

# Guinea: Damning Video and Contracts Show BSGR Was Lying in Guinea Mining Scandal

Beny Steinmetz Group Resources says there was no corrupt behaviour in its acquisition of licences to one of the world's largest iron ore concessions, in the West African nation of Guinea.

It asserts that the wife of a former Guinean dictator had no involvement in its business dealings. All such allegations, it says, are part of a smear campaign.

Global Witness has seen evidence to the contrary.

A series of secret contracts seen by Global Witness spell out how BSGR promised Mamadie Touré (sometimes known as Mamadie Conté) millions of dollars and shares in the massive Simandou iron ore concession in return for help in acquiring the licences.

Along with the stake in Simandou - a mountain range in the forested region of southeastern Guinea - Mme Touré was also promised stakes in uranium and bauxite mines that were granted to BSGR.

Mme Touré was, at the time the deals were signed, one of the four wives of Guinean dictator Lansana Conté, who came to power in a 1984 coup, ruling the country until his death in December 2008. BSGR acquired the licences to Simandou two weeks before he died.

Just as contentious is the allegation by a Guinean mining review committee that BSGR asked Mme Touré to ensure that licences to Simandou were taken away from the company then holding them - the mining giant Rio Tinto.

Blocks 1 and 2 - half the concession - were confiscated from Rio in July 2008, five months before they were granted to BSGR. The Guinean government said at the time that Rio had not met production deadlines.

A leaked video from a September 2006 meeting held by BSGR - an edited version of which we post online today - shows Mme Touré at the event with top BSGR officials.

One of those who speak at the event is Frédéric Cilins, an adviser to BSGR who was arrested on Sunday in Florida, standing accused of obstructing a federal grand jury investigation into BSGR by seeking to destroy the secret contracts.

The FBI arrested Mr Cilins in a sting operation, after he allegedly tried to pay Mme Touré to hand over contracts she had signed in relation to Simandou in order for them to be destroyed, according to the indictment.

Mr Cilins also instructed Mme Touré to tell the FBI, should she be questioned in relation to Simandou, that she had no involvement with BSGR, the indictment says.

Mme Touré now lives in Jacksonville, Florida, where she owns three properties. Property records indicate that Mr Cilins and another official who has worked for BSGR may have

been tied to the purchase of these properties. Global Witness faxed a list of questions to a number listed as being for Mme Touré on Thursday evening but received no reply.

BSGR did not reply to questions e-mailed by Global Witness on Thursday afternoon relating to its dealings with Mme Touré. Global Witness has been seeking comment from BSGR on corruption allegations since November last year.

The company has declined to engage with us, instead saying that our refusal to provide a pre-publication copy of our planned reports was "deeply suspicious", and accusing us of orchestrating a smear campaign.

BSGR has, at the same time, been using the law firm Mishcon de Reya - former lawyers to Princess Diana - to try to force us to give up our source material.

BSGR has denied all allegations of corruption and said that it is committed to transparency, saying in a press release of 25 March this year that it "acquired its exploration and mining rights in Guinea after a fully transparent and legal process".

In the same statement, BSGR also denounced the Guinean government as "illegitimate" and said the mining review process was biased and contrary to the Guinean constitution.

After Cilins' arrest, BSGR issued a new statement saying that he is not an employee of the company - although in a letter to the mining review committee, BSGR acknowledged that Mr Cilins has represented BSGR in meetings.

"BSG Resources has over 6,000 employees and operates in 12 countries globally ... We are not aware of any allegations against any of our employees," BSG Resources said in the statement. "Allegations of fraud in obtaining our mining rights in Guinea are entirely baseless."

### **The Simandou flip**

Global Witness has previously raised concerns about BSGR's acquisition of blocks 1 and 2 of Simandou, noting the huge profits that the company made by flipping half their interest on to Vale, the world's largest miner of iron.

BSGR paid nothing for its rights to Simandou and sold 51% of its stake to Vale in 2010 for \$2.5 billion. Of this sum, \$500 million was paid out immediately, with the remainder to be paid in stages.

Even allowing for the \$160 million that BSGR says it invested in Simandou and a neighbouring concession, the profit was immense. The Guinean government's entire annual budget in 2010 amounted to just \$1.2 billion.

BSGR struck the deal with Vale under a period of often brutal military rule from December 2008. Longstanding opposition figure Alpha Condé was elected President two years later and, pledging to fight against corruption, launched a review of past mining contracts.

The review committee has, among other matters, written to BSGR with detailed questions over alleged corruption linked to the Simandou deal and the way in which BSGR obtained its blocks.

In November last year Global Witness issued a statement, calling on BSGR to provide full answers to these allegations. Since then, we have seen three leaked letters from BSGR to the review committee, denying the allegations.

In particular, BSGR states in a March 15 letter to the review committee that that Mamadie Touré was not married to President Conté and that questions relating to her were in any case "not pertinent... . As BSGR has never approached Mme Touré on the subject of the Simandou project".

There is an abundance of reports and news articles from the Guinean media stating that Mamadie Touré was one of President Conté's wives.

This is also accepted as fact by Guinea's mining review committee. In Global Witness' opinion it seems unlikely that so many sources in Guinea are mistaken.

Furthermore, it does not seem clear why BSGR would seek to question her relation to the former president if she was in no way connected to the company.

Still less credible is that BSGR "never approached Mme Touré on the subject of the Simandou project".

### **Text, lies and video tape**

In the video taken at a BSGR public relations event of 19 September 2006, Mme Touré - in the presence of Mr Cilins and surrounded by military guards, is introduced to: Asher Avidan, President of BSGR since June 2006; Roy Oron, a senior BSGR official who was described in the Guinean press at the time as being the General Manager of BSGR Afrique and who was CEO of all of BSGR from 1998 to 2007; and Mark Struik, at the time BSGR's Chief Operating Officer and currently the CEO of its Mining and Metals Division.

The person introducing the BSGR officials to Mme Touré is her brother, Ibrahima Sory Touré, then the Vice-President of BSGR's Guinean subsidiary.

The video also shows Mr Struik announcing, in English, BSGR's plans to start drilling in Simandou in November 2006 - despite the rights to the concession still belonging to Rio Tinto and there being no plans for Rio to give them up. Mr Cilins - the suspect recently arrested in Florida - is interpreting for Mr Struik.

The previous year, BSGR had formally initiated its relationship with Mamadie Touré by agreeing to a "collaboration contract", which is referred to in a later termination contract seen by Global Witness. Global Witness has seen a series of other agreements between BSGR and affiliated entities. These agreements include:

- An undated declaration signed by Mamadie Touré, representing a company called Matinda, that she received \$2.4 million, which was payment stemming from her 2005 "collaboration contract" with a company called Pentler Holdings Ltd, registered in the British Virgin Islands.

Pentler Holdings, registered by the company services firm Mossack Fonseca & Co. was a corporate vehicle that held 17.65% of BSGR Guinea.

It should be noted that the US indictment states that the "cooperating witness" (whom we know to be Mamadie Touré) has acknowledged that she has received funds at a bank account she controls in Florida.

- Various promises of payment (it is unclear whether all were honoured, or whether they were subsequently revised). These documents notably include a "commission contract" of 27 February 2008, signed by Asher Avidan on behalf of BSGR and by Mamadie Touré on behalf of her company Matinda, saying that "BSG Resources commits to give a total sum of four million dollars as a commission for obtaining blocks 1 and 2 of Simandou, situated in the Republic of Guinea."

The contract says that "Matinda and Co. commits... to do everything necessary to obtain from the authorities the signature for the obtaining of the said blocks in favour of the company BSG Resources Guinea."

BSGR "proposes" to distribute the commission in two halves: \$2 million directly to Matinda and the other half to "people of good will who will have contributed to the facilitation of the granting of the said blocks". The contract also commits BSGR to building "school infrastructure" in Guinea belonging to Matinda.

A further undated "termination contract" (July 2010, according to one source) that ends the Pentler-Matinda relationship and in which Pentler commits to pay Matinda "\$3.1 million for its part in all the activities carried out in Guinea". This document is signed by Mme Touré and by an unknown individual for Pentler.

- The granting to Mme Touré's company Matinda of five per cent of BSGR's Simandou blocks and also to its uranium and bauxite (aluminium ore) blocks in Guinea.

#### Florida property

Property and corporate documents related to Mme Touré's three houses in Jacksonville, Florida, where she moved to after the death of President Conté, also indicate a link to BSGR.

One of the properties Mme Touré is listed as owning in Florida's property records is 4658 Fern Hammock Drive, which was sold 50% to Mme Touré under her own name and 50% to her company Matinda and Co. LLC. The "Articles of Organisation" for Matinda and Co list its original registered agent as the Aventura, Florida-based lawyer Adam R. Schiffman.

Mr Schiffman is the registered agent for several companies, including at least two where the owners are listed in a 2012 corporate document as: Avraham Lev Ran, who signs on behalf of the BSGR vehicle Pentler in a 20 February 2006 "letter of engagement" agreed with Mme Touré; and Mr Cilins. Another company that Mr Schiffman is the registered agent for, FMA USA, also has Mr Lev Ran and Mr Cilins as its owners.

When taken together - the video, the contracts, the property documents and the US indictment - there is compelling evidence that BSGR obtained its rights to one of the world's most important mining assets through bribery.

BSGR's replies regarding Mme Touré and Mr Cilins fail to convince. Instead of answering our questions seriously, the company has resorted to labeling us as part of a plot and refusing to engage with us.

### **Answers please**

As the US Department of Justice investigates the company's behaviour in Guinea and as the Guinean government persists in asking difficult questions, BSGR should realise this is not a plot. The issues being raised are serious and matter very much for the people of Guinea, whose lives have for decades been blighted by corruption.

In light of Mr Cilins' arrest and the release of this new evidence, it's time BSGR stopped dodging the questions - and started providing answers.

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*Notes to Editors:*

*The video discussed in the story above is available on Youtube:*

*<http://youtu.be/HOfNE2gZH1o>*

*Global Witness has published two previous press releases on BSGR. See our statement of 16 April, "Corruption arrest in US puts Beny Steinmetz Group Resources in the frame", and our statement of 9 November 2012, "Beny Steinmetz Group Resources must publicly address questions over Guinea mining concession".*