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Petropavlovsk's Q2 Gold Output Drops 16%

By The Moscow Times

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The country's third-biggest gold producers said output was down in part because of extreme cold in the Far East. **Denis Grishkin**

LONDON — Petropavlovsk said Thursday that second-quarter gold output fell 16 percent and full-year production will be at the "bottom end" of its plans.

Second-quarter attributable production slid to 100,700 ounces, from 120,000 ounces a year earlier. Output was hampered by delayed equipment deliveries and "extreme" cold in the Amur region of the Far East, it said in a statement.

"The disappointing performance of the gold mines in the first half and lowering of expectations, while within the forecast range, is not good news," John Meyer, head of research at Fairfax IS in London, wrote in a research note.

Petropavlovsk, Russia's third-largest gold producer, rose 0.8 percent to 1,106 pence by the

close after falling as much as 6.2 percent earlier in the day.

“We got hampered by things out of our control,” chairman Peter Hambro said. “We’ve told the world that we think we will manage to achieve our target, albeit at the bottom end of it.” The company expects full-year output of 670,000 ounces to 760,000 ounces.

Petropavlovsk, which produced 486,800 ounces of gold last year, is targeting annual output of more than 1 million ounces by 2013. The company offered $380 million of convertible bonds in January to fund development projects, including its Malomir mine, due to start production later this year.

First-half attributable output of the metal fell to 166,300 ounces from 224,600 ounces a year earlier.

The company won an auction for gold exploration and mining rights in Amur that extends the license for land around its Pioneer project by about 420 square kilometers.

“We’ve been sitting looking at the ground over our fence, longing to own it,” Hambro said. “We’ve finally got that and it’s a great relief.”

Polyus Gold is Russia’s largest producer of the precious metal, while Severstal is the second biggest.

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