

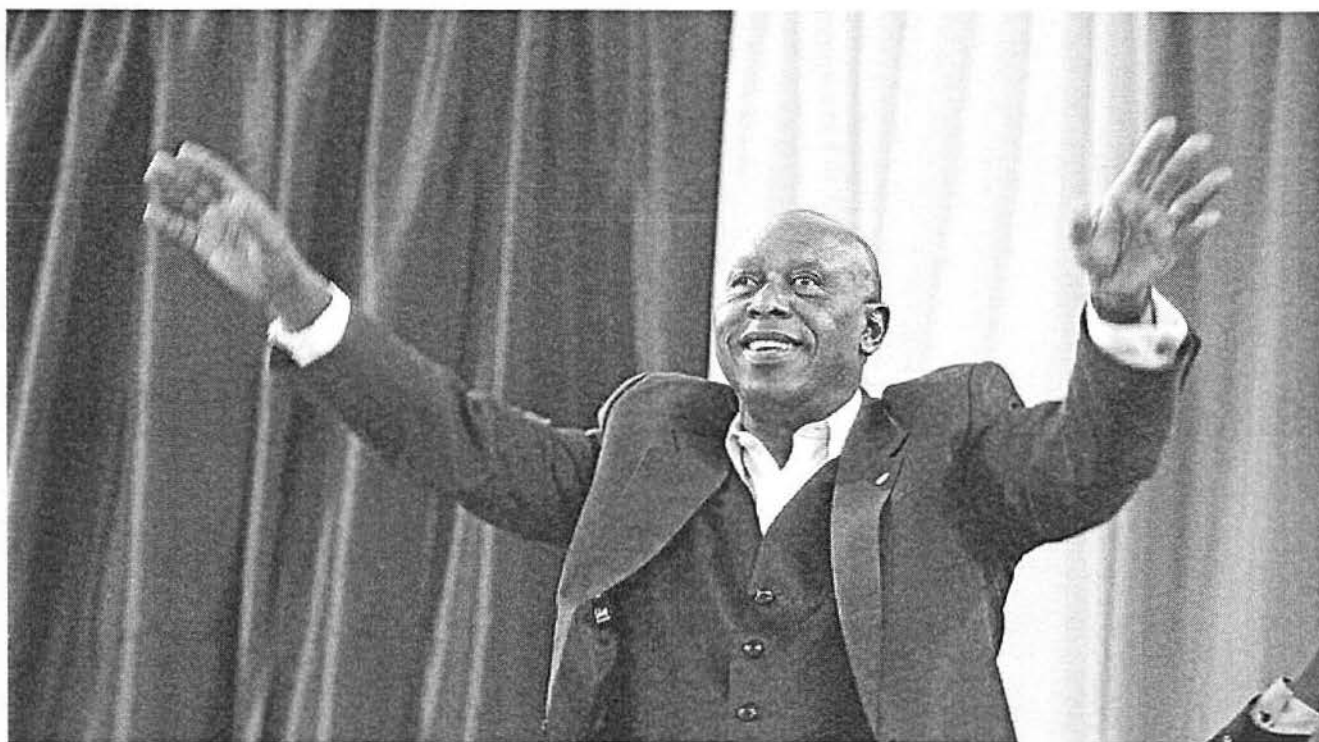
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National

Tokyo-linked company in Guinea row

29 Jun 2012 06:34 [Craig McKune](#), [Stefaans Brummer](#) & [James Wood](#)

A firm linked to Tokyo Sexwale's Mvelaphanda is involved in a controversial loan to the West African country that has sparked an international furore.



Tokyo Sexwale's Mvelaphanda has been linked to the company that made a loan to Guinea, which was allegedly spent on an election campaign instead. (Alon Skuy. The Times.)

Investigations into the origination and fate of a \$25-million (R210-million) loan to Guinea could cause serious problems for a company associated with Human Settlements Minister Tokyo Sexwale that stood to benefit handsomely from the deal.

The opaque offshore company, Palladino Capital 2, which is fronted by South African Walter Hennig, lent the money to the cash-strapped small West African country last year, ostensibly to fund the start-up of a new state miner. But the cash appears not to have been used for the intended purpose, and the loan's terms – distinctly prejudicial to Guinea – have sparked an international furore.

Now former Guinean mines minister Mahmoud Thiam, a political opponent of President Alpha Condé, has claimed in an interview with the *Mail & Guardian* that the deal was a quid pro quo in return for Condé campaign support.

Sexwale's Mvelaphanda Holdings and Hennig's Palladino Holdings, an obscure entity based in Turks and Caicos, a haven of corporate anonymity, are partners with United States investment fund managers Och Ziff in African Global Capital, a natural resources investment fund focussing on the continent.

Palladino Capital 2, which signed the Guinea agreements, answers to the same brass-plate address in Gibraltar as Palladino Holdings.

Family interest

Hennig, a billionaire, is particularly close to Mvela chief executive Mark Willcox.

Sexwale, who resigned his corporate directorships on becoming a Cabinet minister in 2009, retains a family interest in Mvela through a trust.

Guinea's Thiam implicated Sexwale in his claim, but this has been rejected out of hand by Sexwale as well as by Palladino Capital 2.

However Palladino could find itself on the dark side of international anti-corruption legislation should its own suggestion, that Guinea did not use the money to fund the start-up of a state mining company, prove true.

Legislation in the United Kingdom and the US requires active steps to know the true purpose of payments.

Individual interests

Palladino said in a recent statement that its deal with Guinea had since fallen apart and it gave the state formal notice in January to account for how the funds had been used.

At issue in any potential investigation could be whether the loan was indeed intended to finance a new state mining company – as outlined in the contract – or to benefit political or individual interests in return for outlandish mining concessions.

Palladino's contracts with Guinea were signed in the months shortly after Condé was elected as president in November 2010. This followed two turbulent years of military rule.

Guineans went to the polls for a first round of voting in June 2010. A second round of voting was delayed for three months until November, and Condé took office on December 21.

A first order of business for Condé's government was an assessment of how the country's mineral assets – vast bauxite reserves, high-grade iron ore, gold and diamonds – could be better managed as well as used to raise much-needed state funding. According to Palladino, it was invited in early 2011 to consult.

Review

In a statement this month, the company said that at the time it advised Guinea to review its mining code and existing contracts and establish a national mining company to participate in the sector.

In March, Condé also invited financier George Soros to advise the state in this – or a similar – process. Soros's spokesperson Michael Vachon told the *M&G* that at the time the financier's team knew nothing of Palladino or its consultations with Guinea.

The new mining code was published in September 2011, outlining a 15% free-carried state interest in mining assets, with further options to purchase shares. A new state mining company, Soguiami, was formed the same day.

But in March 2011 already, Palladino's consultations culminated in a signed agreement between the company and Guinea that outlined Palladino's proposed interest in the country's mineral assets.

Some of the framework agreement's proposed benefits to Palladino were eye-watering in their scope:

Equity stake

Palladino was to be granted as much as a 49% of the equity stake and voting rights in the state mining company.

With no reference to a licence process open to all contenders, Palladino could choose to negotiate to acquire "minority or majority" stakes in any state-linked mining asset.

Guinea could not sell any state interest in a mining asset without first offering the option to Palladino.

Should Palladino wish to acquire a stake in a mining asset, it was granted the privilege of a six-month negotiating period. If a deal could not be struck, Guinea would be allowed to negotiate with a third party – but Palladino would retain first right of refusal on any deal less favourable to Guinea than the initial offer.

Palladino's explanation of this agreement was that it "would have contributed funding and purchased shareholdings, each time on terms to be agreed with the government, and the government had the right to seek competing offers from third parties to ensure that it would always get market rates from Palladino".

Common interest

On the basis of these proposed "reasons of common interest" between Palladino and Guinea, the company loaned the country \$25-million to finance the establishment of the state mining company. But should Guinea default on the loan, Palladino could take up to a 30% stake in an unspecified subsidiary of the state mining company.

When news of the terms of this loan broke in the London Sunday Times this month, it sparked heated criticism to the embarrassment of both Guinea and Palladino's Hennig. Since then fingers have pointed at Sewxwale, whose Mvelaphanda Holdings is closely associated with Palladino.

Various articles have cited anonymous sources who claimed that the \$25-million was never reflected in Guinea's national accounts, implying impropriety.

This prompted Guinea's announcement that it would repay the loan. This was intended "to put an end to this argument", Finance Minister Kerfalla Yansane told the *M&G*.

Earlier similar statements from Guinea, prompted a statement from Palladino, who claimed to already be pursuing Guinea "for having defaulted on the terms of the loan agreement and in particular having failed to demonstrate that the advance has been used to fund the Guinean national mining company".

Completely operational

This suggested impropriety, which Yansane denied: "The money was paid to the central bank, on behalf of Soguiami. [It] was not yet used because Soguiami is not yet completely operational. We have to put in place a board and find all facilities for Soguiami."

But new allegations made by Guinea's former mines minister Thiam allude to a deeper conspiracy. Thiam was a minister prior to Condé's election in 2010. After being replaced, Thiam faced stiff criticism for some of his decisions. These include cancelling two of mining major Rio Tinto's iron-ore concessions, which were then acquired by another company.

But Thiam claims such criticisms are part of a political smear campaign "to show that everything I did as minister was either corrupt or illegal".

He said he "had nothing to hide" but launched a counterclaim that Condé's lobbyists – among them the president's son Mohamed Condé and Palladino's Samuel Mebiame, who ultimately signed the loan agreement on Palladino's behalf – had tried to raise campaign funds in return for access to state mineral assets once they gained power.

Thiam said that between the first and second rounds of voting the lobbyists travelled to South Africa, London, Paris, Geneva, China and India and "met various people I know and who informed me at the time that a big chunk of Guinea's mining sector would be put into a vehicle in which they participated.

"Mebiame claimed to represent Tokyo Sexwale in this venture."

Impatient investors

But a few months into 2011, with Condé already in power, Thiam said, rumours emerged that these investors had become impatient: "Mebiame even said to one of my [former] staff at some point that Tokyo [Sexwale] was angry with the president because he was not delivering on his promises and the tone was getting sour."

The London Sunday Times reported this week that the World Bank – one of Guinea’s major creditors – has now opened an investigation into the country’s mining sector.

British MP Eric Joyce said he has referred the deal to the UK’s Serious Fraud Office, and Soros was quoted as saying: “There are legitimate questions concerning this loan that call for examination and accounting.”

Responding to detailed questions yesterday, Sexwale’s spokesperson Xolani Xundu said: “It is a well-known fact that Minister Sexwale has publicly resigned from all companies and will therefore not dignify faceless sources by confirming or denying any of their stories.”

Commenting on behalf of Palladino, PR consultant Chris Vick denied all claims of impropriety: “Mebiame has no direct or indirect involvement with Mvelaphanda or Sexwale.”

Allegations that Palladino’s agreements with Guinea related to funding Condé’s election campaign were “nonsense”, Vick said.

Palladino would not be culpable under corruption laws if the loan had been misused, he said, and he denied any link between Mvela and Palladino.

“The ultimate beneficial owner [of Palladino Capital 2] is Walter Hennig,” he said. “We put on record that each and every sentence in your summary above is completely incorrect and false.”

The M&G was unable to reach Mebiame, Condé or Condé’s son Mohamed.

A person sent a text from a phone believed to be Mebiame’s, which read: “Who gave you my number.” This person did not respond to further queries.

Disclosure: Among the M&G Centre for Investigative Journalism’s funders are two entities that are part of George Soros’s Open Society network

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