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N/R-09-0114/DS/Simfer

11 June 2009

Dear Sirs,

Mining activities of BSG Resources in the Simandou region of Guinea

We are writing regarding the exploration, prospecting and related mining activities of BSG Resources Limited, BSG Resources (Guinea) Limited, BSG Resources Guinée SARL, Mr Beny Steinmetz and Mr Asher Avidan (together "**BSGR**") in the Simandou region of the Republic of Guinea ("**Guinea**").

The Rio Tinto Group ("**Rio Tinto**") is concerned by BSGR's current exploration, drilling and related mining activities in Simandou Block 1 and Block 2.

As you are aware, these are Blocks over which Rio Tinto, through its Guinean subsidiary, Simfer S.A. ("**Simfer**"), holds a mining concession (the "**Concession**") granted by the Republic of Guinea pursuant to a mining convention signed on 26 November 2002. The mining convention, pursuant to which the Government of Guinea undertook to grant Rio Tinto a concession in respect of Simandou Blocks 1 to 4, was approved by the *Assemblée Nationale* and ratified by law on 3 February 2003 (the "**Mining Convention**").

From that time, Rio Tinto's Mining Convention has had the force of law and constitutes the legal basis of Simfer's mining rights under the Concession. All this is a matter of public record in Guinea.

As you are no doubt also aware, Rio Tinto has, further to its rights under the Mining Convention and Concession, been engaged in exploration and prospecting activities in each of the Simandou Blocks for a number of years and has, through Simfer, invested over 400 million US Dollars in this regard.

Although Guinea purported to withdraw Simfer's Concession last year, former President Lansana Conté's attempts to do so were and are invalid. The Concession could not be withdrawn other than in accordance with the provisions of the Mining Convention which, as an act ratified by the Guinean *Assemblée Nationale*, cannot be repealed or otherwise invalidated by mere decree.

As a consequence, the decree No. D/2008/041/PRG/SGG issued on 28 July 2008 by the former President purporting to withdraw the decree granting Simfer the Concession in 2006 (the "**Decree**") is plainly contrary to Guinean law, not least because it fails to observe these fundamental legal principles. These are matters of public record of which BSGR cannot have been unaware.

Nonetheless, in a press release dated 10 December 2008, BSGR claimed that it had been awarded concessions over Simandou Block 1 and Block 2, and announced that the Blocks were *"two prime iron concessions in an area that has been recognized as one of the largest untapped high quality iron ore resources in the world today, [which] not only significantly adds to the resource tonnage of BSGR Guinea but also presents it with an opportunity to define and extend its world class iron ore deposit in Guinea."* BSGR subsequently announced, by a press release dated 17 February 2009, that it had received *"definitive confirmation from the Ministry of Mines and Energy as well as from the President of the Republic of Guinea that its exploration licences for the Simandou Blocks 1 and 2 are valid and have been ratified"*. The press release stated that BSGR was already engaged in exploration activities, and that drilling was expected to commence soon. Indeed, Simfer representatives have since observed BSGR drilling in the Simandou Blocks.

These press releases are consistent with information received by Rio Tinto that, since the execution of a memorandum of understanding with some Guinean ministers in early 2006, BSGR has been lobbying the Government in order to expand its mining rights in the Simandou region beyond its existing interests to include Simandou Blocks 1 to 4. BSGR has done so with full knowledge of, but without regard to, Rio Tinto's existing Mining Convention and Concession, which covers each of Simandou Blocks 1 to 4.

It is also to be noted in this regard that Rio Tinto was advised by the Minister of Mines and Energy that it would be required to relinquish the Simandou Block 1 and Block 2 of its Mining Concession just one day before BSGR's Press Release of 10 December 2008, announcing that it had been granted a concession over these Blocks.

Rio Tinto is aware that BSGR has now commenced drilling in Simandou Block 1 and Block 2. BSGR's activities have been observed by Simfer representatives in the region. Again, it is noted that BSGR is pressing ahead with its activities in complete disregard of Rio Tinto's rights under the existing Mining Convention and Concession.

It remains Rio Tinto's position that the Decree was invalid and contrary to law, and that Rio Tinto's rights under the Mining Convention and Concession in relation to Simandou Blocks 1 to 4 remain intact. This matter is currently being discussed between Rio Tinto and the Guinean authorities within the framework of the Mining Convention.

Until this matter is resolved in accordance with the Mining Convention, any purported grant of mining rights by Guinea to BSGR, or claim of such rights by BSGR, is necessarily invalid to the extent that it relates to Simandou Block 1 and Block 2, or otherwise conflicts with Rio Tinto's rights under the Mining Convention and Concession. Should BSGR continue with exploration, drilling or other mining activities in these areas, it does so at its own risk, in the absence of any valid legal right, title or interest and in direct infringement of Simfer and Rio Tinto's rights under the Mining Convention and Concession.

Finally, please be advised that Rio Tinto reserves its rights, and intends to hold BSGR, as well as its officers and related entities, responsible for any and all loss or damage, direct or indirect, that Rio Tinto or its subsidiaries have suffered, or will suffer, as a consequence of the activities of BSGR and its subcontractors in or relating to the Simandou region of Guinea.

Yours faithfully

For and on behalf of **Simfer S.A.**

David M. Smith
President and Managing Director

