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SIERRA LEONE: TIME TO LET GO OF FRANK TIMIS

Franklyn Bai Joseph, 8th March 2015

President Koroma said in his statement in Brussels on 3rd March 2015 that before the Ebola outbreak, Sierra Leone was 'hailed in 2013 as the 2nd fastest growing economy', suggesting that Ebola is principally responsible for the collapse of the economy. The President was right in saying that the IMF and World Bank, using their own somewhat outdated form of ranking, placed the West African nation as 2nd fastest growing based on projected figures of economic growth submitted by the Sierra Leone government. Those figures were largely based on yet other figures of production levels submitted by mining companies including African Minerals Limited (AML) as the story below highlights. With the fall of AML and London Mining Limited, we now know that those projections were sexed-up. Therefore, the Sierra Leone economy was never truly growing that fast. And that is where the President got it wrong in his intervention at the Brussels Ebola summit. Perhaps, Ebola did magnify the sorry state of a hyped-up economy, but Sierra Leone was never truly in the league of fastest growing economies, let alone being second in that league.

African Minerals Limited (AML), the country's largest investor, has gone bust. And curiously, the government – headed by a president with a much vaunted business background – has failed to make any statement on such a calamitous collapse. Worryingly, the indifference within civil society, particularly the deafening silence of independent journalists is a serious cause for concern for many an independent observer of the country.

African Minerals' almost uncontested projections of success was central to every forecast on Sierra Leone's economic growth. It was the biggest employer in the country and the company most of our young dreamt of joining. It had a hand in every pie going including media, sports, charities and so on. Given that dominance, one could be forgiven for believing that the collapse of an entity of that importance should be addressed with seriousness.

And while the recent devastations caused by Ebola to the country's economy cannot be downplayed, it cannot also be flagged up as an excuse for the apparent demise of African Minerals. A company which marketed itself with such 'high international cooperative accolades' should be able to withstand the effects of such disasters as others like Rio Tinto and ArcelorMittal in Guinea and Liberia respectively.

From the outset, it was widely raised in the international media that African Minerals' product discovery was embellished. The warnings became persistent but still went unheeded, when the prudent thing to have done was investigate the source and seriousness. Rather than a simplistic dismissal, perhaps the question we should have asked was what were the possible motives for such a strategy. Or in the very least, sought answers from senior figures in the company to verify the rumour.

That the government failed to pursue those suspicions now has the catastrophic potential of negatively impacting the country's economic prospects. A basic Google search on African Minerals' founder suggests a controversial figure that perhaps deserved a lot more scrutiny than accorded him.

Before Frank Timis' African Minerals was ludicrously awarded a 99-years mining contract, there was overwhelming evidence that the Romanian born Australian Chief Executive and so called 'Emperor of African Minerals' had a tarnished record in the corporate world.

In 2009 the Alternative Investment Markets (AIM) in the City of London levied its highest fine of £600,000.00 on a London-based company Timis set up, Regal Petroleum. Regal, the regulator found, 'on 11 separate occasions failed to take reasonable care to ensure its announcements were not misleading, false or deceptive, and did not omit material information.' Did our government investigate those findings to ensure Timis was fit and proper to head an operation so significantly tied to Sierra Leone's economy? That must be a no.

That significance makes it difficult to sympathize with those who say Sierra Leone's situation in the aftermath of the war was such that turning away a 'potential investment' the size of African Minerals' as marketed at the time would have been deemed foolish.

What that chaotic post-war phase should have heralded or prioritised was an era of responsible governance, ensuring that an investors' *modus operandi* is fully established before contracts are exchanged. Had the Kabba administration and its successor and current government of Ernest Koroma, done their due diligence in the interest of the country, we might not be faced with this current mess.

In 2012 African Minerals internally investigated Frank Timis for sanctioning the payment of \$50 million dollars to a Cyprus-based company called Global Iron Ore (GIO) without approval by the board. Allegedly, money was paid to GIO over the termination of a contract. What's wrong with that? Paying out compensations when contracts are ended prematurely is not entirely unusual in corporate dealings. But what's so odd about the GIO settlement was that GIO was both an agent and purchaser of African Minerals' productions. Which means in some ways it is part of African Minerals' operations and therefore any settlements with them, especially when directed by a single board member should raise concerns.

Of course the investigation failed to pin a blame on Timis as the allegations were said to be 'neither proved nor disproved.' Roger Liddell, a senior independent non-executive of AML at the time was reported to have said he was '99.5 percent confident Timis was involved in wrong doing.'

In the subsequent period, Liddell was proven right. It was revealed that Frank Timis, along with fellow African Minerals Director Dermot Coughlan and his son Craig Coughlan, were in fact directors at GIO with each holding a 25% stake. That conclusion was further strengthened by affidavits provided by an alleged investor and a former operating officer in GIO Cyprus, with both stating that African Minerals worked with GIO despite being fully aware of their lack of experience in the iron ore industry.

But again even though news of the investigation was in the public domain, it failed to raise eyebrows in government ranks or warranted an exhaustive investigation by journalists.

Are we really supposed to believe that our government and the Bank of Sierra Leone were unaware of such an inquiry? It's unthinkable that an investigation could happen within an AIM-registered company without coverage in the financial press. So it's beyond mystifying that an elected government that represents the interests of its people could fail to know, let alone carried on with such ghastly negligence.

How fascinating that in 2012 African Minerals' published expenditure was \$198M. Of that sum, (\$50m) a quarter was surreptitiously paid to a hidden interest of two of its most senior figures. With such cloak-and-dagger transactions, it cannot be too farfetched to say that a pattern of hoodwinking investors was being normalised.

In the current setup, it's apparent we have no institution or person with the clout – constitutional or political – to question investors in Sierra Leone, let alone African Minerals at its height.

The truth is, Timis and his cohort found themselves right at home in the unregulated atmosphere that is Sierra Leone. They gained political influence and won ordinary citizens with the classic fooling strategy: the false philanthropy of throwing chicken-feed at funds-starved charity efforts while exploiting the anomalies of the present non-system.

Without the necessary regulatory bodies, token Sierra Leonean friends and relatives of governments who acquired board membership carried out overt profligacies that in a way should have predicted African Minerals' demise. If our government was proactive, even the shortcut rental procurement of properties and vehicles AML officials used, might have communicated a waiting-for-the-right-opportunity to skim and run agenda.

Aligned to that is the open secret that African Minerals never sought to refute or explain the bankrolling of Africa Young Voices (AYV) radio station and newspaper. Project AYV made no effort at independence. In fact, it was headed by AML's Communication Officer Anthony Navo, almost certainly at the behest of his mentor and Executive Director Gibril Moseray Fadika. AYV's foray into the media is an unnecessary and irresponsible waste of funds to benefit not the country, but it seems Fadika's ambitions.

AML's influence was so pervasive that no one ever questioned the sincerity of Fadika's commitment to youth opportunities. No doubt, financing organs of information is not a bad contribution, but where such operations add nothing of substance but subverted into propaganda machinations, you have to question the motive of their existence.

It's not a question of saying Fadika or any other Sierra Leonean cannot hold aspirations to be president if he/she so desires – it's a constitutionally enshrined right for every citizen. The serious bind is that a man so central in a company intrinsically linked to the country's economic growth cannot manipulate a non-political media venture funded by the said company, set up on the premise of serving national youth groups to fan his presidential aspirations. That is cheating the democratic process via an unfair advantage born out of exploiting the country's resources.

Indeed, it's beyond obvious that these shenanigans that propelled African Minerals influence in Sierra Leone are not unique to Fadika and other operatives within the company. It's well established that Reliance Insurance Trust Corporation (Ritcorp) formerly owned by President Ernest Koroma, which is now allegedly controlled by the president's younger brother, Thomas Koroma, is AML's national insurer. While this is not illegal, critics might be forgiven for questioning possible conflict of interest.

With such links, what hope for an investigation? Unless something is done urgently, an indefensible oversight as a result of a seemingly incorrigible conflict of interest in Sierra Leone could prove too costly to bear.

Not that any sensible citizen would rejoice at African Minerals' problems, nor use it as a rod on people's back. Investment in Sierra Leone is in everybody's interest. But it must be done for the benefit of all. Investment, especially on natural resources cannot just benefit a few who melt away whilst the country's optimism for the future is brought to a thudding halt.

As it is now, the news from the City of London is not looking great for African Minerals. Thanks to Timis's reputation African Minerals is highly unlikely to attract any financial backers for any rescue plans soon. The company has all but said so themselves, and the Chinese are unwilling to pour more money into AML. But again Timis is no stranger to such an outcome. There is a precedence parallel to the African Minerals situation in London. In 2005 another of his ventures, Regal Petroleum made an over-estimated publicity on a major oil discovery in Greece. Investors rushed in droves to buy shares on a project that later turned out unviable in any commercial sense. Investors lost their monies and Timis is still reportedly a billionaire.

Having said that, Timis has always insisted that he has made some mistakes in the past and that he would rather his charity work and job creation be extolled sometimes. He even called the AIM regulatory proceedings a 'kangaroo court.' Against that, it wouldn't be too surprising if some people, including the government still see him as the experienced man to deal with the debacle. The difficulty to contend with is that he has no relevant record of resuscitating any of his past failed ventures.

Perhaps the most profound truth the African Minerals' collapse is reinforcing is that whilst Sierra Leone is still endowed with the temporality of ample mineral resources, without forensic checks in place, and a strong regulatory body, ill-intentioned individuals and multinational corporations working in collaboration with a selected few locals, will always exploit the vast wealth of the country at the expense of citizens. That has to change.

Ultimately, only the government have the power to remedy the situation by putting in place, and adequately financing a robust and independent regulatory system. That way credible investors can be assured that their investment security is reasonably guaranteed within established structures of corporate ethics. Where the will exists, meaningful structures can emerge to prove the point that lessons have been learnt.

Unquestionably, the president has the power to change the course of events. Perhaps, no Sierra Leonean president has ever enjoyed so much goodwill from the people and the international community. But that has not saved him from some of the cruel episodes that have dogged his second term. The wicked irony is that nothing has crippled him more, or capable of unraveling his achievements more, than the lack of structures and systems.

Regarding structures and systems and AML, perhaps the President should consider setting up a credible commission for a thorough investigation into the collapse of African Minerals. And for good measure, the sale of London Mining's assets to the Timis Corporation must be reviewed instantly with a view to reversal. Anything other than that, might be encouraging the next team of shady investors. And that would be counterproductive. Serious investors are not encouraged by rewarding failure with new leases. Also, all other investments by the Timis Corporation in the country including in oil exploration, must now also be thoroughly reviewed and scrutinized.

At a time when the economic prognosis of the post-Ebola is still being keenly examined, Sierra Leone cannot afford to be seen as a grave yard for corporate capital. Such a label can only extend stagnation and delay economic progress. Therefore, AML's failing must be treated and acted on seriously.

Photo: President Koroma

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