

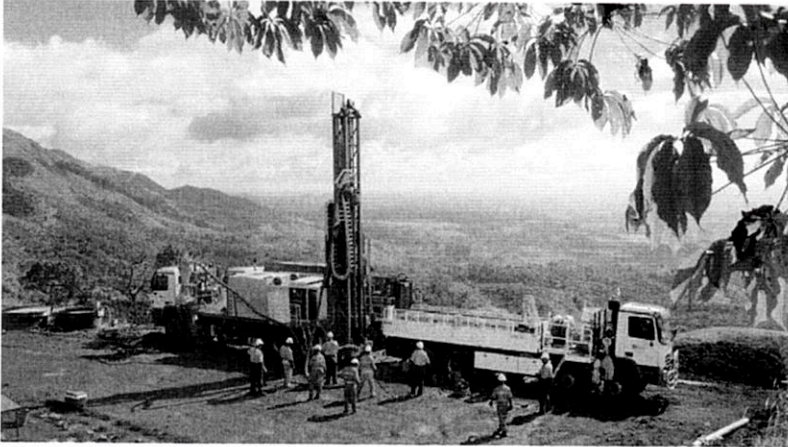
FINANCIAL TIMES

Home UK World Companies Markets Global Economy Lex Comment Management Personal Finance Life & Arts
 Energy Financials Health Industrials Luxury 360 Media Retail & Consumer Tech Telecoms Transport By Region Tools

October 21, 2013 1:22 pm

Guinea corruption probe advances but wait for Simandou goes on

By Tom Burgis



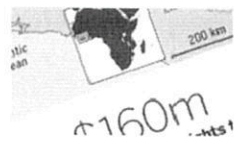
Iron-ore drilling in Simandou, Guinea

Beny Steinmetz, the Israeli billionaire, was interviewed by Swiss prosecutors last week as part of an investigation into allegations of bribery in the acquisition of one of Africa's most coveted mining assets. Yet the Guinean officials who triggered the international probe into his family conglomerate's dealings face a conundrum: they might get their man but not their mine.

Even as the corruption probe expands from Conakry, Guinea's capital, to New York and Geneva – raising the prospect of Guinea taking back the Steinmetz company's rights to the Simandou concession – the likelihood of the bounteous iron ore deposit yielding up its treasure any time soon is receding.

BSG Resources, the mining arm of the tycoon's family group, denies the corruption allegations. It won rights to the northern half of the Simandou mountain in 2008, shortly after they were stripped from Anglo-Australian miner Rio Tinto in the dying days of Lansana Conté's 24-year dictatorship.

By the numbers: Simandou



Now the year-long dispute over claims that BSGR paid bribes to the dictator's fourth wife to advance its cause has halted development, with Vale, BSGR's Brazilian partner, putting the project on ice. At the same time, Rio Tinto, which retains Simandou's southern half, has recently delayed its plans to start mining by at least three years.

The upshot is that a mine that would, at some \$20bn, represent the continent's biggest mining investment, remains on the drawing board 16 years after the first concession was granted. Guinea, meanwhile, remains eight places above the bottom of the UN's living standards ranking, caught in the centre of a struggle that involves the mining industry's superpowers.

The stand-off with BSGR presents a thorny decision for Alpha Condé, a veteran opposition activist and former Sorbonne professor who became Guinea's president in 2010 following elections that marked the end of decades of military rule.

As part of what the Condé government says are attempts to rebuild Guinea's reputation with investors, a special committee is reviewing past mining deals. Last year, the committee warned BSGR that its Simandou rights could be cancelled if the company failed to answer the corruption allegations satisfactorily. If the committee decides against BSGR, Mr Condé could choose to act on its recommendation and reclaim BSGR's rights straight away. Or he could await the outcome of the international investigations into the corruption allegations before making any move.

The first course risks allowing Mr Condé to be portrayed as BSGR has sought to paint him: as just another African asset-snatcher. US anti-corruption actions often take

years, however, and some observers say Guinea might launch a formal process of cancelling BSGR's licence over the coming months.

BSGR is considered highly unlikely to depart meekly. It says it "will consider all available legal options against the government of Guinea, including international arbitration, if that government pursues its illegal efforts to expropriate BSGR's interests in Guinea".

In his clearest statement of intent to date, Mr Condé declared in a speech at the start of October that his government had "started a battle to recover our mines which were acquired fraudulently".



FT Investigation: Guinea – what lies beneath

A probe by Guinea's elected government into mining deals struck by past dictatorships has restarted a tussle for some of the planet's most coveted mineral stocks

[Continue reading](#)

The president named no names, but his estimate of the amount the state stood to make by reselling repossessed licences – \$2.5bn-\$3bn – chimes with what BSGR's share of Simandou might be expected to fetch.

In 2010, while the army was still in charge, Brazil's Vale agreed to pay BSGR \$2.5bn for a 51 per cent stake in BSGR's Guinean assets, which also include a smaller iron ore prospect. It was a spectacular return for Guernsey-registered BSGR, which had spent \$160m on preliminary work. Vale paid \$500m up front but late last year it put the project on hold. In April, as the international corruption investigation gathered pace, Vale said it had refused BSGR's demands for further payments under the sale agreement, claiming the contractual conditions had not been met. BSGR declined to comment.

Guinean officials have suggested they would be happy for the Brazilian group to remain if BSGR were ejected. Vale is thought to be keen to maintain its presence. However, it told the Financial Times this month: "The project remains under review and Vale is awaiting the Guinean government to conclude the review of the mining contracts to decide about the future of its investment in the country. It is also awaiting the conclusion of the [US Foreign Corrupt Practices Act] investigation into BSGR."

The US has already brought charges against Frederic Cilins, a former agent of BSGR in Guinea, detained in Florida in April following an FBI sting. Mr Cilins has pleaded not guilty to accusations he sought to have documents, which purported to lay out BSGR's alleged bribery scheme, destroyed.

After a Guinean request for co-operation, Swiss prosecutors have searched company offices linked to BSGR and Mr Steinmetz's Geneva home and last week, according to people familiar with the matter, interviewed the tycoon himself. The Geneva prosecutor's office declined to comment. People interviewed in this way in Swiss investigations are questioned as part of the prosecutor's inquiries, rather than as suspects.

The scramble for Guinea's minerals



Guinea is rich in minerals including bauxite and iron ore. Mining houses, tycoons and strongmen have been fighting over these natural resources for decades

It is unclear where the US and Swiss authorities believe Mr Steinmetz himself fits into their investigations.

The task of reclaiming and reselling BSGR's Simandou rights is Guinea's alone. There has been no shortage of potential buyers pitching for any vacated Simandou rights. The question for Mr Condé is whether the more credible among them would be put off by the prospect of legal disputes with BSGR.

One potential winner is Rio Tinto. It is backed by Chinese state-owned miner Chalco and has said it intends to build a railway and port to export from Simandou. In August, chief executive Sam Walsh indicated that the group would be interested in taking back the half of the mountain it lost to BSGR if it became available again. "We know that there's iron ore there," Mr Walsh said, "and clearly that could be attractive to us depending on how it was offered."

Letter in response to this article:

BSGR deal promised long-term development for Guinea/ From Mr Asher Avida

Content recommended for you

Based on your browsing history

EU should confront its enemies as one

Rouble reaches weakest level since May

German business leader drops opposition to sanctions

Sanctions and a disunited European Union

Ukraine PM quits to clear way for polls

BHP mines record level of iron ore

BHP mines record level of iron ore

Osborne warns on hit from Russia sanctions

Europe urged to harden Russia sanctions

Abbott urges Putin to back UN resolution

Printed from: <http://www.ft.com/cms/s/0/6f27deac-3686-11e3-aaf1-00144feab7de.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2014 FT and 'Financial Times' are trademarks of The Financial Times Ltd.