

	Results
1.	<a href="#">World Bank to probe mines deal</a> words, Danny Fortson The Sunday Times (London), June 24, 2012 Sunday, BUSINESS; Pg. 3, 430

[Return to List](#)

1 of 1 DOCUMENT



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## World Bank to probe mines deal

**BYLINE:** Danny Fortson

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THE World Bank has opened an investigation into Guinea's mining industry after The Sunday Times exposed a secret deal that gave a shadowy middleman rights to billions of dollars of assets in exchange for a \$25m loan.

The government of Guinea announced on Friday that it would repay the loan and cancel the contract.

Guinea has huge deposits of the aluminium ore bauxite, iron ore, gold and diamonds. Alpha Condé, the president, plans to use the natural resources to pull the country out of poverty. He has attracted some of the world's largest miners, including Rio Tinto and BHP Billiton, and international patrons.

Tony Blair signed up as an adviser through his Africa Governance Initiative, while George Soros, the billionaire trader, has helped revise the mining code.

Controversy erupted this month when The Sunday Times revealed an agreement between the mining and finance ministers and Walter Hennig, a South Africa-based businessman.

**Palladino** Capital, a British Virgin Islands vehicle controlled by Hennig, lent the government \$25m (£16m) in April 2011. The deal gave **Palladino** the rights to 30% of the operations of a new national mining company if the cash-strapped government defaulted.

The World Bank declined to comment but is understood to be examining whether the government has struck any other undisclosed deals. It is one of the country's big creditors and an investor in Simandou, one of the world's largest undeveloped deposits of iron ore.

The **Palladino** deal was signed five months before Guinea introduced its revised code. The new regime gave it rights to take a free 15% stake in all the country's mines, plus another 20% at market rates. The stakes are potentially worth many billions.

**Palladino** said it would welcome an "independent investigation into the establishment and funding of the Guinea National Mining Company."

World Bank to probe mines deal The Sunday Times (London) June 24, 2012 Sunday

It denies any wrongdoing.

Kerfalla Yansane, the economy and finance minister who signed off on the loan, said last week that the government's improving finances meant it made sense to "repay a loan whose conditions we no longer deem favourable".

The government of Guinea said it had not been informed of the World Bank probe, but added that it had launched its own investigation with the aid of "outside advisers".

Labour MP Eric Joyce urged the Serious Fraud Office to look into the matter. In a letter last week to David Green, chief executive of the SFO, he said: "Walter Hennig is a director in the UK and **Palladino** has a UK subsidiary, making both entities subject to the UK Bribery Act, which prohibits bribery and corruption of any kind."

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