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March 4, 2011 9:02 pm

Guinea to review mining licences

By William MacNamara and Christopher Thompson in London

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Guinea is planning a comprehensive review of its mining licences that could disrupt a \$1.35bn iron ore agreement between China's Chinalco and Rio Tinto, a \$2.5bn iron ore acquisition by Brazil's Vale, and a slew of smaller mining deals in the mineral-rich west African state.

All mining companies in Guinea will have to submit to higher standards of transparency in order to invest, as will the countries from which they originate, according to a joint statement from Alpha Conde, Guinea's new president, and George Soros, the billionaire philanthropist who advised him.

"All contracts will be reviewed and reworked by the beginning of the second half of this year," said a senior official from Guinea's ministry of mines at a conference in Paris on Thursday. "The government will become a minority shareholder in all mining contracts."

Guinea has the world's biggest reserves of bauxite, the raw material of aluminium. It also has a wealth of undeveloped iron ore, which has led to an investment scramble involving Rio and Vale.

Mr Soros arrived at the conference from Conakry, the Guinean capital. His foundation was invited by Mr Conde to help shake up the mining licence regime.

Mr Soros told the Financial Times: "In order for a mining company to be engaged in Guinea, they now have to subscribe to the extractive industries transparency initiative."

The EITI framework pushes for full documentation of payments between mining and oil companies and governments.

"The countries need to subscribe too. If Rio Tinto wanted to bring in Chinalco, EITI needs to be brought into China. China has to commit to abide by those principles."

Proposal for changes to the mining laws have grown more ambitious in the two months since Mr Conde's democratic election, which was hailed as the end of decades of dictatorship and corruption.

Government officials have stated that Guinea aims to cancel licences obtained through bribes and to secure a minimum minority stake for the state in all projects.

If the principle of EITI compliance becomes law, it could spell trouble for the many Chinese mining investors in Guinea, including Chinalco. The state-owned miner has bought rights in Rio's Simandou iron ore project for \$1.35bn. China does not formally implement EITI transparency guidelines.

The Guinea comprehensive review could also reopen a controversy about the division of the Simandou licence – one of the world's richest iron ore deposits. Rio once controlled the whole licence, but in 2008 the government confiscated half of Simandou and awarded it to Beny Steinmetz Group. BSG then sold a controlling stake in its half of Simandou to Vale for \$2.5bn.

Rio is trying to recover the full title while Vale has pledged billions of dollars in mine and infrastructure investment. Rio said last month the Guinean government had extended by three months an earlier deadline for dropping its claim over the whole of Simandou.

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