

**From:** asher@bsgresources.com  
**Sent:** Sunday, December 6, 2009 10:38 AM  
**To:** Mahmoud Thiam <mahmoud.thiam@gmail.com>  
**Subject:** Fw: Technical Committee Answers. 5.12.09#2.docx  
**Attach:** Technical Committee Answers. 5.12.09#2.docx

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Dear Minister. Please see attached for the committee. Thanks

Sent from my BlackBerry ☐ wireless device

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**From:** "Mike Kritzinger" <mike.kritzinger@bsgresources.com>  
**Date:** Sun, 6 Dec 2009 17:18:46 +0200  
**To:** 'Tatiana Rakitina' <tania@bsgresources.com>  
**Cc:** <asher@bsgresources.com>; 'Marc Struik' <marc@bsgresources.com>; <yossie@bsgresources.com>  
**Subject:** Technical Committee Answers. 5.12.09#2.docx

Hi Tania

Kindly print – 5 copies.

Thanks

Mike

## **BSG RESOURCES (GUINEA) Limited**

### **Answers to Questions by Technical Commission 4 December 2009: Zogota Project**

- 1 Is the capital expenditure for Railway Line (Conakry to Kankan – “the Line”) included in the capital investment for Zogota?

The total cost for the Line of 1 Billion United States Dollars will be paid for out of the cash flows derived from both the Zogota and Blocks 1 and 2 projects.

- 1a) Will the Government of Guinea be required to pay back the capital for the Line or is it a gift to the country.

The Line represents BSGR Guinea’s contribution to Guinean social infrastructure development.

- 2 Why is the starting date for the construction of the Line only 2012 and not 2010?

BSGR Guinea will commence construction of the Conakry Kankan railway line at the time construction of the Sanniquellie Zogota railway line is ready to commence. Construction of the Conakry Kankan will start once the Government provides clearance to BSGR Guinea to commence construction and the route is handed over to BSGR Guinea free of any encumbrances. The first 100 kilometres of construction will take up to 24 months to construct. The remaining portion of the line will be constructed in accordance with the time frame proposed in the Zogota feasibility study based on the cash flows derived from the full combined project. In exchange for this undertaking, BSGR Guinea requests that a 3% royalty to be payable on the lumpy and fines products until the concession for Block 1 and 2 is granted to BSGR Guinea. Once the concession for Blocks 1 and 2 is granted, BSGR Guinea will agree to a royalty of 3.5% on these products in the Mining Convention. BSGR Guinea is however requesting that the B.I.C for the life of mine of the entire project (Zogota and the Blocks) will remain 30%.

- 3 What will the quality of the Line be – what are the specifications?

The specifications of the proposed reconstruction of the Conakry Kankan line are based on a narrow gauge single track, which will be in accordance with current International standards and practices. Once completed this line will be capable of transporting passengers as well as industrial and agricultural goods, and would allow for potential future extensions. This specification will provide BSGR Guinea with an opportunity to use the existing corridor and foundations as well as the remaining infrastructure like bridges and crossings which will result in expediting the reconstruction of the line. This will be at the proposed capital cost of up to 1 billion United States Dollars.

- 4 Who will own the railway line from Sanniquellie to Zogota?

The proposed new single track line between Sanniquellie and Zogota (Phase 1) and the future double track from Sanniquellie to Zogota and Blocks 1 and 2 (Phase 2) will be dedicated iron ore lines. The ownership of this new infrastructure will be the Government of Guinea (new lines up to Liberia border) and Government of Liberia (from border to Buchanan, which includes Sanniquellie). BSGR Guinea will have the exclusive right to manage and operate these dedicated iron ore lines with a final total export capacity of 130 million tonnes per annum.

- 5 What is the relationship between BSGR (Guinea) and BSGR International?

The relationship between BSGR Guinea SARL and its parent companies is shown in the attached organogram.

- 6 Who are the two companies that will assist BSGR (Guinea) with our Environmental management, including the socio economic aspects of the project? What are the environmental and socio-economic plans for the project?

The two independent environmental consultants engaged by BSGR Guinea are:

Digby Wells and Associates (Pty) Ltd – Johannesburg South Africa (DWA)

ENVIRON Corp – based in France and the United Kingdom (Environ)

DWA will be responsible for the completion of the technical specialist studies of the Environmental Impact Assessment (EIA) as required by Guinean law.

Environ will be responsible for the socio economic aspects of the EIA as required by Guinean law

- 7 Why is BSGR Guinea proposing a 3% royalty on the product when the Code says 7% for ore and 3.5% for concentrate?

Refer to question 2 above.

- 8 What is the payback period on the project?

The payback period will be approximately 6 years.

- 9 What will happen to the project after the 15 year period (i.e. will the magnetite be mined)?

The intention is to mine and process the magnetite dependant on the completion of a feasibility study.

- 10      Seeing that there is a 100 year life of mine for the entire project, what are you proposing in terms of electricity provisions in the second phase? Seeing that there is a 100 year life of mine are you planning to build a steel plant?

These are not in the BSGR Guinea project plans at present.

- 11      What will the Government of Liberia charge us to transport and export the ore from that country?

BSGR Guinea is at this time not aware of the level and type of charges that may be charged by the Liberian government. These charges will be form part of the discussions to take place with the Liberian Government.

- 12      What are ArcelorMittal's plans regarding the railway line from its Nimba project to Buchanan?

BSGR Guinea is in discussions with the Government of Liberia with regards to the exclusive rights to the Buchanan railway line. BSGR Guinea is also in discussion with ArcelorMittal with regard to the usage of this line.