Ebola and FBI push diamond miner to seek loan

BYLINE: Danny Fortson

SECTION: BUSINESS; Pg. 2

LENGTH: 565 words

A DIAMOND MINER has opened financial restructuring talks after its stock market listing was blown off course by an FBI corruption investigation and the outbreak of the deadly ebola virus.

The Israeli mining tycoon Beny Steinmetz had intended to list Octea Diamonds in Hong Kong. The company operates the Koidu mine in Sierra Leone, which is in the heart of the "blood diamonds" region of the westAfrican nation, where civil war broke out in 1991.

Beny Steinmetz Group Resources (BSGR) bought the mine in 2003 and invested more than $300m to rehabilitate the site, which had been badly damaged during the conflict.

The company secured loans from Standard Chartered Bank and Tiffany &Co, the upmarket jeweller. The $130m (£78.5m) credit line from Standard Chartered is due for repayment "imminently", sources close to the situation said.

Octea is understood to have looked for outside investors in recent months but none surfaced. It recently opened talks with Standard Chartered to replace the loan or amend its terms.

BSGR, which manages assets on behalf of Steinmetz's family foundation, had planned to list Octea in Hong Kong in late 2012 with a mooted valuation of as much as $3bn.

The move was hindered by a growing storm over BSGR's activities in another west African state, Guinea.
Last year Frederic Cilins, a French national, was arrested in Florida after an FBI sting. He was caught on tape offering millions of dollars to the widow of Guinea's former president to destroy documents, which allegedly showed evidence of illegal payments made to Guinean officials to help secure mining rights for BSGR.

Steinmetz's company denied the allegations, saying that "no one at BSGR has done anything wrong". Cilins was not one of its employees.

In March, he pleaded guilty to obstructing a criminal investigation, and he is now serving a two-year prison sentence.

The following month Guinea announced that it would strip BSGR of its rights to Simandou, the world's largest undeveloped iron ore deposit.

Simandou was previously owned by the FTSE 100 mining giant Rio Tinto. In May, Rio Tinto sued BSGR and Vale, the Brazilian state resources group that had also invested in Simandou, over an alleged conspiracy to steal its rights to the concession.

BSGR called the suit "bizarre and baseless" and has begun action that could lead to arbitration at the International Centre for Settlement of Investment Disputes.

Vale, BSGR and Steinmetz, who is worth $3.4bn according to Forbes magazine, have denied any wrongdoing. Industry sources say the dispute has made it more difficult for Octea to find new sources of finance, from a strategic partner or through a listing.

The company's difficulties have been compounded by the recent spread of the ebola virus, which has killed hundreds of people in Sierra Leone since the beginning of the year.

The outbreak, the deadliest on record, has not yet seriously affected Koidu, in the east of the country, where Octea has about 1,000 staff.

Tiffany lent $50m to the company in 2011. The deal gave it rights to buy the majority of Octea's 550,000 carat a year output.

Sierra Leone is famed for large, highquality stones, including the 969.8 carat Star of Sierra Leone - one of the largest discovered.

BSGR is run by Brett Richards, the former chief executive of Avocet Mining, a west African gold producer listed in London. The company declined to comment on the Octea talks.