of mineral reserves of Desert Sun;
- (h) material change report dated March 1, 2006 relating to the announcement of the proposed Combination and the execution of the Arrangement Agreement; and
- (i) the Arrangement Agreement between Yamana, Yamana Subco and Desert Sun in respect of the Arrangement dated February 22, 2006.

Annual information forms, interim financial statements, annual financial statements, management's discussion and analysis, management information circulars and material change reports (excluding confidential material change reports) all as filed by Desert Sun with the various securities commissions or similar regulatory

57

authorities in Canada after the date of this Proxy Circular and prior to the Meeting shall be deemed to be incorporated by reference in this Proxy Circular.

Any statement contained in this Proxy Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Proxy Circular, to the extent that a statement contained herein or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies, replaces or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is

Edgar Filing: YAMANA GOLD INC - Form 6-K

necessary to make a statement not misleading in light of the circumstances in which it was made.

NON-GAAP MEASURES

"Cash cost" figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of amortization, reclamation, capital and exploration costs. These costs are then divided by ounces produced to arrive at the cash operating costs per ounce of production. The measure, along with production, is considered to be a key indicator of a corporation's ability to generate operating earnings and cash flow from its mining operations. This data is furnished to provide additional information and is a non-GAAP measure. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of operating costs presented under GAAP.

Desert Sun uses the financial measure "adjusted net earnings/(loss)" to supplement its consolidated financial statements. The presentation of adjusted measures are not meant to be a substitute for net earnings/(loss) presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures. Adjusted net earnings/(loss) is calculated as net earnings/(loss) excluding (a) non-cash stock-based compensation expense; (b) foreign exchange gain/(loss); (c) non cash write-down of accounts receivable and (d) future income tax expense (as applicable). The term "adjusted net earnings/(loss)" does not have a standardized meaning prescribed by GAAP and therefore Desert Sun's definitions are unlikely to be comparable to similar measures presented by other companies. Desert Sun's management believes that the presentation of adjusted net earnings/(loss) provides useful information to investors because it excludes non-cash charges and is a better indication of Desert Sun's profitability from operations. The items excluded from the computation of adjusted net earnings/(loss), which are otherwise included in the determination of net earnings/(loss) prepared in accordance with GAAP, are items that the Corporation does not consider to be meaningful in evaluating its past financial performance or its future prospects and may hinder any comparison of its period to period profitability.

DESERT SUN MINING CORP.

OVERVIEW

Desert Sun was originally incorporated under the name Fredonia Oil & Gas Ltd. under the laws of British Columbia on May 21, 1980 by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. On August 20, 1984, Desert Sun changed its name to Consolidated Fredonia Oil & Gas Ltd.

On February 20, 1986, Desert Sun changed its name to Sun River Gold Corp. and adopted new Articles by filing a special resolution with the Registrar of Companies for British Columbia. On March 11, 1991, it changed its name to Yellow Point Mining Corp. On August 26, 1994, Desert Sun changed its name to Desert Sun Mining Corp. On March 20, 2003, Desert Sun was continued under the Canada Business Corporations Act.

Desert Sun is a gold mining Corporation, engaged in gold production and the acquisition, exploration development and operation of mineral properties for the purpose of producing precious metals. Desert Sun's principal asset is its 100% interest in the Jacobina gold project located in the State of Bahia, in northeastern Brazil. Commercial production at the Jacobina gold project recommenced in July 2005. Desert Sun is further developing the Jacobina property. See "Item 4 -- Narrative Description of the Business -- Mineral Properties" in the AIF.

Desert Sun's principal executive and registered offices are located at 65 Queen Street West, Suite 810, Toronto, Ontario, M5H 2M5. The Desert Sun Shares and Desert Sun Warrants are listed and posted for trading on the TSX under the symbols "DSM" and "DSM.WT", respectively. The Desert Sun Shares are also listed on the AMEX under the symbol "DEZ" and are quoted over the counter on the Berlin and Frankfurt Stock Exchanges under the symbol "DRT".

INTERCORPORATE RELATIONSHIPS

The following chart sets forth the corporate structure of Desert Sun, the jurisdiction of incorporation and Desert Sun's current voting and equity interest in the Desert Sun Material Subsidiary.

[GRAPHIC]

As used in this exhibit to the Proxy Circular, except as otherwise required by the context, reference to "Desert Sun" means, collectively, Desert Sun Mining Corp. and its subsidiary, on a consolidated basis.

RECENT DEVELOPMENTS

SUMMARY OF 2005

In the year ended December 31, 2005, Desert Sun achieved significant milestones relating to the Jacobina Mine and associated exploration program:

1. The Jacobina Mine has been reactivated and at full production is expected to produce 100,000 ounces of gold per annum. The first gold was poured at the reactivated Jacobina Mine in March 2005, commercial production was declared effective July 1, 2005 and the mine operated at 85% of capacity in the fourth quarter ended December 31, 2005.
2. The Jacobina Mine produced a total of 11,935 ounces from the first gold pour at the end of March 2005 to June 30, 2005. Of this total, 9,889 ounces were sold by June 30, 2005 at an average net sale price of US\$427 per ounce and the proceeds of US\$4.2 million, less the attributable costs of production, were credited against mine development costs. During the second quarter of 2005, the mill processed 210,400 tonnes with an average grade of 2.16g Au/t resulting in the production of 11,873 ounces of gold.
3. In the three months ended December 31, 2005 the mill processed 327,329 tonnes with an average grade of 2.23 g Au/t resulting in production of 22,550 ounces of gold (compared with 300,505 tonnes with an average grade of 2.03 g Au/t resulting in the production of 18,683 ounces of gold during the first quarter of commercial production ended September 30, 2005). The

Edgar Filing: YAMANA GOLD INC - Form 6-K

metallurgical recovery rate was 96.0%. Sales of gold in the third quarter totaled 20,399 ounces at an average net sale price of US\$484 per ounce. Sales of silver generated a by-product credit of approximately US\$6,000.

4. As of December 31, 2005 proven and probable mineral reserves in the Jacobina Mine (Joao Belo Zone) are 13,220,000 tonnes grading 2.15 g Au/t containing 913,100 ounces of gold. Total Proven and Probable mineral reserves in all zones are 21,580,000 tonnes grading 2.18 g Au/t containing 1,510,000 ounces. This is an increase of 310,000 ounces from the August 2005 reserve estimate.

59

Desert Sun is using this new reserve estimate in the Jacobina Mine development plan, which increases mine life by over three years. A pre-feasibility study is currently in progress for the Canavieiras Mine, which has the potential to further increase reserves. The new estimate at the Joao Belo Zone contains a contribution from the newly discovered FW (Footwall) Reef in the main ore zone.

The mineral reserves, set out in the table of below, were estimated using a gold price of US\$400 per ounce and a block cutoff grade of 1.41 g Au/t. Dilution and mining recovery rates appropriate for each zone were applied following established practices at the mine.

ESTIMATED MINERAL RESERVES AS OF DECEMBER 31, 2005, JACOBINA MINE

Mine/Area -----	Proven		Probable		
	Tonnes -----	g Au/t -----	Tonnes -----	g Au/t -----	
Joao Belo(2).....	3,007,000	2.18	10,215,000	2.14	1
Morro do Vento(4).....	Nil	Nil	4,672,000	1.95	
Morro do Vento Ext. (Basal Reef) (3)	58,000	3.57	2,712,000	2.68	
Serra de Corrego(3).....	Nil	Nil	918,000	2.17	
Total(5).....					2

Notes

- (1) Mineral reserves have been classified in accordance with CIM standards under NI 43-101.
- (2) Desert Sun Mining mineral reserve estimate as at December 31, 2005.
- (3) Updated following original Dynatec mineral reserve estimation of September 2003 in the SNC Lavalin feasibility study (see Desert Sun Press Release September 12, 2003).
- (4) Desert Sun Mining mineral reserve estimate as at August 11, 2005 (reviewed by Devpro Mining Inc.) (see Desert Sun Press Release August 11, 2005).
- (5) Totals have been rounded.

Edgar Filing: YAMANA GOLD INC - Form 6-K

[NTD: Need QPs identified]

5. An internal review and evaluation of Desert Sun's development projects was completed in January 2005, with Morro do Vento identified as the next project to be developed. A pre-feasibility study of Morro do Vento, which is located 1.5 km from the Jacobina processing plant, was completed in August 2005 and confirmed the economic viability of developing the Morro do Vento Mine. Micon International Limited of Toronto completed the review of mineral resources; AMEC Americas Limited of Vancouver completed a review of the mill expansion and Devpro Mining Inc. of Sudbury, in conjunction with Desert Sun staff, completed the mine plan and mineral reserve estimate. All licences and permits necessary to initiate work at Morro do Vento have been received from the Brazilian environmental review agency, Centro de Recursos Ambientais (CRA).
6. During 2005, Desert Sun continued to make solid progress with its US\$5 million exploration program within the Bahia Gold Belt and completed 25,676 metres of NQ diamond drilling in 130 holes, testing three major target areas: the Canavieiras and Morro do Vento Extension targets in the Jacobina Mine area, and the northern Bahia Gold Belt target area, 50 km north of the town of Jacobina.

60

JACOBINA MINE

The gold mineralization of the Jacobina Mine is hosted almost entirely within quartz pebble conglomerates of the Serra do Corrego Formation, the lowermost sequence of the Proterozoic-age Jacobina Group. This Formation is typically 500 metres thick, but locally achieves thicknesses of up to one kilometre. Overall, the property covers 155 km of strike length along the trend of the Jacobina Group. Within the property, the Serra do Corrego Formation is exposed for 75 km. Despite the extensive exposure of the mine sequence most of the exploration and all of the non-artisanal mining activities have been concentrated along a ten-kilometre long central zone.

The host rocks to the Jacobina gold mineralization are highly sorted and rounded quartz pebble conglomerate reefs of the Serra de Corrego Formation. Gold occurs as fine grains 20 to 50 microns in size predominantly within well packed conglomeratic layers in which medium to larger-sized quartz pebbles are present. The gold occurs within the matrix and often in association with pyrite and fuchsite. However, these accessory minerals also occur in the absence of gold. Gold-rich reefs show a characteristic greenish aspect because of the presence of the chromium-rich muscovite, fuchsite. Intra-reef quartzites typically contain low gold grades (