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# Gold Price Crash Will not Hurt Our Plans, Highland Gold Says

By The Moscow Times

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Highland Gold, a gold producer partly owned by oligarch Roman Abramovich, will not be swayed from plans to develop its new deposits by this year's crash in prices for the precious metal.

Yevgeny Shvidler, chairman of Highland Gold, said the company would buck the trend of other gold producers to rein in spending and put projects on hold because it had felt "no big impact so far" from the fall in gold prices by about a quarter this year.

But he expressed some frustration with smaller Russian gold companies reluctant to "marry" into partnerships after Highland tried and failed to forge deals over the last five years, warning them that this would hurt the industry.

"On the one hand [the price fall] is very scary, but on the other, it's very healthy," Shvidler said by telephone from his 200-hectare [500-acre] Château Thénac vineyard in southwestern

France.

"There has been no big impact so far. If it stays the way it is, we're OK. We don't have to stop any big projects or anything like that."

The gold price started the year at just under $1,680 an ounce and was trading at around $1,280 early Wednesday. Highland's 2012 all-in cash costs stood at $973 an ounce, the company said.

Shvidler, head of Abramovich's investment vehicle Millhouse LLC which owns a 32-percent stake in Highland, shrugged off comments by rival gold company, Russia's Polymetal.

Its chief executive, Vitaly Nesis, said last month that the industry's response to the crash was "wholly inadequate" and spending cuts were "startlingly" slow.

"He is very talkative," said Shvidler, who is so close to Abramovich that the owner of Chelsea football club bought him 45 Highland sheep for his 45th birthday.

He said he was not ruling out new acquisitions.

On April 2, two weeks before the gold price began to plummet, Highland said it had paid $212 million to acquire CJSC Bazovye Metally, which allows the company to mine the Kekura gold deposit in the remote Chukotka peninsula. Abramovich was the governor of the region between 2001 and 2008.

Shvidler says that Highland would not have saved much if the deal had gone through later. But Nikolai Sosnovsky, an analyst at VTB Capital, said the transaction looked "very overpriced".

"It was well above the industry average, while the reality should be that for such an extreme region there should be a discount, not a premium," Sosnovsky said.

### Marriage of Convenience

Shvidler recently increased his stake in the company from around 8 to over 12 percent but said he was "not fanatical" about producing gold and would "absolutely" sell the company if offered the right price.

"We are in business, we are not in love," he said.

There is not much love lost between some of the smaller Russian gold companies.

"For some of these people, to get married in partnerships would be a total disaster," said Shvidler, no stranger to takeovers.

He oversaw the biggest deal in Russia when, in 2005, Gazprom took over oil company Sibneft for $13.1 billion — a company which Abramovich privatized in the 1990s and Shvidler made into Russia's fastest-growing oil producer.

Shvidler said that Highland had been trying, unsuccessfully, to forge deals with other small Russian gold producers for the last five years but that it was difficult to do business with them.

"These are local guys with local ideas," he said. "Even this deal with Kekura took us a year,

and those were not local guys."

The gold crash has seen most big gold-mining companies announce billions of dollars of writedowns in recent months. Last week, Polymetal said it would write down the value of its assets by up to $340 million.

Highland has not announced any writedowns so far.

Highland was originally put on the market by the Fleming family, who gave it the name of the area in northern Scotland from where they originate.

Is Shvidler expecting more Highland sheep for his 50th birthday?

"No," he laughed. "I don't want to turn 50, that's all."

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