

# Yamana Gold

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## Yamana Gold opts to build Cerro Moro despite surprising Q4 loss

Yamana Gold (TSE:YRI) said it has decided to build its precious metal Cerro Moro mine in Argentina amid the backdrop of weak commodity prices, as rivals Kinross Gold (TSE:K) and Barrick Gold (TSE:ABX) have postponed projects to conserve cash.

Toronto-based Yamana said it will spend \$398 million to construct the Cerro Moro gold silver mine, which is higher than its previous estimate of \$300 million. The increase is due to the fact that the mine will now be bigger than its original plan.

The asset is expected to produce some 102,000 ounces per year at life-of-mine cash costs of \$380 to \$400 an ounce, returning a healthy IRR of 23 to 26 percent at a price of \$1,265 an ounce of gold. Construction is anticipated to begin later this year, with initial production expected in the second half of 2017.

Yamana last year said it would create a wholly owned subsidiary to house its non-core mines in Brazil after failing to selling them, as the gold industry faces a slump in gold prices, which has pressured miners to cut costs and restructure their portfolios. The company recently raised \$300 million to pay down debt.

The news of the Cerro Moro decision comes as Yamana also reported fourth quarter results, with an adjusted loss of 2 cents per share, below consensus estimates for a profit of 3 cents per share.

Its net loss from continuing operations in the quarter was \$299.5 million, or 35 cents a diluted share, after taking impairment charges against the carrying values of its Jacobina mine in Brazil and its Minera Florida mine in Chile.

Dundee Capital Markets said its first impression of the results was neutral, as fourth quarter production came in at 406,000 gold equivalent ounces, 1 percent higher than its estimate and up from 303,768 ounces the year before. Total cash costs of \$608 an ounce were in line with Dundee's estimate.

Yamana also produced some 1.4 million gold equivalent ounces in 2014, achieving the lower end of its reduced guidance.

Dundee said 2015 guidance is mixed, with gold, silver and copper production of 1.30 million ounces, 9.6 million ounces and 120 million pounds, respectively, generally weaker than the broker's estimates. Total cash cost estimates were 16 percent higher than Dundee's, offset by a lower capital spending forecast of \$465 million.

"In our view, operating asset capital spending represents an aggressive reduction relative to historical reported figures," Dundee wrote in its research note released earlier Thursday.

Shares of Yamana fell 1.4 percent to C\$4.95 in Toronto as of 11:20am ET. Over the last year, the stock has declined over 54 percent.

### 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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