

# Yamana Gold

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## Yamana to create spin-off to hold non-core Brazilian assets; impact "mixed", Dundee says

Yamana Gold (TSE:YRI), a Canadian producer of the metal, said it plans to carve out a new company comprising its less favoured mines in Brazil next year and will explore options for the unit in 2015. Shares advanced in TSX trading.

The new company, Brio Gold Inc., will initially be a fully owned subsidiary, the Toronto-based company said in a statement today.

Gil Clausen, the former chief executive officer of Augusta Resource Corp., which was recently acquired by HudBay Minerals (TSE:HBM), will lead Brio Gold.

Brio is expected to initially produce more than 130,000 ounces of gold annually from Fazenda Brasileiro and Pilar and could add about 100,000 ounces of annual gold production from C1 Santa Luz, which is being evaluated for development potential.

Yamana is also planning to sell part, or all, of its Agua Rica project in Argentina and has hired Credit Suisse Group AG to advise on the process.

Yamana is the latest gold producer to look at ways to hive off lower-quality mines and focus on its best assets following a slump in the price of the metal. Barrick Gold (TSE:ABX) and Newmont Mining (NYSE:NEM) have sold more than \$2.5 billion of assets combined in the past 18 months.

Shares of Yamana were up 2 percent at C\$5.01 at 1:29 p.m. in Toronto, paring this year's slump to 45 percent.

Dundee Capital Markets, which maintains a "sell" recommendation on Yamana, described the impact of the non-core asset subsidiary creation as "mixed".

"Lower margin Brio assets have limited capacity to carry debt," analyst Josh Wolfson wrote in a research note to investors today. "In a spin-out situation, a pro-forma Yamana would generate lower EBITDA, while maintaining existing cumbersome net debt levels of \$1.9 billion, resulting in weaker credit metrics.

"The ability for Yamana to divest or spin-out assets could also be limited by existing debt covenants."

However, Wolfson said he believes the initial subsidiary creation is encouraging towards a future improvement at these assets.

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### Share Information

**Code:** YAU  
**Listing:** TSX NYSE LSE  
**Sector:** General Mining - Gold  
**Website:** [www.yamana.com](http://www.yamana.com)

### Company Synopsis:

*Yamana Gold Inc. is a Canadian-based gold producer with significant gold production including other precious metals and copper, gold development stage properties, exploration properties, and land positions in Brazil, Argentina, Chile, Mexico, Central America and the United States. Yamana has seven operating mines and five development projects providing direct employment opportunities to over 8,700 individuals.*

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