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Severstal's Nord Gold Begins $1Bln IPO

By The Moscow Times

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Nord Gold, a unit of billionaire Alexei Mordashov's steelmaker Severstal, began an initial public offering of shares in London to raise more than $1 billion for expansion and to repay its parent's debt.

Nord Gold will sell at least 25 percent of the company, which mines for precious metals in Russia, Kazakhstan and West Africa, the unit said in a statement Monday.

The sale will raise at least $1 billion, two people with knowledge of the matter said today. If successful, Nord Gold's IPO would be London's biggest since the $1 billion offering of Nathaniel Rothschild's mining fund Vallar in July. The stock is due to be priced and start trading as early as Feb. 7, according to terms for the sale obtained by Bloomberg.

Russian raw materials producers are seeking funds in London as commodity price gains outpaced stocks and bonds in 2010 and demand surged in China, the biggest user of everything from copper to cotton and soybeans. Koks, a Siberian coking coal and pig iron producer, and pipemaker ChelPipe announced IPO plans last week. Gold rose 30 percent in

London last year.

Nord Gold will gain more than $240 million from the sale, while the balance of the proceeds will go to the company's current shareholders, according to one of the people.

"From our Russian origins we have grown into an internationally diversified gold miner," chief executive Nikolai Zelenski said in the statement. The offer "will enable Nord Gold to continue pursuing this strategy," he said.

Morgan Stanley, Credit Suisse Group and Troika Dialog are managing the IPO. Nord Gold may grant an over-allotment option of as much as 15 percent of the offering, it said.

The company, which has invested $1.3 billion in its mines in Russia, West Africa and Kazakhstan, produced 589,000 ounces of gold last year and is forecasting output of more than 1 million ounces by 2013. Nord Gold reported sales of $485.3 million in the first nine months of 2010.

Meanwhile, Severstal remains in talks with Berkeley Resources after a takeover proposal expired.

"The parties are continuing discussions in respect to other possible arrangements that may be entered into by them," the Australian uranium-exploration company said in a statement Friday, without specifying what the talks are about.

Berkeley, which needs funds for its Salamanca uranium project in Spain, had been discussing a potential 2 Australian dollars-a-share ($1.98) offer from the Russian steelmaker that valued the Perth-based company at 275 million Australian dollars.

Severstal's offer, which represented a premium of about 40 percent to the volume-weighted average price of Berkeley shares in the three months to Oct. 28, expired Jan. 14 after the parties couldn't agree to takeover terms, according to the statement issued Monday. Berkeley's Salamanca project is scheduled to start production by late 2012.

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