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Prokhorov Seeks 2011 Merger For Polyus to Become ‘Top 3’

By The Moscow Times

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Polyus Gold, the country's largest producer of the metal, may merge with a global competitor as early as next year to form a "Top 3" gold miner, billionaire owner Mikhail Prokhorov said.

Polyus plans to get a primary listing in London next year by combining with its Jersey-based unit KazakhGold Group, Prokhorov said in an interview Monday. He then intends to “make a merger with one of the leading gold companies in the world,” he said, declining to name potential targets.

Russian gold producers are seeking to expand their global reach after prices for the precious metal soared 30 percent this year. Polymetal, a Russian gold and silver miner, is seeking to change its domicile to Jersey to widen its investor base, while Severstal’s Nord Gold unit plans an initial public offering in London.

Polymetal jumped the most in two years after Prokhorov’s comments. The shares gained as

much as 20 percent, the biggest intraday advance since November 2008, but closed nearly unchanged. Polyus' shares closed up 6.9 percent in Moscow.

"Prokhorov's announcement has spurred investor interest in Polymetal," Luis Saenz, a London-based director at Otkritie Financial Corp., said by phone.

Polyus' market value will rise 20 percent after the London listing, Prokhorov said. After a merger, "we'll need to be in the world's Top 3" gold miners, he said.

The businessman, who controls Polyus with fellow billionaire Suleiman Kerimov, will have a minority stake in the combined company.

Barrick Gold, Newmont Mining and AngloGold Ashanti were the world's largest gold miners last year, according to London-based researcher GFMS.

Polyus, which spent almost a decade buying mineral deposits to amass the world's fifth-largest gold reserves, will be able to merge with any global competitor once it has a primary London listing, Prokhorov said.

The company considered a merger with Canada's Kinross Gold "several years ago," chief executive Yevgeny Ivanov said in February. In 2004 Polyus, then a unit of Norilsk Nickel, planned to combine with South Africa's Gold Fields, in which Norilsk had a 20 percent stake. The plan got scrapped, and Norilsk sold the stake two years later.

Forbes magazine this year ranked Prokhorov, 45, as Russia's second-richest man, with a $13.4 billion fortune. Last year he extended his interests into U.S. basketball, buying the New Jersey Nets.

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