

1 of 1 DOCUMENT

Financial Times (London, England)

April 20, 2013 Saturday  
London Edition 2

## **Steinmetz unit embroiled in US probe of \$2m payment for African mine rights; MINING**

**BYLINE:** Tom Burgis, Misha Glenny and Cynthia O'Murchu

**SECTION:** FRONT PAGE - COMPANIES & MARKETS; Pg. 13

**LENGTH:** 660 words

The resources arm of an Israeli diamond tycoon's family conglomerate agreed to pay \$2m to the wife of an African president to help it secure rights to one of the world's richest untapped mineral deposits, according to documents seen by the Financial Times that form part of a US corruption probe.

BSG Resources, named after the magnate Beny Steinmetz, is at the centre of a multibillion-dollar tussle to control Guinea's Simandou iron-ore deposit .

Copies of two contracts from 2007 and 2008, apparently signed by BSGR's representatives in the mineral-rich west African nation of Guinea, set out agreements for the company to make payments and transfer shares to Mamadie Touré, wife of the then president Lansana Conté.

In exchange for the commission, Ms Touré would take "all necessary steps" to advance its efforts to win rights to the deposit, a February 2008 contract says. A further \$2m would be dispersed among other people to facilitate the acquisition of the rights.

In December 2008, days before Conté's death, the Guinean government granted BSGR rights to half the Simandou deposit, having stripped them from Rio Tinto.

After spending \$160m developing its assets in Guinea, 18 months later in April 2010 BSGR sold a 51 per cent stake of its Guinean venture to Vale of Brazil for \$2.5bn. One African mining veteran described BSGR's sale as the "best private mining deal of our generation".

BSGR said in a statement to the FT yesterday: "Allegations of fraud in obtaining our mining rights in Guinea are entirely baseless. We are confident that BSGR's position in Guinea will be fully vindicated."

It declined to respond to questions about the documents the FT had seen.

The documents are among those cited in an indictment issued this week by US authorities against Frederic Cilins, a French citizen who was arrested by FBI agents at Jacksonville airport in Florida on Sunday, a person close to the investigation said.

The indictment said Mr Cilins was taped offering the widow of a deceased high-ranking Guinea official \$5m during what US authorities say was a two-month campaign to tamper with a witness and destroy records. Mr Cilins, 50, was also charged with obstructing a criminal investigation, namely a previously unannounced grand jury probe under the US Foreign Corrupt Practices Act into an alleged bribery scheme in Guinea,

Steinmetz unit embroiled in US probe of \$2m payment for African mine rights; MINING Financial Times  
(London, England) April 20, 2013 Saturday

which he helped to orchestrate, according to the indictment.

Mr Cilins has been described by the government of Guinea as an agent of BSGR. The company said Mr Cilins was not one of its employees. Mr Cilins could not be reached for comment.

The indictment does not name the mining company on whose behalf the bribes were allegedly offered. But the description of a company that in 2008 acquired rights to half of Guinea's Simandou iron-ore deposit after it had been stripped from another miner points in one direction: BSGR.

Neither does the indictment identify the widow who has sought immunity from prosecution in exchange for co-operating with the FBI investigation and helping to deliver Mr Cilins. The Department of Justice declined to confirm her identity or that of the mining company.

However, the documents seen by the FT show Ms Touré's signature on the deal. Ms Touré did not respond to requests for comment.

A Guinean government committee is investigating mining deals struck under past dictatorships and in November last year, as part of a preliminary report, threatened to cancel BSGR's rights if it found that the company had acquired them corruptly. BSGR strongly denies the committee's allegations of graft.

Late last year, as the Guinean committee levelled corruption allegations against BSGR, Vale put the Simandou project on hold. Earlier this month, it suspended payments on the \$2.5bn it agreed to pay for its stake.

Following Mr Cilins' arrest, Vale said it was "deeply concerned" about the allegations made by US authorities.

"Vale was unaware of the actions of the individual who has been charged," it added.

**LOAD-DATE:** April 19, 2013

**LANGUAGE:** ENGLISH

**PUBLICATION-TYPE:** Newspaper

Copyright 2013 The Financial Times Ltd.

All Rights Reserved

Please do not cut and paste FT articles and redistribute by email or post to the web.