

# Investor Awareness a Big Question for Nord Gold

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Nord Gold, the gold miner whose split-off from Severstal is underway, was valued at nearly \$2.8 billion during the first day of its trading in London on Thursday, in what the company said was a predictable result.

Nord Gold declined a notch during the first hour of trading to \$7.5 from \$7.7 at the open before bouncing back to close at \$7.8 per Global Depositary Receipt.

The price brings the company's capitalization to about \$2.8 billion, based on the number of Nord Gold's outstanding shares, which amounts to 358.8 million, according to a prospectus released by the company last month.

"This is almost in line with the company's valuation ahead of the split-off, although significantly below Nord Gold's fair valuation," said Nikolai Zelensky, the miner's chief executive. "The outcome of the first trading day indicates a relatively low awareness of our

company among investors and we're facing significant work ahead to increase their awareness."

Philip Baum, the company's non-executive chairman, said in a statement on the company's web site that Nord Gold will consider increasing the size of the free float and increasing liquidity of its stock in the future.

The size of Nord Gold's free float reached about 10.6 percent after Severstal's minority shareholders agreed to swap the steelmaker's securities for the gold miner's stock late last week.

Increasing liquidity is one of the major challenges the company is facing because the free float of about 10 percent is the lowest among domestic companies traded on the London Stock Exchange, said Dmitry Smolin, an analyst at UralSib Capital.

Other miners Evraz and Polymetal joined the benchmark FTSE 100 last month.

One possible option for Nord Gold to increase liquidity is issuing additional shares, Smolin said.

Severstal majority owner Alexei Mordashov might also sell part of the 89.4 percent stake he will hold in Nord Gold after the split-off is completed next month, Smolin told The Moscow Times.

Nord Gold will decide on possible ways of increasing liquidity after it becomes clear how big the demand for its stock is, Zelensky said.

The miner has good potential to attract investors in the future after its liquidity increases, Smolin said, adding that some minority shareholders participating in the swap might not have received the stock yet.

Nord Gold, which is headquartered in Amsterdam and operates mines in Russia, Kazakhstan, Burkina Faso and Guinea, posted revenues of \$1.2 billion last year compared with \$754 million in 2010, the miner said in a financial statement released Wednesday.

The company increased gold output 28 percent last year to 754,000 ounces, the statement said.

Nord Gold targets an output of 800,000 ounces to 850,000 ounces this year.

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