YAMANAGOLD

BUILDING BENJAMINS

Gold Fields Targets Yamana for Synergies

Price $4.69 **Growth Purchase** **August 3, 2022**

- Yamana Acquisition target for Gold Fields (GFI) at an announced 33.8% premium using GFI stock.
- Estimated Fair Value of GFI is $16.50 per share.
- Combination of takeover premium and appreciation of GFI is compelling.
- Combined entity would have long mine life with significant brownfield and greenfield expansion opportunities available.

Investment Thesis

Yamana Gold (AUY) is a Canadian mining firm specializing in gold and silver extraction and exploration in the Americas. The mines are located in Canada and South America, with significant greenfield and brownfield expansion opportunities.

In 1Q22, GFI announced its intention to purchase AUY for a 33.8% all-stock premium. Currently with GFI at $8.85, times 0.6 per share means the takeover price is $5.31 per AUY share. With AUY at $4.69, the premium has shrunk to 13.2%.

Under the terms of the transaction, all of the outstanding Yamana shares will be exchanged at a ratio of 1 share of Yamana for 0.6 of an ordinary share in Gold Fields. At transaction close this would create the 4th largest gold mining company in the world.

Gold Fields Estimate Fair Value (EFV)
GFI EFV= $16.50 = E2023 P/E 15.0 times E2023 EPS $1.10 = 15 X $1.10.
AUY Post Close EFV = $16.50 X 0.6 = $9.90 per AUY share.

Yamana Gold	E2022	E2023	E2024
Price-to-Sales	2.5	2.6	2.6
Price-to-Earnings	15.7	20.2	22.0
EV/EBITDA	5.9	6.4	6.4

Acquisition by GFI

In 1Q22, Gold Fields International (GFI) announced its intention to purchase all outstanding Yamana (AUY). Yamana shares will be exchanged at a ratio of 0.6 of an ordinary share in Gold Fields or 0.6 of a Gold Fields American depositary share for each Yamana share. This would create the 4th largest gold miner in the world at transaction close.

AUY represents the "next phase" of GFI's strategy for the future by acquiring AUY's long-life high-quality mines for a good price. This provides synergy in that GFI is able to replenish a significant portion of its reserves while also take advantage of a significant increase in capacity for production. GFI's total output is expected to decrease from a high of 2.8 million ounces in 2024 to only around 2 million per year by 2030 as its longest-lived assets deplete. AUY represents the targeted expansion location (Americas) and mine life.

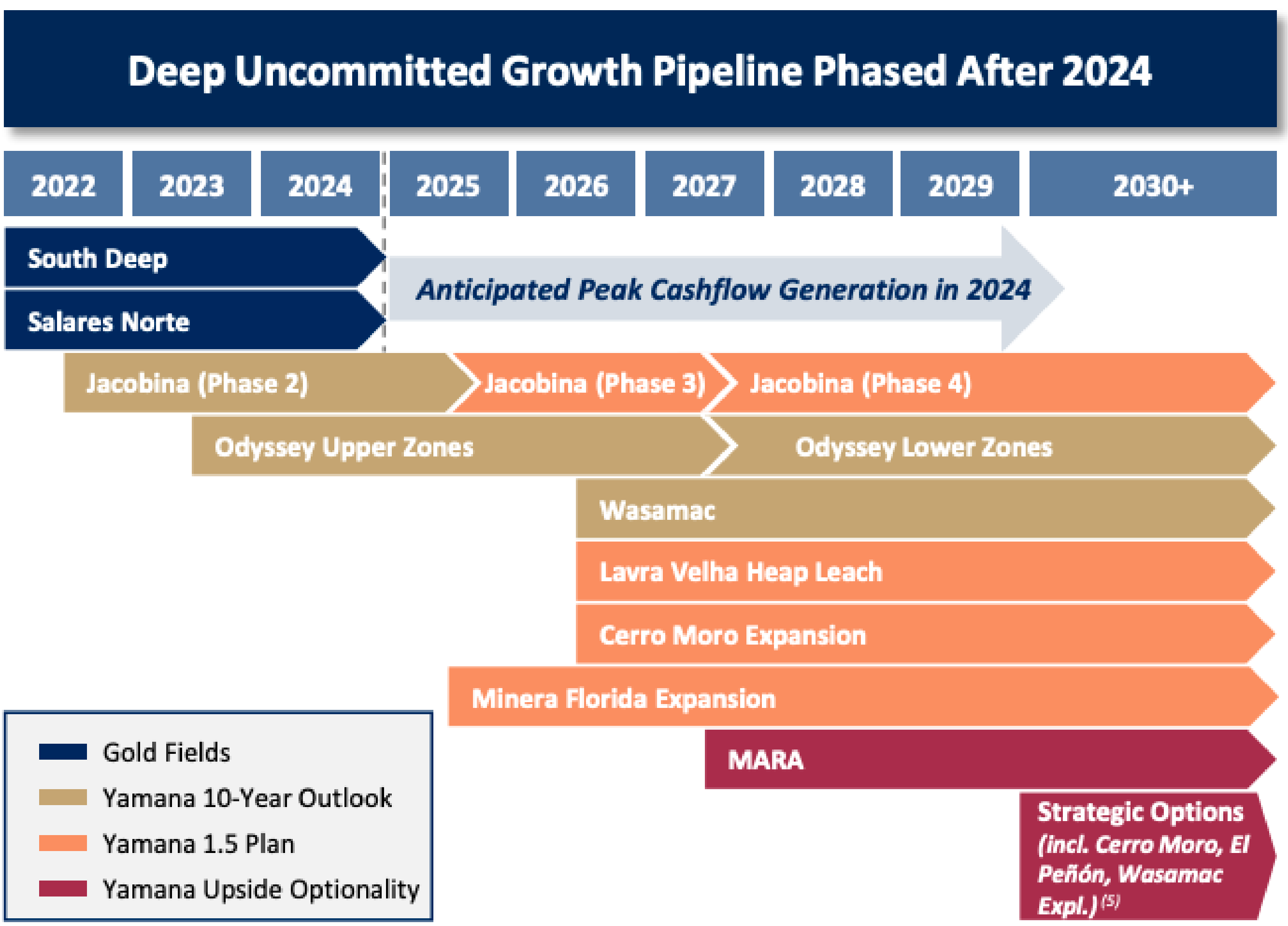
GFI would immediately gain 1 million additional ounces of gold production per year and a significant development portfolio in the Americas including GFI's first entry into the Canadian market. Additionally, GFI has a history of successfully beating expected reserve targets at an average of 4.1x, being able to extract far more gold in much harder-to-reach deposits than competitors.

GFI estimates that the synergies acquired from acquiring AUY could exceed $50 million per year (based on 10-year run rate. GFI has the experience and capital to execute projects that are presently out of reach in AUY's portfolio such as the MARA asset in Argentina, which could easily become a flagship asset for whoever holds it and has the ability to develop it.

These synergies will go toward increasing the dividend payout now expected to be 30-45% of earnings post-close in FY2023, a deal sweetener for GFI shareholders apprehensive about the originally announced 33.8% premium.

Expansion Opportunities and Present Operations

Mine	Location	2022 Production Guidance (Thousands of Gold Equivalent Ounces)	All in Sustained Cost (AISC, 2Q22)
Canadian Malartic (50% basis)	Canada	320	$915/oz
Jacobina	Brazil	195	$775/oz
Minera Florida	Chile	90	$1,503/oz
Cerro Moro	Argentina	169	$1,181/oz
El Peñón	Chile	228	$988/oz
Total		1,002	$1,084/oz



AUY has a top-tier portfolio of undeveloped or underdeveloped assets, giving it access to high-quality production activity well past 2030. The plan is called "YAMANA 1.5" and represents a mixed development and capital deployment strategy emphasizing flexibility based on cash flow numbers.

Project	Development Type	Production Increase (Thousands of Gold Equivalent Ounces)	Expected Capital Intensity
Jacobina Phase 2	Existing Expansion	40	Low
Odyssey Mine	Brownfield	-	High
WASAMAC	Greenfield	200	High
Jacobina Phase 3	Existing Expansion	40	Low
Cerro Moro Expansion	Existing Expansion	55	Low
Minera Florida Expansion	Existing Expansion	35	Low
Jacobina Phase 4	Existing Expansion	75-125	Medium
Lavara Velha Heap Leach	Greenfield	65	Medium

Capital intensity is a non-defined measure used by AUY to define the expected cost of execution of a project

Shorter term goals are Jacobina's phase 2 expansion, Odyssey expansion, and Wasamac development in Canada.

The Odyssey project is a mine life expansion project in the existing Canadian Malartic mine, to create a mine with a life well past 2040. The existing deposits can be expanded to over 13.15Moz of gold, still in inaccessible areas. AUY estimates that this expansion's capital requirements will be offset after just 900kOz of production, expected to be accessible during FY28 at the latest. This should expand the mine's life well past 2040.

WASAMAC is a greenfield development of a parallel mine in an area with known mineral reserves. The mine is expected to have the potential for 250kOz a year in additional production, with a cheap AISC of $828/oz. The mine life would be relatively short at 10-15 years; however, the area is known to be rich in mineral resources and could easily extend past the expected life.

Jacobina has already increased its production for 9 consecutive years, and the phase 2 expansion represents the final part of a push for a more sustainable mine life and production profile. The infrastructure project is expected to plateau the mine production at 230kOz per year in the medium term, with opportunities for further expansion past 2025.

Risks

Mining is a dangerous and environmentally harmful business. Canada has recently taken significant steps to curtail emissions from industrial activity including mining, with renewed pushes for increasing carbon taxes. This would adversely affect the bottom line in the near term, but with solid ESG targets already existing it is unlikely to be a significant burden in the long term.

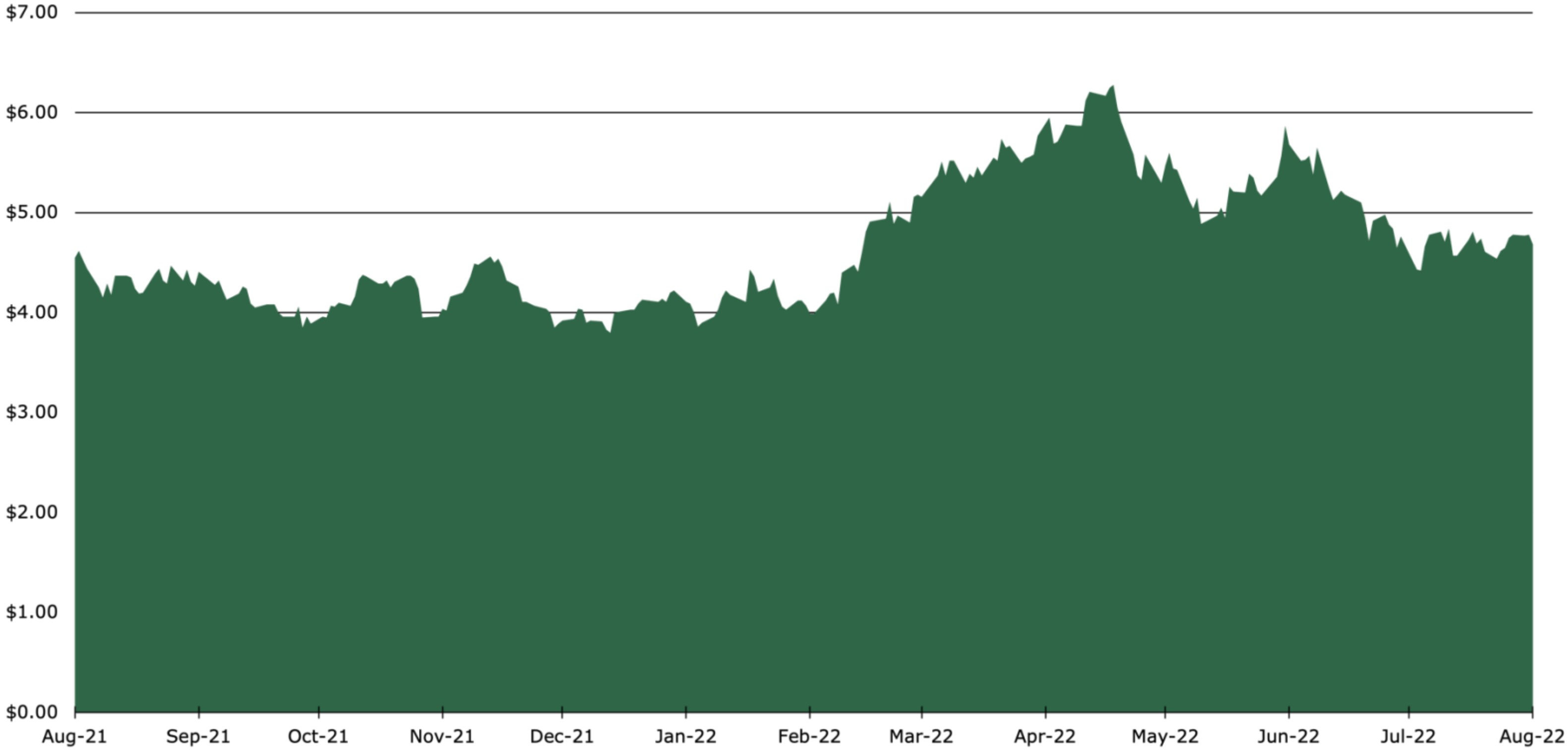
Should a mine expansion not yield expected results or indicated mineral reserves be much lower than expected it could drastically increase the all-in sustained costs of operation. Should the price of gold fluctuate significantly, or fall below $1,500/oz, some of AUY’s more expensive operations may not be as profitable. Much of AUY’s operational sensitivity analysis relies on an assumed price of $1,700/oz.

Should the buyout by GFI not go through, the arbitrage opportunity will be lost. The buyout is not guaranteed, with GFI's major shareholders pushing back on the originally announced large 33.8% premium offered to AUY.

Competitive Comparisons

Estimated Next 12 Months	Dividend Yield	EV/EBITDA	Price-to-Sales	Price-to-Earnings
Yamana Gold (AUY)	2.4%	6.3	2.6	18.6
Gold Fields (GFI)	3.6%	3.1	1.6	8.3
B2Gold (BTG)	5.3%	3.1	2.0	11.1
SSR Mining (SSRM)	2.8%	5.2	2.5	13.2
Barrick Gold (GOLD)	4.9%	5.5	2.3	14.6
Newmont (NEM)	4.9%	6.7	2.8	17.6
Pan American Silver (PAAS)	2.4%	6.2	2.5	23.1

Yamana Gold (AUY)



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