

# Gold Miners to Cut 2014 Output After Price Slump

By [The Moscow Times](#)

January 23, 2014

**The**  **Moscow Times**

Two Russian gold miners — Petropavlovsk and Nord Gold — plan to cut production in 2014 as they focus on cost reduction after a slump in the gold price, they said Thursday.

Many gold producers were hit by a 28 percent fall in the price of gold last year — its biggest annual loss in 32 years — prompting miners to cut costs, delay new projects and hedge, selling their production forward.

"The miners were mining at the highest possible cost because the gold price was going up and when it stopped going up, they had to reduce that. So that means that they will mine less gold," Peter Hambro, Petropavlovsk chairman, said.

Petropavlovsk expects its 2014 gold production to decline 16 percent year-on-year to 625,000 troy ounces after it sold high-cost alluvial assets, the company said in a statement.

Its peer Nord Gold is targeting 2014 production in the range of 870,000 to 920,000 ounces of gold equivalent, compared to 924,400 ounces in 2013.

Petropavlovsk is able to sell 279,100 ounces at a price of \$1,429 per ounce and 65,115 ounces at \$1,250 per ounce this year in line with its forward sales contracts, the company said.

"We decided that it would be wise to have about 50 percent of our one-year production hedged," Hambro added.

In 2014, gold will not push much lower than its current levels of around \$1,250 per ounce, according to the consensus estimate in the latest Reuters poll.

Petropavlovsk this year plans to reduce cash costs for hard-rock production by 5 percent to \$950 per ounce. Its net debt fell 11 percent, year-on-year, to \$945 million as of the end of December, below analysts' expectations, some of them said in their notes.

Nord Gold, controlled by businessman Alexei Mordashov, said its output decline this year would be mainly due to lower grades at its Bissa mine in Burkina Faso. The company's revenue fell 5 percent year-on-year to \$329 million in the fourth quarter.

"Management is focused on achieving increased efficiency at all its mines to reduce costs," Nord Gold said in a statement.

Two other Russian gold producers are also unlikely to support the country's production growth: its largest gold miner, Polyus Gold, has recently delayed the start of its key project by a year until summer 2015. Its rival Polymetal plans to keep 2014 production flat.

Russia's 2013 gold production was expected to rise by 6 percent year-on-year to 240 tons (7.7 million troy ounces), according to the Gold Industrialists' Union.

The union plans to prepare an estimate for the country's 2014 gold production next month after the actual data for last year is published, Sergei Kashuba, the head of the union, said Thursday.

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