

Nordic Gold Inc

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Nordic Gold expects to produce 67,000 ounces this year, as the Laiva mine in Finland comes into its own

It's billed as "Europe's newest producing gold mine."

Nordic Gold Inc (CVE:NOR) has poured its first gold at the Laiva mine in Finland, with plenty more to come.

"We got this mine financed a year ago," says Nordic Gold's Michael Hepworth.

"We got started in May, did our first gold pour in November and our second and third in December. The plan is to produce between 67,000 ounces this year."

With the gold price showing signs of testing US\$1,300 again, it's not a bad time to be going into production, although margins look fairly comfortable even in a bearish gold price environment, as cash costs are likely to ring in at US\$838 an ounce, according to a preliminary economic assessment completed last year.

All told, the mine is expected to generate a pre-tax internal rate of return of around 44%, and cash flow over the six-year life of mine of US\$138mln.

The NPV was set at US\$98mln.

That, however, only tells half the story.

Changes at Laiva

The mine was acquired by Nordic Gold already built and operational, but losing money. Exactly why it was losing money has been a matter of some debate over the past couple of years. Some industry-watchers thought the mill wasn't performing to spec, but according to Hepworth, the real story's much simpler.

"They were bulk mining instead of selective mining," he says.

Nordic agreed to put up some much-needed cash and secured 10% and exclusivity on any other transactions. From there, Nordic moved on to acquiring 60% for US\$20mln, and finally onto 100% via a share-based transaction.

Current estimates are that before Nordic came in, the project had already had €220mln spent on it, a figure which makes the US\$98mln NPV seem somewhat tame, as Hepworth points out.

"At one point, in bull market conditions, this mine generated a market capitalisation for its owners of €500mln. In a gold bubble, it could go up to those sorts of levels again."

The gold price has been creeping up of late, to be sure, but we're not in bubble territory yet. Instead, more immediately, Nordic has concrete plans to increase value.

Price: C\$0.105

Market Cap: C\$16.58M

1 Year Share Price Graph



Share Information

Code: NOR

Listing: TSX-V

52 week High Low
C\$0.17 C\$0.07

Sector: Gold Mining

Website: nordic.gold

Company Synopsis:

Nordic Gold Inc. is a junior mining company focussed on the acquisition and development of mining properties with near term production potential. Our preferred operating environment is safe jurisdictions around the world, primarily in Canada, United States and Europe. Currently we have projects in Finland and British Columbia. Watch Nordic Gold's First Pour..

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"One of our objectives is to expand the mine life," says Hepworth.

"We have two exploration properties nearby and another one 12 kilometres to the south. In total, we have 27 square kilometres of exploration ground, and to date, the only area that's been drilled is around the mine."

And there's more. For a mine of this kind, it seems unusual that there's no high-grade feeder system to account for the mineralisation.

"The whole region is mineralised," says chief operating officer and general manager of Laiva, Joe Ranford.

Balancing act

How soon the company can get out into the field and systematically searching for new resources remains to be seen.

"There's a balancing act we've got to do," says Hepworth.

"Commercial production will be at around 5,000-to-6,000 ounces per month. We've brought in a contractor, commissioned a plant, we're developing new mining methods, so it's going to take us a little bit of time to get fully up and running. In the first quarter of 2019, there'll be a serious ramp-up of tonnes and grade."

Refinements of the plant are ongoing, but already it's operating at a greater efficiency level than it did under its previous owner.

After this year's 67,000 ounce target, the plan is to move production up slightly to 70,000 ounces per year and then to set about extending the mine life.

Recent fundraising has provided a nice working capital cushion while the ramp-up to commercial production completes, so Nordic looks set very fair to reap the benefits of owning Europe's newest producing gold mine.

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