Work set to resume at Simandou after Guinea, shareholders agree on terms

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Simandou deposit, Guinea. (Image courtesy of Rio Tinto.)

Guinean authorities and shareholders have agreed on the terms of a joint venture to mine Simandou, one of the world's largest deposits of iron ore, paving the way for work to resume this month, the presidency said on Monday.

Guinea's transitional government ordered work to stop last July to try to force the shareholders – which include Rio Tinto, Aluminium Corporation of China (Chinalco), China Baowu Steel (Baowu), and Winning Consortium Simandou (WCS) – to agree on joint venture terms.

At the time, authorities said they needed clarification on how the West African country's interests would be preserved as the companies tap into Simandou's more than 4 billion tonnes of ore.

All parties signed a shareholder pact for the La Compagnie du TransGuinéen (CTG) joint venture on March 8, marking a "crucial step" in negotiations between the Guinean state and industrial partners, the presidency said in a statement dated March 8, but tweeted on Monday.

The CTG guarantees the government 15% of the Simandou iron ore as well as a free and non-dilutable 15% stake in railway and port infrastructure.

It also reaffirms previously stated commitments to eventually open the railway to passenger services and other users.

"Today marks the most important date in the development of the Simandou project," WCS representative Robin Lu said after the signing ceremony, which was broadcast on state television late on Sunday.

The Simandou project has been haggled over for years, its exploitation delayed by legal wrangling and the difficulty and cost of building infrastructure.

Rio Tinto representative Lawrence Dechambenoit said the Simandou project had never come so close to fruition.

Under the CTG, Rio Tinto subsidiary Simfer, which Chinalco and Baowu also hold shares in, is expected to finance half the project, which has an estimated cost of between $15 billion and $20 billion. WCS will cover the other half.

Simfer S.A., which is owned by the government of Guinea (15%) and Simfer Jersey Limited (85%), itself a joint venture between Rio (53%) and Chalco Iron Ore Holdings (CIOH) (47%.

CIOH is held 75% by Aluminum Corporation of China (Chinalco) and 20% by Baowu, with China Rail Construction Corporation and China Harbour Engineering Company each holding 2.5%.

Baowu's representative in Conakry, Jiang Gongyang, said the CTG was "an important step for the Simandou project".

The minister in charge of the presidency's cabinet, Djiba Diakite, said he was confident different viewpoints would converge and called on all the industrial partners to take necessary steps to ensure work resumes this month as planned.

(By Saliou Samb, Anait Miridzhanian and Sofia Christensen; Editing by Barbara Lewis)

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