

NORDGOLD

FLEXIBLE AND ON THE MOVE



FLEXIBLE AND ON **THE MOVE**

Since its establishment in 2007, Nordgold has become a global player through a series of acquisitions: outperforming the industry seems to have become a habit, and it has not been slow to adopt world class social initiatives either

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Gold production
at Bissa

Gold is a most conservative and passive investment, but the same cannot be said of gold mining in emerging markets. To succeed here a company must be flexible and on the move. Its management must be adept and have a keen eye for untapped value.”

These are the words of Nikolai Zelenski, CEO of Nordgold, and they will be echoed in the most heartfelt way by many others involved in the goldfields of Africa and South America. Nordgold was established in 2007 when Severstal Group, one of Russia’s most successful metals and resources corporations, decided to move into the gold market.

Nordgold is a pure play gold producer and Severstal’s decision to diversify into this sector was taken at a time when it saw opportunities to acquire assets in Russia, Kazakhstan, Burkina Faso and Guinea. In its first five years Nordgold expanded rapidly through acquisitions and organic investment, achieving a rate of growth unmatched in the industry during that period. In 2012 Nordgold’s gold production grew to 717,000 ounces from just 21,000 in 2007. Now it has tripled its resource base to 30 million ounces, and has nine operational mines, one development project, several advanced exploration projects and a diverse portfolio of early exploration projects and licenses in Russia, Kazakhstan, Burkina Faso and Guinea.

It was in 2008 that Nordgold, which until then had only been operating in the CIS, acquired a controlling stake in High River Gold Mines Ltd, a Canadian company which held a number of assets in Russia as well as



in Burkina Faso. The Taparko mine and Bissa exploration project, both in Burkina Faso were among these assets. Following the positive results Nordgold achieved with turnaround project at Taparko the company decided to proceed with the development of Bissa. Initially it was estimated the mine encompassed mineralised zones traced over a strike length of approximately seven kilometres and further exploration works subsequently conducted by Nordgold improved confidence further, demonstrating better reserves than previously anticipated.



Open pit loading at Bissa

The feasibility study was completed in June 2010 and the mining licence was obtained in July 2011, with construction starting in September 2011. All construction works at the site were completed within 15 months – on



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Bissa facilities

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time and on budget – and the first gold was poured in January 2013. The plant at Bissa is designed to treat up to four million tonnes of ore a year, translating into more than 170,000 ounces of annual gold production. In 2013 Bissa is officially forecast to produce up to 100,000 ounces of gold. With the launch of the Bissa mine Nordgold has become the first gold miner in Burkina Faso to operate two mines in the country simultaneously. Bissa is a remarkable example of the flexibility and agility enjoyed by Zelenski, already reaching its production capacity in annualised terms. In the first quarter of 2013 the plant milled 747,000 tonnes of ore and produced 40,400 ounces

of Dore gold for shipment to Switzerland, where it is further refined before being sold on the open market. “Based on the Q1 results we believe we will exceed our initial production guidance for 2013 of up to 100,000 ounces,” says Igor Klimanov, Managing Director of African Operations.

One of the significant challenges during the Bissa development was a water supply issue. “Water is one of the crucial components of the ore treatment cycle,” explains Klimanov. “To solve it we constructed a dam which allowed us to accumulate water during the wet season.” At the first look logistics was a problem too: Burkina Faso is landlocked

747,000
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Tonnes of ore milled at Bissa in Q1 2013



Open pit at Bissa

“WE LOOK TO DEVELOP PROMISING PEOPLE BY INVOLVING THEM IN ADVANCED PROJECTS”

and therefore has no sea access for delivering essential equipment. Bissa is situated less than 100 kilometres from Ouagadougou, Burkina Faso’s capital, and the mine is not far from the national highway which is a part of a secure logistic corridor leading to the ports of Ghana and Cote d’Ivoire. “This allows us to easily deliver all bulk equipment and supplies from these locations to the mine site with the minimum risk of disruption or delay,” he says.

In 2010 Nordgold acquired the Lefa gold mine, located at Lero in the Seguiri Prefecture of north eastern Guinea, about 750 kilometres from the capital Conakry. In 2012 production from Lefa and Taparko accounted for approximately 42 percent of Nordgold’s total production, says Klimanov: “In 2013 we expect Nordgold’s African operations to account for about 50 percent of the company’s revenues.” And with huge reserves that will

keep it producing for another 20 years, Lefa is of great strategic significance for Nordgold.”

There’s no doubt that gold mining, while it helps to raise the general standard of living in the host country, does have an impact locally. Nordgold has made a firm commitment to both its own employees and the communities in which it works, so when the villages of Bissa and Imiougu had to be relocated this was seen as more than just a major infrastructure project. Total compensation to the owners of the land affected amounted to 2.5 billion CFA and 380 new houses were built, as well as seven water wells, two mosques, two churches, two community centres and four schools. The dam constructed for the

plant also provides the local population with significantly more water than they previously had access to.

“Our aim was to minimise disruption to people’s lives, while maintaining or improving their communities,” says Alexey Shchedrin, Director of Corporate Communications and IR. “For example, the relocated villages will retain the approximate layout of their predecessors, reflecting our belief that the shape of communities is important to their success. Where we relocated people from agricultural land, we ensured that the new land we provided them with was of similar, if not better, quality and fertility. We were also sure to ensure that we relocated people within



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the traditional boundaries of their land.”

Taparko had already benefited from this approach, he continues: “We support the local school, including building new classrooms and providing drinking water for the teachers and children. We also support several other community projects aimed at helping local populations develop sustainable work

practices in farming and ranching. We recently built a new health clinic and will be



New homes in Burkina Faso

renovating the old clinic. We are also actively searching for better medical equipment to install in the two facilities. Furthermore, we are working closely with civil representatives of the region to help them identify potential areas for improvement, as well as considering new infrastructure programmes and projects.”

Nordgold's corporate culture is one of mutual respect, which implies remuneration in line with international

LYCOPODIUM ENJOYS SUCCESS 20 YEARS IN THE MAKING



Lycopodium Minerals Pty Ltd has been in Africa since “before it was fashionable”.

As an engineering services and project delivery company, it is now working with a large number of international companies looking to tap into its African experience.

Africa has been touted as one of the key emerging markets for miners. However, the importance of Africa as a market isn't news to Perth-based Lycopodium, which made its first foray into Africa in 1993.

“We were in gold and in Africa a long time before it became a favoured jurisdiction. For instance, we were delivering the Geita project for AngloGold Ashanti in Tanzania in 1999-2000 when the price of gold dipped as low as \$US280/oz,” said Lycopodium Minerals Director of Strategic Development, Dr Greg O'Neil.

The company is currently active in undertaking feasibility studies and engineering, procurement and construction projects in Ghana, Burkina Faso,

Cote d'Ivoire, Mauritania, Tanzania and Zambia. Its project work is focused on gold and copper developments, along with some magnetite, uranium and nickel.

The company's clientele in Africa now includes many North American, European, South African and Australian miners who are seeking out Lycopodium because of its 20-year history in Africa.

“The reason why international mining companies come all the way to Perth to deal with an Australian Engineer is because of hard earned experience. It's a continent where we have a skill set, familiarity and experience.” Dr O'Neil said. “But it all comes down to value and how Australians deliver value... our clients have found our process plants possess a low capital intensity, ramp up to nameplate capacity quickly and demonstrate low operating costs. In essence they are fit for purpose, which is what Lycopodium aims to bring to the African market.”

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RANA MOTORS



With 35 years of experience, Rana Motors, tyre distribution network leaders in Ghana, and West Africa Tire Services (WATS) Ltd, the Regional distributor for Goodyear Earthmoving tyres in West Africa, are associated with NordGold projects in Burkina Faso by way of supplying Goodyear Earthmoving tyres & in tyre related services for their operations. WATS Ltd. is the ONLY company in Burkina Faso to employ qualified mining tyre professionals who provide mining tyre consultancy services, on-site tyre service providing and earthmoving tyre repairs (REMA Tip Top), and engage in supplying the whole range of mining/special equipment tyres to mining companies and contractors. Tyre professionals from WATS and Goodyear share the aim of providing the mining

community in West Africa with better value returns on tyres supplied by them, and are heavily involved in researching the performance of tyres used in mining operations and in recommending specific products that are best suited to challenging applications. In addition they provide a complete after sales service for the tyres supplied. NordGold's SOMITA mines at Taparko have immensely benefitted from these services. WATS Ltd. is the retail partner of Goodyear & operates its premium retail stores, "VULCO" in Ouagadougou. WATS also possesses supply capabilities in regards to conveyor belts used for mining applications.

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Vegetable production at Bissa community

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standards, appropriate working conditions and industry-best environmental standards – our 10,000 strong workforce is the core of our success and deserves nothing less. throughout all areas of our African operations we try to employ local people where possible insists Alexey Shchedrin. “This is both good business practice, due to the cost of employing expatriates, and helps to develop the skills base and economies of the regions where we work. We do employ expatriates where they have the best skills and are able to train our people and pass on their knowledge.”

At Taparko 631 of the 654 employees are

380
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New houses built for Bissa employees

local and at Bissa, where 60 percent of unskilled work is provided from Bissa village itself, 30 young people work with mobile equipment and heavy machinery and a further 70 work in the plant itself.

Training is provided by internal instructors and leading external consultants. “We look to develop promising people by involving them in advanced projects, such as innovation or productivity programmes. While training is offered to all in order to guarantee an acceptable standard of professionalism and safety, we also aim to identify exceptional talent and tailor their instruction to prepare them for promotion.



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Training programmes cover a wide range of subjects, including equipment use, health and safety, and languages.”

Safety is Nordgold’s highest priority. Its ‘Safe Production’ principle is built on the precept that all fatalities and safety incidents are preventable. The Bissa mine was constructed in record time with only one minor lost-time incident in 15 months and all sites have teams of qualified HSE specialists in place, whose focus is to ensure that standards are consistently aligned with international compliance requirements.



Taparko processing plant

A significant health and safety challenge that Nordgold has had to overcome at its African sites is the prevention and treatment of malaria. With the construction of Bissa and the beginning of its mining operations

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Employee directing a Caterpillar truck at Bissa



in 2012, the number of employees and contractors on site grew significantly. As a result of unusually heavy rains and a long wet season, the risk of malaria infection increased correspondingly. While the number of medical visits for malaria was significant – as were the number of confirmed cases – all cases were treated as a highest priority and no severe cases were permitted to develop. “From early on in the project a well-equipped medical clinic staffed by competent medical personnel was available on site,” explains Shchedrin. “In addition, several preventative measures were implemented, including providing employees with detailed information on the disease and the proper anti-malarial medicines to prevent mosquito bites.”

Having put in place a number of world class sustainability features at all of its sites, such as the use of native trees from Nordgold’s own plantations for the revegetation programme at Taparko, the company will be making further improvements this year.

“We will be upgrading our health and safety management systems at all our operations based on standards like ISO 14001,” says Shchedrin. “In addition to the management of tailings storage facilities, which require constant attention to design, performance and maintenance, other waste streams are managed on a daily basis to ensure conformity with Nordgold’s policies and standards,” he added. **BE**

For more information about Nordgold visit: www.nordgold.com



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