

Press Release: Withers advises KazakhGold on \$270m deal with Polyus Gold

10 AUGUST 2009

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CATEGORY:
FIRM NEWS

International law firm Withers LLP has acted for London-listed gold mining company KazakhGold on a partial offer from top Russian gold miner PolyusGold. In a deal completed today, Polyus Gold acquired 50.1% of the issued share capital of KazakhGold for a consideration of US \$270 million. The deal, made up of US \$7.18 in cash and 0.064% Polyus Gold consideration shares per KazakhGold share, will create a regional gold champion.

KazakhGold is Kazakhstan's largest gold mining company and a significant player in the CIS. This deal is unusual for a number of reasons. First, Polyus Gold made a partial offer aiming to acquire only a proportion of issued shares rather than the usual 100% sought in a full takeover. Partial offers are extremely rare with less than ten such deals done in the last decade. Second, KazakhGold shares are denominated in Global Depositary Receipts (GDRs), leading to settlement complexity. The multi-jurisdictional nature of this deal, spanning Kazakhstan, Russia and Western Europe added to the intricacy.

KazakhGold's difficult financial position also led to innovative solutions having to be put in place throughout the deal process. Polyus Gold was able to reduce the terms of its offer without having to wait for the usual three months – both sides cooperated to ensure a special dispensation was obtained from the Panel on Takeovers and Mergers to allow this. KazakhGold's bondholders were solicited in order for them to agree to not redeem the US\$200m senior notes due in 2013 upon the change of control resulting from the acquisition, and the Withers team also had to advise the company on taking shareholder loans from Gold Lion Holdings Limited, the shareholding vehicle of the Assaubayev family which controls around 42% of KazakhGold's shares.

Partners Ben Simpson and Andrew Terry led the Withers team of nine which consisted of both English and CIS qualified lawyers.

Commenting on the deal, Andrew Terry, partner at Withers LLP said:

"We are delighted to have assisted KazakhGold on this complex and innovative deal, paving the way for the creation of a regional powerhouse in the gold mining industry."

"The success of this deal showcases Withers' cross-jurisdictional capabilities. It also highlights the fact flexible and innovative solutions can be devised and implemented to get a deal completed – despite tough market conditions."

Debevoise & Plimpton LLP acted for Polyus Gold.

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