

Polyus May Halt KazakhGold

By [The Moscow Times](#)

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Polyus Gold may halt operations at its KazakhGold subsidiary next week if its Kazakh bank accounts remain frozen, a senior executive at Polyus said Thursday.

Alexei Teksler, head of KazakhGold's KazakhAltyn mining operations told reporters that the company could not pay its bills or wages as it cannot access the accounts.

"If we don't pay our electricity bill by the end of this week, then our mines and factories will be without power within 48 hours," Teksler said.

Authorities in Kazakhstan froze the accounts as part of a criminal investigation related to KazakhGold shareholders, opened while PolyusGold and the Kazakh miner's former owners have been embroiled in legal conflicts over the fate of the company.

Polyus general director Yevgeny Ivanov said, however, that his company hopes to avoid shuttering its Kazakh mines.

"This risk exists," Ivanov said. "We are appealing against this action ... and we hope that the president, the prime minister and the head of the region make a decision to prevent this from happening."

Although KazakhGold represents just 3 percent of Polyus Gold's annual production, which reached 39.2 metric tons in 2009, the company is a key part of its future strategy.

Polyus plans to engineer a reverse takeover under which the Kazakh company acquires its parent, allowing the company's Russian owners to create a London-traded mining giant.

The move was approved by Russian and Kazakh regulators earlier this year, but in July Kazakhstan canceled Polyus Gold's 2008 purchase of KazakhGold, putting the reverse takeover plan in jeopardy.

The cancellation took place after KazakhGold and Polyus on June 29 launched legal proceedings at the High Court in London against five members of the Assaubayev family, KazakhGold's former owners, seeking more than \$450 million in damages for alleged misappropriation of funds.

The Assaubayev family has strongly denied the allegations and has said it will contest them.

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