

# Nord Gold Plans Bottom Fishing on Heels of Gold Price Drop

By [The Moscow Times](#)

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CAPE TOWN — Russian miner Nord Gold, which invests in emerging markets, is looking to buy new projects at low valuations from financially strapped junior miners after last year's 28 percent drop in gold prices.

The company, controlled by billionaire Alexei Mordashov, has also started work to turn around the loss-making Lefa mine in Guinea by improving operations and cutting infrastructure and supply costs.

"In difficult times you have to be responsible, but you also have to have the guts to make a move," chief executive Nikolai Zelenski said in an interview on the sidelines of a mining conference, adding he thought the gold price was nearing a bottom.

"Although it is sometimes difficult emotionally to spend some money in a difficult market, it is beneficial in the long term. These opportunities may not come back for a few years. So we

are looking at junior companies with good-quality resources that have been beaten down by this market."

The CEO said he would look to buy a project at an early stage of development, so that Nord Gold could use its expertise to drive development of the mine. With this strategy, it could invest a relatively small amount of money to turn an early-stage project into what could be a highly remunerative mine.

Development of new mines is preferable, because most existing mines were built based on assumptions of much higher gold prices, he said.

Nord Gold produced a total of 924,000 ounces of gold in 2013 and earned \$1.27 billion from its nine mines in West Africa, Kazakhstan and Russia.

The Russian company, which spun off of Russian steelmaker Severstal in 2012, had collected many of its major assets during the 2008 to 2009 financial crisis, including its takeover of Canadian miner High River Gold, with assets in Burkina Faso and Russia.

"In Burkina Faso we had a very positive experience. Infrastructure is good, the tax regime is stable and the government is genuinely cooperative. Guinea is much more difficult to work with," Zelenski said.

Lefa, which it acquired in 2010, is proving to be a burden. Its losses are partly the result of poor infrastructure in Guinea, which is seen as more difficult to operate in than other countries in West Africa.

"Costs associated with infrastructure are higher and the tax administration is very difficult in the country and needs to be improved. I hope that is because the country does not have a long history of mining and is still trying to understand the industry," Zelenski said.

Nord Gold's average all-in-sustaining costs, a widely used measure that includes exploration and other costs, are around \$1,071 an ounce. Its costs at Lefa, however, are around \$1,300, exceeding the current gold price of around \$1,260 an ounce.

"We are trying to identify deficiencies and take them away. We are doing it with every mine, but for Lefa it is more urgent because it consumes cash rather than generating it," Zelenski said.

"We did not build the mine, we bought it, and the amount of problems it has exceeded our initial expectations."

The company may consider other options such as halting production or selling off the mine, should the plan not be enough to bring Lefa back to profit, he said.

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