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Russian Government Again Fails to Sell Stake in Gold Miner

May 26, 2026



YUGK

The Russian government has once again failed to sell the country's third-largest gold producer by auction, the RBC news outlet reported Tuesday, saying the only interested bidder in a second attempted auction was ultimately barred from participating.

Authorities seized billionaire regional lawmaker Konstantin Strukov's stake in Yuzhuralzoloto Group of Companies (YUGK) and affiliated firms last July on allegations that he had illegally taken control of the company by using his position in government.

The first attempt to sell the 67.2% stake in YUGK was declared invalid last week after it failed to attract any bidders at a starting price of 162 billion rubles ($2.22 billion). The second auction cut the asking price by half, to around 81 billion rubles ($1.1 billion).

RBC reported that the only would-be bidder in the second attempt, the Moscow-based company Russkiye Ugli, was disqualified from the bidding process. It was not clear why the company was not allowed to participate.

YUGK's shares fell 8% on news of the failed auction.

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Lawyers told RBC that an anticipated third auction would allow the government to set an absolute minimum price of just 10% of the original starting offer.

Industry insiders previously told the outlet that potential buyers would likely come from YUGK's biggest competitors, such as Polyus, Areal (formerly Highland Gold) and Mangazyea Holding.

Billionaire Alisher Usmanov's USM holding and YUGK's minority shareholder, Gazprombank, were also identified as potential buyers.

It was not immediately clear when the third auction attempt would take place.

The Russian government has confiscated hundreds of private companies worth tens of billions of U.S. dollars since the full-scale invasion of Ukraine. Some analysts have described the string of wartime seizures as an "assembly line" that has significantly worsened Russia's foreign investment prospects and overall business sentiment.

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