

Yamana Gold

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Yamana Gold agrees to sell Brazilian mine to Lundin Mining in US\$1 billion deal

Yamana Gold Inc (TSE:YRI) (NYSE:AUY) announced Monday morning that it agreed to sell its Brazilian mine to Lundin Mining Corporation (TSE:LUN) (OTCMKTS:LUNMF) for US\$1 billion.

The Chapada mine, located in the state of Goiás, is a copper-gold operation that began production in 2007.

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Under the terms of the agreement, Yamana will receive \$800 million upon closing of the sale, with an additional consideration of up to \$125 million contingent on the gold price, \$100 million based on the development of a pyrite circuit to optimize the operation, and a royalty on the adjacent Suruca gold project.

The Suruca project lies seven kilometres northeast of Chapada and has an estimated annual production profile of around 150,000 ounces.

"While Chapada has been a valued asset for Yamana, the sale transaction delivers a significant gain, delivers a high after-tax return and financially repositions the company with a significant and immediate improvement to overall financial flexibility," said Peter Marrone, Yamana's CEO, in a statement.

Near-term value

According to Marrone, the sale allows the gold miner to pursue near-term value maximizing portfolio opportunities and increase shareholder returns, initially by way of a 100% increase in the annual dividend.

Yamana's Canadian shares slipped around 3% to C\$3.32 by Monday afternoon, while its US-listed shares were down 2% to US\$2.50 on Monday afternoon.

Lundin's shares gained around 8% to C\$7.35 in Canada and 8% in the US, to US\$5.52.

--Updates with share price--

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Share Information

Code: YAU

Listing: TSX NYSE LSE

Sector: General Mining - Gold [T3]

Website: 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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