UPDATE 1-Guinea Simandou rights auction to start within months - minister

* Discussing with ArcelorMittal export route via Liberia

* Trims mining investment expectations for next decade

By Silvia Antonioli

CAPE TOWN, Feb 9 (Reuters) - Guinea expects to start an auction of the mining rights to half of one of the world's largest untapped iron ore resources in the next two months irrespective of arbitration with previous holder BSG Resources (BSGR), the country's mining minister said.

BSGR, a unit of Israeli billionaire Beny Steinmetz's business conglomerate, was stripped of its license to develop part of the Simandou deposit following a Guinean investigation. The company is seeking arbitration and has threatened to sue companies that invest in its former license area.

"We are completing the documents for the auction. I believe that these documents will be ready in the next two months," minister Kerfalla Yansane told Reuters in an interview on the sidelines of the Mining Indaba conference in South Africa.

"There is no link between the arbitration and the auction. These assets belong to the government."

Miner Rio Tinto holds the right to develop the southern half of the deposit, which could produce about 100 million tonnes of iron ore a year, or just below 10 percent of the global seaborne iron ore market.

In the northern half, the government took back mining concessions from BSGR and its Brazilian partner Vale after a government panel said in a report it had found BSGR got the rights from the previous administration through "corruption".

BSGR has rejected accusations of wrongdoing.

Yansane said he did not expect the arbitration, the Ebola epidemic afflicting the region, or the falling price of iron ore to put off investment in the country. Spot iron ore prices are hovering at more than five-year lows.

He said he expected about $30-40 billion in mining investment within the next five to 10 years, trimming a previous estimate of $50 billion in the next decade which some in the mining industry say is far too optimistic.

Companies including Glencore and steel producer ArcelorMittal had discussed with Guinea potential investment in the country, the minister said.

Guinea is also negotiating with ArcelorMittal, which last year acquired a slice of the Mount Nimba iron ore project from BHP Billiton, over whether to allow it to export iron via a route that crosses neighbour Liberia.

So far only small miner Sable Mining has been given that option by Guinea, which is expecting the construction of a multi-billion dollar trans-Guinean rail line for bigger projects such as Simandou.

"We are open to give permission (to go via Liberia) to all companies that meet the requirements," the minister said.
An investment framework signed by the government and Rio Tinto Guinea details that small miners that produce up to 5 million tonnes a year in operations around the Liberia border, can ask for permission to export via Liberia, he said.

"If ArcelorMittal is meeting the criteria why not? But I don't think they are meeting the criteria. Mount Nimba is a big project. It's about 30 million tonnes," Yansane said. "We are discussing with them to see what route they want to take and what could be the conditions."

(Reporting by Silvia Antonioli; editing by Susan Thomas)