YAMANA GOLD INC
Form 6-K
March 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 March 2006
Commission File Number 001-31880

Yamana Gold Inc.
(Translation of registrant's name into English)

150 York Street
Suite 1902
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 o Form 40-F x

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 o No x

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

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: March 31, 2006

/s/ Charles Main

Name: Charles Main
Title: CFO

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Management's Discussion and Analysis of Operations and Financial Condition
(US dollars, in accordance with Canadian GAAP)

***A cautionary note regarding forward-looking statements and non-GAAP measures follows this* Management's Discussion and Analysis of Operations and Financial Condition.**

1. Core Business

Yamana Gold Inc. is engaged in the acquisition, exploration and development, and operation of mineral properties. Revenue and cash flow from operations is currently generated from the sale of gold bullion. Future revenues and cash flows will include the sale of copper concentrate from its Chapada copper-gold mine which is currently under construction. To date, the Company's activities have been concentrated in Latin America.

2. Change in Year End

In May 2004, the year end of the Company was changed from February 28/29 to December 31. As such, the current fiscal year is for the twelve month period ended December 31, 2005 with comparative figures for the ten month period ended December 31, 2004.

3. Highlights

Significant achievements during the year include:

- Cash balance of $151.6 million as at December 31, 2005
- Cash flow from operations of $6.4 million before changes in non-cash working capital items and cash flow from operations of $3.4 million after a reduction in non-cash working capital items of $3 million
- Achieved average cash costs of $289 per ounce from its Fazenda Nova and Fazenda Brasileiro mines.
- Commenced commercial production at its Fazenda Nova Mine.
- Commenced the start-up of mine operations at its São Francisco Mine.
- Ahead of schedule with the construction of its Chapada copper-gold project.
- Raised gross proceeds of $49.6 million from the early exercise of its publicly traded warrants that otherwise would not have been available to the Company until July 2008.
- Raised $105.3 million in net proceeds from the public issue of 26 million common shares.
- Drew down on debt financing in the amount of $100 million for the construction of the Chapada copper-gold project.
- Entered into smelter off-take agreements for 150,000 tonnes of copper concentrate from its Chapada copper-gold project currently under construction.
- Initiated a copper hedging program that is intended to help secure a less than two year payback at its Chapada copper-gold project.
- Pursued the purchase of RNC Gold Inc. whereby the Company acquired two additional mines: San Andrés and La Libertad bringing total forecast gold production up to more than 500,000 ounces by 2007. The transaction was approved by RNC Gold Inc. shareholders on February 17, 2006, received court approval on February 22, 2006 and closed February 28, 2006.

- Advanced three projects through exploration to the point where they now each have the potential to become our next new mine.
- Increased proven and probable reserves by 1.2 million ounces.
- Continued drilling and the development E-Deep at the Fazenda Brasileiro Mine to further define and expand the size of the ore body.

4. Subsequent events - Acquisitions

RNC Gold Inc.

On December 4, 2005, the Company announced transactions which provided for the acquisition of RNC Gold Inc. (“RNC”) and 100% of the San Andrés gold mine in Honduras. The total purchase price for these transactions was approximately $ 52 million, comprised of approximately 5.7 million Yamana common shares (0.12 of a common share for each RNC share) and other transaction costs and adjustments. Additionally, the Company paid $ 18.9 million in cash for the purchase of the San Andrés Mine.

The addition of San Andrés in Honduras and La Libertad in Nicaragua to the Company’s existing operations will increase gold production by 120,000 per year bringing total forecast gold production to approximately 500,000 to 550,000 ounces by 2007 and up to 650,000 ounces by 2008. The Company also acquired development stage properties including Cerro Quema in Panama. The Company recorded the RNC transaction in accordance with the purchase method of accounting for acquisitions under Canadian generally accepted accounting principles. As such, assets acquired and liabilities assumed under the transaction will be recorded by the Company at their fair market values as of the date of acquisition, February 28, 2006.

Subsequent to the year end, on February 17, 2006 the shareholders of RNC Gold Inc. approved the transaction and all necessary regulatory and court approvals were obtained. The transaction closed on February 28, 2006.

Desert Sun Mining

On February 22, 2006, the Company entered into an arrangement agreement with Desert Sun Mining Corp. which owns the Jacobina gold mine in the Bahia state of Brazil near the Company’s Fazenda Brasileiro mine and its C1 Santa Luz pre-feasibility project.

The acquisition will be completed by way of a court approved Plan of Arrangement whereby each Desert Sun Mining common share will be exchanged for 0.6 of a Yamana common share. All Desert Sun Mining options and warrants will become exercisable for common shares of the Company based on the exchange ratio. As a result of the proposed transaction, the combined company would be held approximately 76% by existing Yamana shareholders and 24% by existing Desert Sun Mining shareholders. The total number of Yamana common shares outstanding would be approximately 262.1 million, calculated on a pro forma basis after giving effect to the Company’s acquisition of RNC Gold Inc.

Cash costs of the combined company are projected at $270 per ounce of gold in 2006, with $125 and $115 per ounce of gold projected for 2007 and 2008, respectively. Projected cash costs assume copper will be treated as a by-product credit.

The Company’s total measured and indicated resources based on information known at the time of announcement would comprise approximately 11.6 million ounces of measured and indicated resources including 7.6 million of proven and probable reserve gold ounces. Proven and probable copper reserves would be approximately 2.3 billion pounds. Inferred gold resources would total 6.1 million ounces.

Taking into consideration the Company’s updated reserves and resources as at December 31, 2005, following the Desert Sun acquisition, the Company would have measured and indicated resources of approximately 12.1 million ounces of which 8.1 million ounces would be proven and probable. Inferred resources would total 6.4 ounces and copper reserves would be 2.35 billion pounds.

In addition to the upside in the production profile of the Company, the transaction would facilitate operational and administrative synergies, and broaden shareholder base and increases to share liquidity.

The transaction is subject to all requisite regulatory and court approvals, Desert Sun shareholder approval, third party consents and other conditions customary in transactions of this nature. The combination must be approved by at least two-thirds of the votes cast by shareholders of Desert Sun. The transaction is expected to close during the second quarter of 2006. If the combination does not occur under certain circumstances, Desert Sun has agreed to pay the Company a break-fee of C$21.5 million.

5. Overview of Financial Results

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

		Dec 31, 2005		**Dec 31, 2004 (ten months)**		**Feb 29, 2004**
Financial results (in thousands of dollars)						
Revenues[1]	**$**	**46,038**	$	32,298	$	19,811
Mine operating earnings for the year[4]	**$**	**8,569**	$	10,377	$	6,754
Net earnings (loss) for the year[2]	**$**	**(4,111)**	$	2,783	$	1,008
Adjusted net earnings for the year[3]	**$**	**1,991**	$	2,696	$	1,788
Cash flow from operations *(after changes in non-cash working capital items)*	**$**	**3,410**	$	8,536	$	5,491
Cash flow from operations *(before changes in non-cash working capital items)*	**$**	**6,445**	$	9,293	$	4,953
Per share financial results						
Basic (loss) earnings per share[2]	**$**	**(0.03)**	$	0.03	$	0.02
Diluted (loss) earnings per share[2]	**$**	**(0.03)**	$	0.02	$	0.02
Adjusted earnings per share[3]	**$**	**0.01**	$	0.03	$	0.04
Financial position (in thousands of dollars)						
Total assets	**$**	**465,697**	$	177,106	$	93,948
Total long-term liabilities	**$**	**119,281**	$	9,572	$	7,657

		Dec 31, 2005		Dec 31, 2004 (ten months)		Feb 29, 2004
Gold Production (ounces):						
Pre-Commercial						
Fazenda Nova		**7,379**		2,849		-
São Francisco pilot plant		**4,843**		3,214		283
		12,222		6,063		283
Commercial						
Fazenda Brasileiro		**74,570**		78,168		56,794
Fazenda Nova		**28,780**		-		-
		103,350		78,168		56,794
		115,572		84,231		57,077
Gold Sales (ounces)						
Pre-Commercial						
Fazenda Nova		**4,694**		1,704		-
São Francisco pilot plant		**4,050**		2,883		-
		8,744		4,587		-
Commercial						
Fazenda Brasileiro		**72,074**		79,822		49,989
Fazenda Nova		**31,698**		-		-
		103,772		79,822		49,989
		112,516		84,409		49,989
Non-GAAP Measures [3]						
Per ounce data:						
Cash costs per ounce produced						
Fazenda Brasileiro[4]	**$**	**320**	$	205	$	208
Fazenda Nova	**$**	**208**		-		-
	$	**289**	$	205	$	208
Average gold price realized (1)	**$**	**448**	$	409	$	396
Average gold spot price	**$**	**445**	$	409	$	372
Operating statistics						
Gold ore grade (g/t)						
Fazenda Brasileiro		**2.44**		3.13		3.42
Fazenda Nova		**0.87**		-		-

Gold recovery rate (%)			
Fazenda Brasileiro	**89.3**	91.9	95.5
Fazenda Nova	**81.0**	-	-

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

(2) Net (loss) earnings, basic (loss) earnings per share and diluted earnings per share for the year ended December 31, 2005 include an unrealized non-cash loss on commodity contracts of $8.6 million.

(3) Non GAAP measure - see reconciliation table below. A cautionary note of non-GAAP measures follows this Management's Discussion and Analysis of Operations and Financial Condition.

(4) Certain mine general and administrative expenses have been reclassified from cost of sales to general and administrative expenses to conform with current year's presentation.

Net loss for the year included non-cash charges in respect of stock options, foreign exchange losses, unrealized losses on commodity contracts and a future income tax recovery. Net earnings for the year, adjusted for these non-cash items (a non-GAAP measure), was $2 million compared to $2.6 million for the comparative ten month period ended December 31, 2004. The following chart summarizes net earnings adjusted for these non-cash items:

A non-GAAP Measure		**Dec. 31, 2005**		**Dec. 31, 2004 (ten months)**		**Feb. 29, 2004**
Net earnings (loss) per consolidated financial statements	**$**	**(4,111)**	$	2,783	$	1,008
Adjustments:						
Stock-based compensation		**2,303**		2,191		612
Foreign exchange gain		**(369)**		(1,848)		(157)
Unrealized losses on commodity contracts		**8,615**		-		-
Future income tax (recovery) expense		**(4,447)**		(430)		324
Adjusted net earnings	**$**	**1,991**	$	2,696	$	1,787
Adjusted earnings per share	**$**	**0.01**	$	0.03	$	0.04

An unrealized non-cash loss of $8.6 million was recognized on the mark-to-market of copper hedging instruments entered into during the year. The Company has effectively sold forward 50 million pounds of 2007 copper production at a net price of $1.27 per pound. This represents approximately 50% of the Company' projected copper production for 2007. The financial instruments entered into were structured to hedge against the risk of declining copper prices on future copper concentrate sales, while permitting the Company to participate in market price increases at prices exceeding the $1.67 strike price of the call options involved in the transactions, thereby maximizing the total exposure at $15 million. By putting this copper hedge in place, the Company is helping to ensure a less than two year pay back for its Chapada copper-gold project. The original pay back outlined in the Chapada feasibility study based on a copper price of $1.00 per pound was approximately two years.

The formal requirements under generally accepted accounting standards permit hedge accounting so long as cash flows come solely from the sale of copper. Since Chapada produces a concentrate of copper and gold which is sold in concentrate form, under accounting rules, hedge accounting is disallowed. Accordingly, changes in the fair value of the financial instruments will be reflected in current earnings from period to period. This will result in fluctuations in net earnings from period to period until which time the contracts are closed in 2007. The unrealized mark-to-market loss represents the value on cancellation of these contracts based on market values as at December 31, 2005 and does not represent an economic obligation for the Company nor does it represent an estimate of future gains or losses.

The Company is currently considering entering into additional contracts to further lock-in the copper price for a portion of its 2008 forecast production. Details to the commodity contacts are further discussed in Section "Hedging Program".

The basic loss per share, including the impact of the mark-to-market loss on the economic copper hedge for the fiscal year ended December 31, 2005 was $0.03. This compares to basic earnings per share of $0.03 per share and diluted earnings of $0.02 per share for the comparative ten month period ended December 31, 2004 and basic and diluted earnings of $0.02 per share for the year ended February 29, 2004.

Earnings per share adjusted for non-cash items was $0.01 for the year. This compares to adjusted earnings per share of $0.03 for the comparative ten month period ended December 31, 2004 and $0.04 for the year ended February 29, 2004.

Revenue for the fiscal year was $46 million, an increase of 43% over the preceding ten month period. Revenues for the year consisted of 72,074 ounces of gold sold from the Fazenda Brasileiro Mine and 31,698 ounces of gold sold from the Fazenda Nova Mine as of May 1, 2005 (commencement of commercial production). All gold sales were transacted in the spot market. In addition, a total of 8,744 ounces were sold during the year from pre-commercial activities at the Fazenda Nova Mine and the Francisco pilot plant. Hence, a total of 112,516 ounces of gold were sold in 2005. Sale proceeds prior to commercial production from the Fazenda Nova Mine and from the São Francisco pilot plant were credited against mine development costs. A total of 79,822 and 49,989 ounces were sold during the comparative ten month period ended December 31, 2004 and during the twelve month period ended February 29, 2004, respectively. Additionally, 4,587 ounces of gold were sold during the comparative ten month period ended December 31, 2004 from pre-commercial activities from the Fazenda Nova Mine and the São Francisco pilot plant.

The Company's average realized gold price during the year was $448 per ounce, an increase of 10% from an average realized price $409 per ounce during the comparative ten month period ended December 31, 2004. This also compares to an average spot price of $445 per ounce for the year ended December 31, 2005. The spot price itself increased 9% relative to the comparative ten month period ended December 31, 2004.

Mine operating earnings for the year were $8.6 million and consist of operations from the Fazenda Brasileiro Mine and the Fazenda Nova Mine as of May 1, 2005. This compares to operating earnings from the Fazenda Brasileiro Mine of $10.4 million for the comparative ten month period ended December 31, 2004 and $6.8 million for the year ended February 29, 2004. There were no earnings from the Fazenda Nova Mine for the comparative periods.

A total 115,572 ounces of gold were produced during the year of which 103,350 ounces were produced from commercial production activities and 12,222 ounces were produced from pre-commercial activities. This compares to 84,231 ounces produced during the comparative ten month period ended December 31, 2004 and 57,077 ounces produced during the year ended February 29, 2004. Comparing fiscal 2005 versus fiscal 2004, Fazenda Nova commercial production increased by 28,780 ounces and Fazenda Brasileiro production declined by 3,598 ounces.

Average cash costs for the year were $289 per ounce compared to $205 per ounce for the ten month comparative period ended December 31, 2004 and $208 per ounce for the comparative year ended February 29, 2004.

Inventory as at December 31, 2005 was $11.4 million compared to $5.9 million as at December 31, 2004. Inventory increased as a result of production at the Fazenda Nova Mine, ore being stacked on the heap leach pads at the São Francisco Mine and ore stockpiled at the Chapada Mine which is currently under construction.

Proven and probable reserves were 5.2 million ounces of contained gold and 2.3 billion pounds of contained copper as of December 31, 2005 based on a gold price of $425 per ounce (except for Fazenda Nova which is calculated assuming $500 gold price) and a copper price of $1.00 per pound. This represents an increase of 1.2 million ounces, a 31% increase after mining of 115,000 ounces during the year.

Summary of increase in proven and probable gold reserves by mine/project:

Mine	Increase (Decrease) in Contained Ounces 000's)
Fazenda Brasileiro	(26)
Fazenda Nova	(54)
C-1 Santa Luz	556
São Francisco	324
São Vicente	309
Chapada	54
Total Increase	1,163

Cash as at December 31, 2005 was $151.6 million compared to $87.1 million as at December 31, 2004. Significant cash transactions during the year included the full draw down on a $100 million loan facility, $48.1 million in net proceeds received on the early exercise of the Company's publicly traded warrants and $105.3 million received from an equity financing held in October and expenditures relating to construction of the São Francisco and Chapada mines of $55.3 million and $76.7 million, respectively.

Cash flow from operations before changes in non-cash working capital items was $6.4 million for the year compared to $9.3 million for the comparative ten month period ended December 31, 2004 and $5 million for the year ended February 29, 2004. The decrease in cash from operations is primarily due to previously mentioned increases in local operating costs, a strengthening Real and the processing of lower grades at Fazenda Brasileiro.

Working capital as at December 31, 2005 was $139 million compared to $88.9 million as at December 31, 2004 and $35.7 million as at February 29, 2004.

The balance sheet as at December 31, 2005 reflects $13.2 million of Brazilian tax credit receivables recognized in advances and deposits ($4.4 million) and other assets ($8.9 million). A provision in the amount of approximately 15% ($372,900 of which $40,200 was charged to assets under construction) was recorded during the period against certain Brazilian tax credits. Other Brazilian tax credits may be applied against future income taxes payable and taxes payable on eligible local sales. It is expected that a portion of copper concentrate from the Chapada Mine will be sold locally in Brazil which will take advantage of some of these eligible tax credits. An increase in tax credits arose as operating expenditures and capital expenditures relating to construction and operations increased significantly during the year.

Assets under construction of $154.3 million reflect construction of the São Francisco and Chapada mines. Construction costs include cash expenditures, capitalized interest, capitalized amortization of deferred financing charges and capitalized pre-operating net earnings.

Construction of the Chapada mine is being financed by a $100 million debt facility. As at December 31, 2005, the Company owed $100 million in principal plus accrued interest of $6.8 million.

General and administrative expenses were $10.4 million for the year compared to $6.2 million for the comparative ten month period ended December 31, 2004 and $4.6 million for the year ended February 29, 2004. The increase in general and administrative expenses is reflective of the Company's growing infrastructure related to its production growth plans.

Investment income was $4 million for the fiscal year, compared to $0.8 million for the comparative ten month period ended December 31, 2004 and $0.5 million for the year ended February 29, 2004. Investment income for the year mainly represents interest income earned in Brazil at an average rate of 19% as the Company held higher cash balances denominated in Brazilian reais than the previous year in order to help offset the impact of the strengthening Real.

6. Mine Operations

The following chart summarizes commercial production and cash costs per ounce for the year and quarter ended December 31, 2005 with comparative figures for the ten month period and quarter ended December 31, 2004:

	Quarter ended December 31, 2005			**Quarter ended December 31, 2004**		
	Production (oz.)	**Cash costs per oz. (a non-GAAP measure)**		**Production (oz.)**	**Cash costs per oz. (a non-GAAP measure)**	
Fazenda Nova	12,740	$	177	-	$	-
Fazenda Brasileiro	17,810	$	357	20,854	$	234
TOTAL COMMERCIAL PRODUCTION	**30,550**	**$**	**282**	**20,854**	**$**	**234**
Fazenda Nova Pre-operating	-	$	-	2,745	$	-
São Francisco Pilot Plant	1,212	$	-	846	$	-
TOTAL PRODUCTION	**31,762**	**$**	**-**	**24,445**	**$**	**-**

	For the twelve months ended December 31, 2005			For the ten months ended December 31, 2004		
	Production) (oz.		Cash costs per oz. (a non-GAAP measure)	Production) (oz.		Cash costs per oz. (a non-GAAP measure)
Fazenda Nova	28,780	$	208	-	$	-
Fazenda Brasileiro	74,570	$	320	78,168	$	218
TOTAL COMMERCIAL PRODUCTION	**103,350**	**$**	**289**	**78,168**	**$**	**218**
Fazenda Nova Pre-operating	7,379	$	-	2,849	$	-
São Francisco Pilot Plant	4,843	$	-	3,214	$	-
TOTAL PRODUCTION	**115,572**	**$**	**-**	**84,231**	**$**	**-**

Mine operating earnings for the year ended December 31, 2005 were $8.6 million, a decrease of 17% from mine operating earnings of $10.4 million for the comparative ten month period ended December 31, 2004. Mine operating earnings for the year ended February 29, 2004 were $6.8 million. Mine operating earnings decreased relative to the prior fiscal year mainly due to the strengthening of the Real vis-à-vis the US dollar, an increase in Real denominated costs at the Fazenda Brasileiro Mine and lower head grades and recovery rates at the Fazenda Brasileiro Mine.

Mine operating earnings for fiscal 2005 consisted of earnings from the Fazenda Nova and Fazenda Brasileiro mines. The Fazenda Nova Mine began commercial production as of May 1, 2005, thus mine operating earnings for the comparative periods reflect earnings solely from the Fazenda Brasileiro Mine.

The following graph depicts mine operating earnings by mine:

A total of 115,572 ounces of gold were produced during the year, including commercial production of 103,350 ounces at combined cash costs of $289 per ounce. This compares to 84,231 ounces of gold produced during the comparative ten month period ended December 31, 2004, including commercial production from the Fazenda Brasileiro Mine of 78,168 ounces at an average cash cost of $205 per ounce produced. A total of 57,077 ounces were produced during the year ended February 29, 2004 of which 56,794 ounces were commercially produced at an average cash cost of $208 per ounce at the Fazenda Brasileiro Mine.

	Dec. 31, 2005				Dec. 31, 2004 (ten months)				Feb. 29, 2004			
	Production		Cash Costs[1]		Production		Cash Costs[1]		Production		Cash Costs[1]	
	oz.	% change	$/oz	% change	oz.	% change	$/oz	% change	oz.	% change	$/oz	% change
Pre-Commercial Production:												
Fazenda Nova	7,379	59%	-	-	2,849	-	-	-	-	-	-	-
São Francisco	4,843	51%	-	-	3,214	1036%	-	-	283	-	-	-