

Russian Gold Maker Petropavlovsk Shares Tumble on Refinancing Deal

By [The Moscow Times](#)

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Gold bars from the vault of a bank are seen in this photo illustration taken in Moscow.

Loss-making Russian gold miner Petropavlovsk lost a quarter of its market value on Monday after unveiling plans for a deeply discounted \$235 million share issue as part of a refinancing deal that will help to cut its debts.

The London-listed miner, hit by a fall in gold prices in 2013, has been in talks since April with bondholders over \$310.5 million worth of convertible bonds that mature in February 2015.

The company said its chairman Peter Hambro and chief executive Pavel Maslovsky could support a \$235 million rights issue at 5 pence per share. It has also agreed terms of a new \$100 million five-year convertible bond.

"This deal removes significant pressure which we were experiencing for more than a year," CEO Maslovsky told a conference call.

The agreement, which should be completed before the convertible bonds mature in February 2015, will allow Petropavlovsk to cut its net debt to \$700 million, it said. Its senior creditors are Sberbank and VTB, Russia's largest banks.

Petropavlovsk's mining operations are based in Russia, where some companies' access to Western financing has been affected by sanctions over the Ukraine crisis. But Petropavlovsk has not been affected by these measures so far.

The company's shares have been volatile during the refinancing talks and have lost more than 85 percent of their value since the start of 2014.

"This [5 pence] became a new reference point until the new shares are issued," Andrei Maruta, the company's chief financial officer, told reporters on the conference call. "At this moment one could expect shares to move to this level."

Petropavlovsk's London-listed shares were down 28 percent by evening in Moscow at 11.5 pence per share.

The company also said its 2015 production target was increased to 680,000-700,000 troy ounces of gold from the previously expected 600,000 ounces. This estimate excludes its soon-to-be-sold alluvial assets.

Petropavlovsk is on target to deliver 625,000 ounces of gold with total cash costs of less than \$900 per ounce this year, it said.

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