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Severstal Wins Battle for Crew Gold

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A view of Crew Gold's LEFA mine, in the West African country of Guinea.

Severstal has defeated Canadian investment fund Endeavour Financial Corporation in their battle for control of African gold producer Crew Gold.

Endeavour will sell its 43.21 percent stake in Crew Gold to a Severstal subsidiary, Severstal Gold, for $215 million, the fund said Monday. The deal is to be closed within two days and would give Severstal 93.38 percent in the gold miner.

The sale is at a premium to market prices. Endeavour's stake was worth $192.7 million based on Friday's closing price in Oslo. After news of the deal broke, the company's shares rose 7.8 percent, bringing the stake's market value to $207.8 million.

Crew Gold's only asset is the LEFA mine in Guinea, with reserves of about 3 million ounces and resources of 5.2 million ounces.

Severstal took interest in the asset earlier this year and began buying up the miner's shares.

But the Russian steelmaker was met with strong competition from Endeavour, which also wanted to acquire Crew Gold. The Canadian fund is managed with the help of Fiore Financial Corporation, whose president is Frank Giustra, a friend of former U.S. President Bill Clinton.

Severstal and Endeavour began buying up Crew shares and then started trading complaints to Canadian regulators seeking to prevent the other from acquiring additional shares.

In June, the companies announced a cease-fire, including an agreement to shuffle Crew Gold's board of directors. The new board had four directors from Endeavour, three from Severstal and two for the remaining shareholders.

Endeavour spent $134.5 million purchasing the 43.21 percent stake, the fund said, leaving it with an $80.5 million profit from the war with Severstal.

Severstal has already spent $237 million to $245 million buying Crew Gold shares, which would put the Russian producer's investment at $452 million to $460 million once the Endeavour sale is closed.

A source close to Severstal said the company would likely buy the outstanding 6.62 percent from the market. Based on the price paid to Endeavour, that would cost about $33 million.

Purchasing the remaining shares would be a logical move, said Nikolai Sosnovsky, an analyst at UralSib. Severstal is building a gold-producing holding, which it hopes to eventually make an independent, publicly listed company, he said.

A Severstal spokesperson declined comment.

Severstal plans to boost gold output by as much as 26 percent this year after raising its stake in Crew Gold to 93.4 percent, the company said Tuesday.

Severstal may produce 640,000 to 670,000 ounces of the precious metal, compared with 528,700 ounces last year, the Russian steel and gold producer said in a statement.

(Bloomberg)

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