

**NETWORK MOVEMENT FOR JUSTICE AND DEVELOPMENT
(NMJD)**

Focus on Mining Companies Series No. 2

**Dancing with the Chameleon: Mining Communities in
Sierra Leone and the many faces of Frank Timis**

June 2010



***Expectant People in Tefeya Community, Sandor Chiefdom in the so called
expensive SLDC Youth Centre.***

DEDICATION

This report is in solidarity with all mining communities in Sierra Leone whose generation will live with the long lasting negative impact of mining unless duty bearers are prepared to do *due diligence* to extractives processes.

ACKNOWLEDGMENTS

We would like to thank the consultant, Dr. Lansana Gberie, for preparing this **second edition of focus on mining companies**. He is one of the co-authors of the report *“The Heart of the Matter, Sierra Leone, diamonds and Human Security (Ottawa, 2000) and author “Diamonds, Blood and Tears: A Report on the Relationship between Koidu Holdings Ltd. and Affected Property Owners of Kono”*.

We wish to immensely thank our donor, Canadian Catholic Organization for Development and Peace (CCDP) for their financial and moral support to people’s solidarity and struggle in the mining sector.

Our heart goes to our numerous supporters behind the scene in all mining communities in Kono, Kenema, Moyamba, Bo, Tonkolili and Port Loko.

We would like to commend the various contributors for providing information to the consultant particularly the staff of Obtala Mining Company and the SLDC now African Minerals.

We owe a debt of gratitude to the affected people of Sandor Chiefdom.

“My goal is to contribute to the economic growth of these regions so that their children can have the same lifestyle as my own children!” – Frank Timis on his websiteⁱ

The Report

Research was conducted in April and May 2010. The report is a project of the Campaign for Just Mining (CJM), which was launched by the Network Movement for Justice and Development (NMJD) in 2000. The CJM was launched immediately after the release of *The Heart of the Matter: Sierra Leone, Diamonds and Human Security* (Ottawa, 2000) a major study on the diamond trade and the civil war in Sierra Leone, released in January 2000.

Lansana Gberie, one of the co-authors of that study, assisted with the research and writing of this report. Dr. Gberie worked with Partnership Africa Canada on its Diamonds and Human Security Project from 1999 to 2006. He is the editor, most recently, of *Rescuing a Fragile State: Sierra Leone 2002-2008* (Wilfrid Laurier University Press, 2009), and many other publications on Sierra Leone, especially its mining industry.

The report, about the relationship between the mining communities of Sandor Chiefdom, Kono District, and the tangle of corporate names known as African Minerals, can also be found at: <http://www.nmjd.org/>.



INTRODUCTION

The map above highlights the Konoma Diamond Mine in Sandor Chiefdom, Kono District. This area was part of the holdings of the Sierra Leone Diamond Company (SLDC), controlled by the controversial Romanian-Australian businessman Frank Timis. Between 2004 and 2005, the Government of Sierra Leone (GoSL) granted a huge land area of Sierra Leone – about 57% of the country’s land mass – to the SLDC ostensibly for reconnaissance and exploration. Timis officially bought a 30% stake in the SLDC in 2005 through a Bermuda-registered vehicle. The company had been active in Sierra Leone since 1996, beginning as Africa Diamond Holdings Limited (ADHL), ran by Canadian businessman Alan Dolan.

Timiș, now the Executive Chairman of the company, increased his shareholding to 34% in June 2006 and to 34.6% (40,875,002 shares) in September 2006. By February 2009 the entire company was worth £45m (US\$65m); but in July 2009, according to its Annual Report 2009, it raised in excess of US\$100 million with institutional investors.ⁱⁱ On 16 August 2007 the SLDC was renamed African Minerals Limited (AML.L) to reflect the many other minerals interests, including iron ore, bauxite and gold, that the SLDC, **presumably a prospecting** company, held. Shortly after, in a pattern now recognized as distinctively Timis’, on 15 March 2010 African

Minerals announced an initial Mineral Resource estimate of over 10 billion tonnes of iron ore at an average grade of 29.9% in the Tonkolili District, northern Sierra Leone. Timis' publicity around the discovery, disputed by others, claim that this discovery is the biggest iron ore find in 20 years, and the largest deposit in Africa, surpassing those in Liberia (where the far bigger and better-financed Acelor Mittal Steel is active) and Guinea (exploited by global Australian giant Rio Tinto). Almost immediately, African Minerals Ltd. issued a statement that it has signed an "intention agreement" with China Railway Material Group to export iron ore to China, and has meanwhile turned over 12.5% stockholding right of Tonkolili project to China Railway Material with the around \$244m in value. The company claims on its website that the Tonkolili iron ore project has a JORC compliant magnetite resource of 5.1 Billion tonnes and that several billions more could be found in the adjacent areas. African Minerals has already signed a 99-year lease for these areas. Within two months, it was announced that the new deals have made Timis over \$US500 million. African Minerals is now the largest market cap company on London's AIM.

What about the SLDC's diamond mining venture in Sandor Chiefdom? In September 2005, SLDC claimed that it was embarking on 'large scale alluvial mining operation[s]' and that the company was trying to generate 'near term cash flow' for this. It noted that SLDC would employ 600 to 800 people in the operation – located in Sandor, in a mining area previously owned by Colonel RUFF, the famous commander of the Executive Outcomes, a South African mercenary firm contracted by Sierra Leone's embattled military junta, the National Provisional Ruling Council (NPRC), in 1995 to help beat back the Revolutionary United Front (RUF) guerrillas. Mining in the area began in 2006, and in 2008, SLDC claimed that it had found 7,218.86 carats from the Sandor mines, prized by the GDD at US\$345.84 per carat, realising gross sales proceeds of approximately US\$2.5 Million. Shortly after their Tonkolili iron mines were opened, in January 2010, African Minerals (AMI) announced that it had sold its diamond operations in Sierra Leone to fellow AIM-listed Company, Obtala Resources (OBT), but African Minerals still maintains a 10% stake in the venture. The deal was valued at £4.3 million. The Chairman of Obtala, Frank Scolari, was a board member of SLDC/African Minerals. At about the same time that the Obtala deal was agreed, Timis sold his mining interests at Marampa, in northern Sierra Leone, to Cape Lambert. There is, in other words, **a lot of deal-making** and very little mining – typically Timis, in other words.

SLDC immediately made redundant hundreds of young workers in Kono, significantly adding to the huge unemployment and social problems in the desperately bottomed-out district.

NO RETURNS TO SANDOR CHIEFDOM

As a former impoverished refugee from Romania who has now become a multi-millionaire from mining in poor countries, Timis makes large claims of corporate responsibility to his mining communities. This bold claim, for example, is made on Timis' website, accessed in June 2010:

“Take African Minerals, where Frank is Executive Chairman, as an example. Here the company invests heavily not just in its employees in Sierra Leone but in their families and the communities in which they live. Employees undergo best practice training in addition to health and education programmes. The company also pays agricultural compensation wherever its activities impact on the local communities' farming activities.

“African Minerals has supported the following local community initiatives: The construction of a primary school in the Kono District, the construction of a school and church in the Bombali District, the construction of a large market facility in Nimiyama Chiefdom, opened in 2006 by the country’s Vice President , the construction of a youth centre at Tefeya and the construction and maintenance of roads and bridges servicing local communities. In addition the company supports the Kono District scholarship programme, has invested in local sports facilities and advises on sanitation and health programmes.

“The district scholarship programme is an annual programme which is geared towards helping the underprivileged pupils in schools located in the Kono District. The company distributes educational materials at two schools in the Sandor chiefdom of the Kono District and contributes towards the scholarship programme fund from which 150 pupils benefited in receiving one year of tuition fees, educational literature and other school materials.”ⁱⁱⁱ

In its *Annual Report 2009*, African Minerals claimed to have spent \$300,000 on community beneficiation schemes, including providing scholarships to students, building a market and a community centre, and a host of other activities in its areas of operations in Sierra Leone. This writer visited Sandor, and spent hours with the new management at the Konema Diamond site, to verify these claims.

The mines have been operated by Obtala since January 2010, with a new General Manager, Paul Davies, British. In all appearances, however, it is as if African Minerals is still in control. The sign at the entrance of the mines still read Sierra Leone Hardrock Ltd., the name SLDC/African Minerals used for the mines. The Administrative Officer for the Obtala operations, Kusan Sesay, was the Public Relations Officer for the SLDC operations. Sesay was enthusiastic in spelling out all that the previous operations did for the Tefeya community in Sandor, as well as for elsewhere in the chiefdom. But the highlights were meager even in his extravagant locution:

- The construction of a Community Market at Masabendu at a cost of Le.400 million “even before we started extracting a single shovel of gravel”.
- The construction of a Youth Centre at Tefaya at a cost of Le.375 million.
- \$5,000 in scholarship scheme for Kono students
- \$6,500 in educational materials for Kono students.^{iv}

Tefeya, the immediate community around the mines, is in fact a small town with 2 nursery schools and one primary school; the primary school houses a few lower secondary school classes. All students wanting to pursue secondary education must go to Koidu Town and elsewhere – Makeni, Magburaka, Freetown, or Bo. This writer was able to verify only six scholarships paid to primary school pupils in Tefeya by the SLDC during its time of operations. *The Youth Centre is a shambolic and desolate-looking building which is hardly, if at all, used by the local community. If the company paid Le.375 million on it, it doesn’t show.* The same goes for the Community Market at Masabendu, which is, however, a very useful site for local traders – and a most welcome infrastructure in the badly degraded town.

Timis’ publicity has also boasted of “the construction and maintenance of roads and bridges servicing local communities.” This writer in May found all roads in the area un-surfaced and

deteriorated; it is difficult to envisage motorized transport even on the road leading to Tefeya, past Obtala's mining site, during the rainy season. The road is muddy, and even the four-wheel drive vehicles used by mining officials can get seriously bogged down in mud, which is so deep the vehicles have to rest on their axles to be able to get through. The only sign of any investment on the roads is the bridge leading to the Obtala mining site. It was built by Colonel RUFF shortly after the war ended; RUFF sold it to SLDC as part of the deal passing over the mines to the company. In other words, there is no pretence that this is a community beneficiation scheme; it is company infrastructure.



The SLDC Three Hundred and Seventy-Five Million Leones Youth Centre Donation in Sandor Chieftdom. Is it worth the environmental destruction?

The major problem where community beneficiation and corporate social responsibility are concerned has to do the laying off of hundreds of workers by the SLDC after the company sold its mines to Obtala. Before the sale, the mines at Tefeya employed 500 permanent and 800 casual staff. Among these were about 50 expatriate workers, shooting up overhead cost for the company, and causing (supposedly) it lose millions of dollars. Obtala, for its part, has retained a few of those employees, but aims to have only 100 fulltime staff. It has, however, announced in May the launch of a Community Mining Scheme, which, Obtala claims, will employ about 400 workers. The workers will be paid Le.10,000 per day, and their supervisors Le.12,000. As well as this, 30% of the profits from the community mining project will be given back to the mining community. General Manager of Obtala Paul Davies noted that this was for a trial period of 3 months: “Obtala will ensure a policy of socially responsible employment at all times. Upon successful completion of this three month trial period it shall be rolled out for a further 12-month period, employing more people,” he said. ^v Three Paramount Chiefs, Aiah D. Bona III of Nimikor, Sheku Ahmed Fasuluku III of Sandor and George Bockarie Toto of Nimiyama chiefdoms, signed the project agreement with Obtala, along with the Minister of Mineral Resources, the ubiquitous Alpha Kanu.^{vi}

About the Campaign for Just Mining

Network Movement for Justice and Development’s (NMJD) Campaign for Just Mining aims to do the following:

- Facilitate information sharing on revenues, laws, and practices of mining;
- Carry out audit of the Diamond Area Community Development Fund with the communities;
- Engage in advocacy and lobbying at chiefdom level and facilitate the strengthening of community committees;
- Train communities in leadership, lobbying and advocacy, mining laws, and policy for them to be effective in their work;
- Provide technical and financial support to strengthen the capacity of committees; and
- Engage in policy dialogue with the senior officials of the Ministry of Mineral Resources on mining issues.

A major flaw in the project agreement is that the daily wages for the workers will not be paid directly to them; the money will first go the Chiefs, who will then – along with government representatives – pay the workers. This is probably in order to save Obtala administrative and other liabilities, but it is guaranteed to create confusion and resentment. It is also offensive, since it somewhat infantilizes the workers – as though they cannot be trusted to be paid directly by the company. This is simply an attempt by Obtala to shirk the responsibility of an employer, and it is deplorable.

ALL MOTION, LITTLE MOVEMENT

As noted above, SLDC started operations in Sierra Leone in the midst of the rebel war, in the 1990s. By 2005, the company claimed that it had invested \$12 million the previous year in the initiation of a series of high resolution airborne magnetic surveys over its licenses areas, and that the survey was 40 per cent complete by end of 2004. This proved to be false. The surveys were largely intermittent and incoherent, and there are conflicting reports about progress made. Worse, there was utter confusion about what exactly the company was prospecting for, or whether prospecting was all it is doing.

In November 2003, the company had signed an indenture with the GoSL for \$10,000, allowing them to prospect not only for diamonds but for bauxite and other minerals. The application envisaged environmental and other problems in areas where the company would operate, and pledged to introduce “improved varieties of most commonly cultivated crops,” “sustainable farming,” and programs of HIV/AIDS education. None of these

programs were, in fact, initiated in SLDC’s areas of operations.^{vii}

The company operated with a number of fronts, all holding prospecting and exploration licenses in Sierra Leone, presumably for tax and other nefarious purposes. Among them were Fatkad

Mining Company Limited, Kangaroo Mining Company Limited, and Molans Mining Company Limited. Directors and officers of SLDC also have beneficial interests in North West Diamond and Gold, which, like SLDC, was registered in Bermuda; and in 2005, the SLDC acquired North West's 10,000 km² exploration licenses in Sierra Leone. Of course, this tangle of corporate names and interests creates some confusion; and of course Frank Timis was all along the controlling all of these interests.

The Ministry of Mineral Resources raised concerns about key aspects of SLDC's 2004 Annual Report. One notes that 'only a single paragraph' in the entire report describes 'the Airborne Magnetic Survey...which should have been the thrust of [SLDC's] operations'. The SLDC Annual Report had noted that 'follow-up exploration will use geophysics and an excavator for pitching and trenching of identified gold and diamond dyke or pipe targets.' An alarmed Ministry of Mineral Resources (of the Geological Survey Department) noted in a memo to the Minister that this is 'incomprehensible when you consider that the [SLDC's] license is basically reconnaissance and targeting -- mainly [the] aeromagnetic survey.' The official called for 'clarification' from SLDC, to include a proper definition of 'aeromagnetic surveys.' None was officially provided. However, when this writer contacted the SLDC's London-based manager at the time, David Gadd-Claxton, he wrote via email that an aeromagnetic survey is 'an airborne magnetic survey designed to look for magnetic signatures of potential Kimberlite bodies in the earth.' Gadd-Claxton claims that this survey has now been completed 'at a not inconsiderable cost.' He added, 'We have spend in excess of \$5 million on' the program.^{viii}

In June 2005, Moseray Fadika, the Sierra Leonean General Manager of SLDC's North West Diamonds and Gold Ltd. – and now General Manager of African Minerals – notified government of the discovery of 'minerals not specified' in the company's license, and asked for an amendment of the license to cover those minerals. The government subsequently approved 'exclusive prospecting licenses' (EPLs) and one exploration license covering 142 square miles in Tonkolili District (covering iron ore, rutile and bauxite, as well as diamonds), and another covering 1,316 square miles for two years in southern and eastern Sierra Leone. Total annual payment for these was put at \$178,400, but Fadika asked for a reduction (figure not stated) in view of the fact that the company would be investing \$2.5 million during the first phase of its investigations.

Residents in Kenema and Kono Districts were complaining in 2005-6 that SLDC was engaging in small-scale mining, and there have been reports of clashes between SLDC employees and residents, as well as with MMOs. Both the government and SLDC dismissed these claims at the time, but they were later confirmed by the SLDC.

When in January 2005, SLDC was floated on the AIM market of the London Stock Exchange with the aim of raising £100 million for its Sierra Leone operations. The announcement triggered British press reports focusing on Timis' controversial past, including two drug convictions, and other unsavoury allegations. A British MP was also criticized for improper links to the company, in the form of lobbying and improper payments. To paraphrase an internal review of Timis' record with respect to another of his companies, Regal Petroleum, Timis' 'prior conduct' may have 'no material adverse effect on [SLDC] and in particular on the validity of its interest' in Sierra Leone. Timis admitted on his website that indeed he had fallen "foul of the law". The website states: "Three times [Timis] was arrested and fined for possession of heroin. Frank paid his fines and has always declared in submissions to companies and stock markets throughout the

world that he is a man with a past. He deeply regrets those incidents and these days Frank contributes heavily to drug awareness and rehabilitation charities. As he says: “I was lucky. I got caught and it stopped me from getting in deeper. It also made me turn away from the so-called friends I had then and though I do regret this part of my past, it made me realise that drugs are a waste of time, money and, ultimately, life.”^{xix}

Like many things emanating from Timis, the statement is a curious mixture of true and false. Timis indeed paid the fines, and has contributed money to drug awareness programs. But he crucially failed to make the fact of his conviction known when he registered with the Toronto Stock Exchange. In 2007 the Toronto Stock Exchange declared that Timis was wholly unfit to act as a director, officer or major shareholder of a listed company after it was discovered he had not declared two previous convictions for heroin possession.^x Timis had also not declared to the Toronto Stock Exchange that while a young refugee in Australia, he had started his own transport company, which owned only one truck driven by himself, and that the business went bankrupt in 1986 with debts of \$15,806 AUD – as required by law.

In 2008, Timis got into a legal battle with London Mining over a \$45m (£26m) cash and shares deal he announced to the stock exchange involving the iron ore mines in northern Sierra Leone. London Mining filed a writ in a court in Sierra Leone seeking an injunction to force Timis to move his workforce from two stretches of disputed Marampa iron mines said to worth an estimated \$2 billion. According to the *London Times*, the deposits in the Marampa mines “supplied the allied forces with much of their iron-ore requirements during the Second World War and were operational until the 1970s.”^{xi}

Timis had been granted rights by the Sierra Leone government to mine part of the area, but instead he reached outline agreement with the Australian miner Cape Lambert that would see him swap 30% of his company’s interest in the Marampa area for a 10% stake in Cape Lambert. London Mining alleged that Timis had encroached their own lease area, an interpretation that seemed to be supported by Sierra Leone government maps. Amidst the controversy, Timis took Minister of Mineral Resources, Alpha Kanu, on a trip to Romania, and quickly the Sierra Leone government backed Timis.^{xii} The matter was later settled, with London mining granted a very controversial deal that clearly breached the 2009 Mines and Minerals Act, and Timis maintained his interest. Once again, Sierra Leone was shortchanged.

Timis now concentrates mainly on his iron ore mines in Feregbenya, in Tonkolili District, Northern Sierra Leone – he bills it as the largest iron ore deposit in Africa. Such claims have been proven unreliable – adding to the Timis’ myth. Proper rules are routinely ignored by Timis. In November 2009, for example, his company, Regal Petroleum, where he was Chief Executive, was fined £600,000 by the London Stock Exchange for “systematic” breaches of rules, the biggest-ever fine levied by the exchange.^{xiii} Timis has now set up another company, African Petroleum, and is said to be negotiating with the Sierra Leone government for the offshore oil find in Pujehun District. The seismic data point to a 1 billion to 1.2 billion barrels prospect with as much (or more) in neighbouring channel complexes – making the find about equal to the Jubilee field in Ghana (discovered in 2007), which is set to fetch Ghana \$1.2 billion annually for

the next 20 years.¹ If Timis clinches this deal, it will be a major coup – and a disaster for Sierra Leone.

CONCLUSION AND RECOMMENDATIONS

This report has deliberately focused on a past – and rather small – operation of Frank Timis’ mining interests in Sierra Leone, with sidelights on bigger ventures. *The aim is to highlight a persistent issue with respect to mining in Sierra Leone: the absolute lack of returns to mining communities in the country.* There is, of course, the broader issue of the connivance of the authorities with foreign mining interests, and the huge loss of revenue to the country as a result. The following recommendations suggest themselves:

1. The government should review the past operations of Timis’ mining operations in this country, in particular the SLDC, before any further leases are granted to him and his many front companies.
2. The employment practices of African Minerals – as well as Obtala – should be reviewed. At its mines in Tonkolili, African Minerals employs a large expatriate staff to do work that can be competently done by Sierra Leoneans. It has, for example, brought in a South African company, **All Terrain Services**, with mainly Ghanaian employees, to provide catering services for the mines. It has a Ghanaian as Human Resources Manager.
3. The Community Mining project launched by Obtala should be reviewed. The workers should be granted proper contracts, and should be paid directly by Obtala, not through Chiefs or government representatives.
4. A clear policy guideline on **community beneficiation** (crop compensation, resettlement etc) should be issued by the government, to be binding on all mining enterprises in the country.
5. In a bid to address the “unreliable claims” about mineral deposits, the Government of Sierra Leone should contract specialists to **map** out our resources endowment so as to truly determine the quantum of mineral reserves the nation has at any point in time.

¹ *The Economist*, 30 December 2009 (online edition, accessed on 10 Jan. 2010).

ⁱ http://www.franktimis.com/Social_Responsibility/Sierra_Leone/Default.aspx?id=11

ⁱⁱ See its Annual Report at www.african-minerals.com

ⁱⁱⁱ http://www.franktimis.com/Social_Responsibility/Sierra_Leone/Default.aspx?id=11

^{iv} Interview with Kusan Sesay, PRO Obtala Resources PLC, May 2010. It should be added that these funds were disbursed to the Diamond Dealers Association in Kono, whose Chair, Saquee, was an admirable community leader. Sesay, however, did not provide documentary evidence, and Saquee was not available for comments.

^v Interview with Paul Davies, Obtala General Manager, May 2010.

^{vi} See: <http://www.newstimeafrica.com/archives/11823> (accessed on 30 May 2010).

^{vii} See Partnership Africa Canada's *Sierra Leone Diamond Annual Review 2006* (edited by Lansana Gberie)

^{viii} Quoted in the *Sierra Leone Annual Diamond Review* (op.cit)

^{ix} <http://www.franktimis.com>

^x "Australia Stock Exchange Blocks Timis Deal," *Daily Telegraph* (London) 15 April 2010.

^{xii} "Frank Timis faces court over African mines," *Sunday Times* (London), 7 September 2008.

^{xiii} "Australia Stock Exchange Blocks Timis Deal," *Daily Telegraph* (London) 15 April 2010



MOTTO: Awareness, Reflection, Transformation.

OUR MISSION

THE NETWORK MOVEMENT FOR JUSTICE AND DEVELOPMENT IS A SIERRA LEONEAN CIVIL SOCIETY ORGANIZATION THAT DOES ADVOCACY AND STRENGTHENS/ENHANCES THE CAPACITY OF CIVIL SOCIETY ORGANIZATIONS TO EFFECTIVELY ENGAGE WOMEN, MEN, CHILDREN, COMMUNITIES, GOVERNMENT AND OTHER ACTORS FOR THE TRANSFORMATION OF SOCIETY.

OUR VISION

A JUST AND SELF-RELIANT SOCIETY (SIERRA LEONE) WHERE WOMEN, MEN, CHILDREN AND COMMUNITIES, ARE CONSCIENTIZED AND LIVE IN DIGNITY WITHOUT FEAR AND DISCRIMINATION ESPECIALLY ON GROUNDS OF SEX, RACE, FAITH, SOCIO-ECONOMIC AND POLITICAL STATUS.

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